

Staff Report

**321 STATE AVENUE (FORMER MIDDLE SCHOOL)  
REDEVELOPMENT WORKSHOP**

June 21, 2016

**BACKGROUND:**

321 State Avenue was acquired in December 2015 as part of the Breckenridge lawsuit settlement agreement. The City acquired the property with funds from the Community Development Block Grant (CDBG) program with the intent of creating affordable homeownership opportunities. At City Council's prior direction, staff is pursuing a Neighborhood Revitalization Strategy Area (NRSA) designation from HUD to create a mixed income development with 51% or more of the housing units developed on this site as affordable to low and moderate income households.

**The June 21<sup>st</sup> workshop is intended to provide an overview of the site, affordable housing parameters, and issues related to development options.**

**SITE CONTEXT:**

The property is approximately 10 acres in size with frontage along Wilmoth Avenue and State Avenue (Attachment A). The property abuts an alley along its north property line. The site is also adjacent to College Creek, with the very southeast corner of the site within the floodway fringe of the creek. The site has a substantial change in grade with the highest elevation along the west and north sides and decreasing to the east and southeast. Although there are mature trees along the Wilmoth frontage, the remainder of the site is mostly open grassy areas and empty area where the former middle school building existed. There is sidewalk along part of the Wilmoth frontage and a shared use path along the State Avenue frontage.

**Upon development of the site it is anticipated that Tripp Street will extend through the site to State Avenue.** Access to homes would be limited from State Avenue as it is a collector street. Homes could be accessed from Wilmoth and the newly developed internal streets. The north alley may be used for access as well. The north alley is also shown to be part of bicycle facility improvement that is planned to extend to Campustown and the bike facility would be accommodated through the site to connect from Wilmoth to State. Utilities are present at the site and can readily be extended to serve new development. Development of the site has already been modeled as part of the recent west Ames sanitary sewer evaluation and there is planned capacity to support its development. Development of the site will be required to meet the City's Chapter 5b Stormwater Management requirements for water quantity and quality controls.

## **AFFORDABLE HOUSING:**

CDBG is a federal Housing and Urban Development (HUD) Department program with a requirement to provide for low and moderate income household benefits when using funds for the acquisition and development of housing. Eligible low and moderate income households are those that earn less than 80% of the Average Median Income(AMI) as calculated annually by HUD. Attachment B includes a table of various family sizes and income levels to illustrate the targeted beneficiaries of the program. Additionally, HUD requires that eligible households spend no more than 30% of their income on housing costs when using federal assistance. For example, on a monthly basis, a 3 person family at 80% of AMI would have a limit within HUD programs on housing costs of approximately \$1,400, a household at 60% of AMI would have a limit of \$1,070, and 50% AMI would be limited to \$900. Monthly housing costs include costs of rent and utilities or, for ownership, they include costs of mortgage payments, taxes, and insurance. Eligible households seeking to purchase a property must still meet lending standards for mortgages, e.g. income, credit score, debt limits, etc.

Traditionally, the City has targeted housing assistance for households earning at 50% of AMI or less for rental housing as they are typically needing assistance to find market rate housing and are rarely able to secure mortgage financing for purchase of a market rate home. As you move up the income limits to the 80% threshold it is more likely that the City can assist eligible households with down payment assistance on the purchase of a market rate home. Down payment assistance has been provided through a first time home buyer program administered by city staff

**CDBG funds can support the development of affordable housing indirectly.** CDBG funds may be used to purchase land and develop infrastructure. Additionally, CDBG funds can be used to assist in the financing or one time monthly housing costs, such as a down payment assistance program or a rental deposit program. CDBG funds are not available for construction of new housing.

As a result of using federal money to purchase the property, construction of improvements on the property are subject to CDBG regulations, most notably requirements to pay Davis-Bacon prevailing wages. This means that any public infrastructure constructed on the site (whether constructed by the City or a developer) is required to pay Davis-Bacon wages and report compliance to the City. Construction of individual for-sale homes on individual lots does not require Davis-Bacon wages for the homes construction, however, buildings constructed for common ownership and rental purposes will likely be subject to Davis-Bacon wage requirements.

The FY 2016/17 Annual Action plan identifies the development of the 321 State property as a priority for the upcoming year. **The Annual Action plan includes approximate \$392,000 for set aside for further investment in the site in support of affordable housing, if necessary.** These funds are set aside for public infrastructure improvements. The Annual Action Plan also has a first time homebuyers program that could be available to assist in support of finding potential homebuyers.

## **DEVELOPMENT AND HOUSING COSTS:**

Staff's preliminary estimates of development costs are between \$20,000 and \$30,000 per standard single family home lot. These are costs associated with construction of streets, water, sewer, and stormwater. The costs of purchasing and managing the property have totaled approximately \$550,000 dollars to date. If the City paid for all of the infrastructure costs and contributed the land for free to the development of the site, the City would be subsidizing approximately \$50,000 to \$70,000 for each affordable single family home.

Based upon recent new construction home sales west of the 321 State Avenue in the South Fork Subdivision (in the vicinity of Dotson Drive) one would expect a 3 bedroom market rate home with a 2-car garage to cost between \$280,000 and \$310,000, potentially more. Newly constructed twin homes and townhomes in west Ames are likely to have a cost between \$220,000 and \$260,000, depending on size and location. Existing homes in the vicinity of 321 State have had comparison sales of between \$120,000 and \$160,000 depending on size and number of bedrooms.

While the immediately adjacent existing homes are affordable for purchase by the targeted low and moderate income households, the new construction is generally in excess of expected housing costs that are affordable to low and moderate income households seeking home ownership. **Staff believes that for targeted first time homebuyers, houses will need to be sold at prices well below \$160,000 for a qualified 80% AMI 3 person household and \$125,000 for a qualified 60% AMI 3 person household. To meet these price points it is anticipated that the houses will need to be sized in the range of 1,000 to 1,200 square feet and to have uncovered parking to reduce the construction costs compared to the comparable market rate homes of the area.**

## **DEVLEOPMENT OPTIONS**

Staff needs general direction on the following issues in order to move ahead with preparing for the development of the site. Although final decisions on the development are not needed at the workshop, there is a need to discuss four issues with the City Council that would set the framework for development of the site.

The four issues discussed below include:

- 1) Ownership and Rental Housing
- 2) Housing Types
- 3) Percentage of Affordable Homes
- 4) Development Process

## **ISSUE #1 - RENTAL AND OWNERSHIP HOUSING OPTIONS:**

**The first issue is whether the City Council is interested in allowing for a percentage of the housing units developed on the property to be used as rental housing, or if all of the homes should be for ownership purposes.** Staff acknowledges that the City has a need for both types of affordable housing (ownership and rental) and believes that either type of housing could be accommodated on the site. The City's Consolidated Plan from 2014 highlighted availability of affordable rental housing as the greatest need in the community. Rental housing would be targeted to income levels below 60% AMI. Ownership housing would be targeted to first time homebuyers between 60% and 80% of AMI as they are likeliest group need assistance in obtaining housing.

**Staff needs to understand if Council is interested in allowing for rental housing options to be proposed for the site, or whether to focus solely on ownership opportunities as it continues to work on development options for the site.** General direction on this issue is important as it will likely affect the pool of developer's interested working with the City on this project.

## **ISSUE #2 - BUILDING TYPES:**

**The second issue involves the type of buildings (single family detached, small lot single family, attached single family, and small multi-plex rental) that the Council would prefer to be constructed on the site.** With Council's direction on May 24<sup>th</sup> staff investigated preliminary layouts of a variety of building types to understand the range of development options and the number of units that could be developed. Attachment C includes five conceptual layouts to illustrate development ranging from 40 standard lot homes to a mix of standard homes with attached housing options that totaled 75 units. The conceptual layouts considered public street access, alley access, and typical lots sizes needed for such uses. Staff notes that there is no preliminary engineering work associated with the conceptual layouts and a final project would likely be different than what is represented when accounting for the requirements of building on the site. **To accomplish any of the mix of building types, besides a standard lot subdivision, the City Council would have to rezone the site to allow for different building types than are permitted under the current R-L zoning.**

**In regards to the rental housing component, staff does not believe traditional apartments are appropriate, but that mix of smaller home types, such as duplexes and triplexes could be configured in a manner that is compatible with the surroundings and meet housing needs.** The advantages of including a rental element is that it would serve the needs of a lower income level and would likely attract affordable housing developers that could leverage outside funds for the construction of the rental homes. If there is an interest in rental housing on the site, staff believes limiting the rental housing type to buildings configured similar to large homes as architecturally enhanced 2, 3 or 4-plexes.

From conversations with affordable housing developers that may try to take advantage of applying for Low Income Housing Tax Credits (LIHTC), there is likely a need for approximately 30 rental units to be feasible. Based on project costs and architectural

design, there may be a need for more units to support rental development. **The rental units would need to be occupied by a qualified family, which by LIHTC program requirements, would not include unrelated full-time students.**

In regards to ownership housing, staff believes that are two benefits to considering housing types beyond R-L standard lots. The first reason is that building either attached single family or smaller lot homes could reduce the construction costs and make it easier to meet desired price points for affordability. Secondly, staff believes the site provides a unique opportunity to try and provide housing that is not typically constructed in Ames by market rate builders. The major benefit of standard lots is that with conventional development it is an easier and more predictable process that may ensure the development of the site happens more quickly.

**To move forward in preparing for development of the site, staff needs to know what types of buildings could be acceptable to the City Council. We do not need to know exact configurations, but the general openness to different housing types.**

### **ISSUE #3 - PERCENTAGE OF AFFORDABLE HOUSING:**

The City is pursuing a NRSA designation of the general area that extends from State Avenue to South Dakota Avenue, generally bounded to the north by Lincoln Way and to the south by College Creek. The NRSA can address multiple housing goals for the broad area, but it specifically would allow for 321 State Avenue to be developed with a minimum of 51% of the total units as affordable housing, rather than the standard requirement for 100% affordable housing.

**Although the federal requirements are for only a minimum of 51% of income restricted housing and the remainder can be market rate housing, the City Council could choose to set a goal of exceeding 51%.** If Council is interested in requiring that more than 51% of the homes as affordable to low and moderate income households, or at a different affordability level, it could identify such a goal for the project. Knowing if more than 51% of the homes will be income restricted is important at the outset of the development process as it will affect the financial feasibility of the project for both the developer and the City. Council should also weigh the issues of opportunity versus concentration when establishing a goal that exceeds the minimum 51%.

### **ISSUE #4 - DEVELOPMENT PROCESS:**

Staff believes there are two primary ways to proceed with development of the site. **The first option would be to seek out a development partner for the entire site through a Request For Proposal (RFP) selection process. The second means would be for the City to invest in the engineering design of the subdivision and potentially construction for the subdivision to then market the subdivision or lots to builders and developers.** Partnering with a master developer of the site would be advantageous to the City as it would bring experience to the process, offer potentially creative approaches to developing the site, and ease administrative burden on staff of the day to day development and construction requirements. **Staff believes that the**

**RFP process for selecting a developer is the best approach to meet all of the City's interests.**

The second option would require staff to hire an engineering firm to assist in the layout and development of the site. Staff would be responsible for the sale of lots and soliciting builders for construction of homes. To efficiently accomplish development of the site under this approach and limit risks for the City, the site would need to be developed in a conventional manner with standard subdivision lots that conform to R-L. Staff would not have the resources to pursue unique development options. This option may or may not result in lower costs due to staff involvement but it could potentially allow the city to recoup part of its CDBG investment through lot sales. Staff believes this approach should be viewed as fall back option if an RFP process was not successful due to the intense amount of staff time for this option and potential risks in efficiently completing the project.

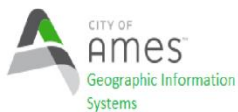
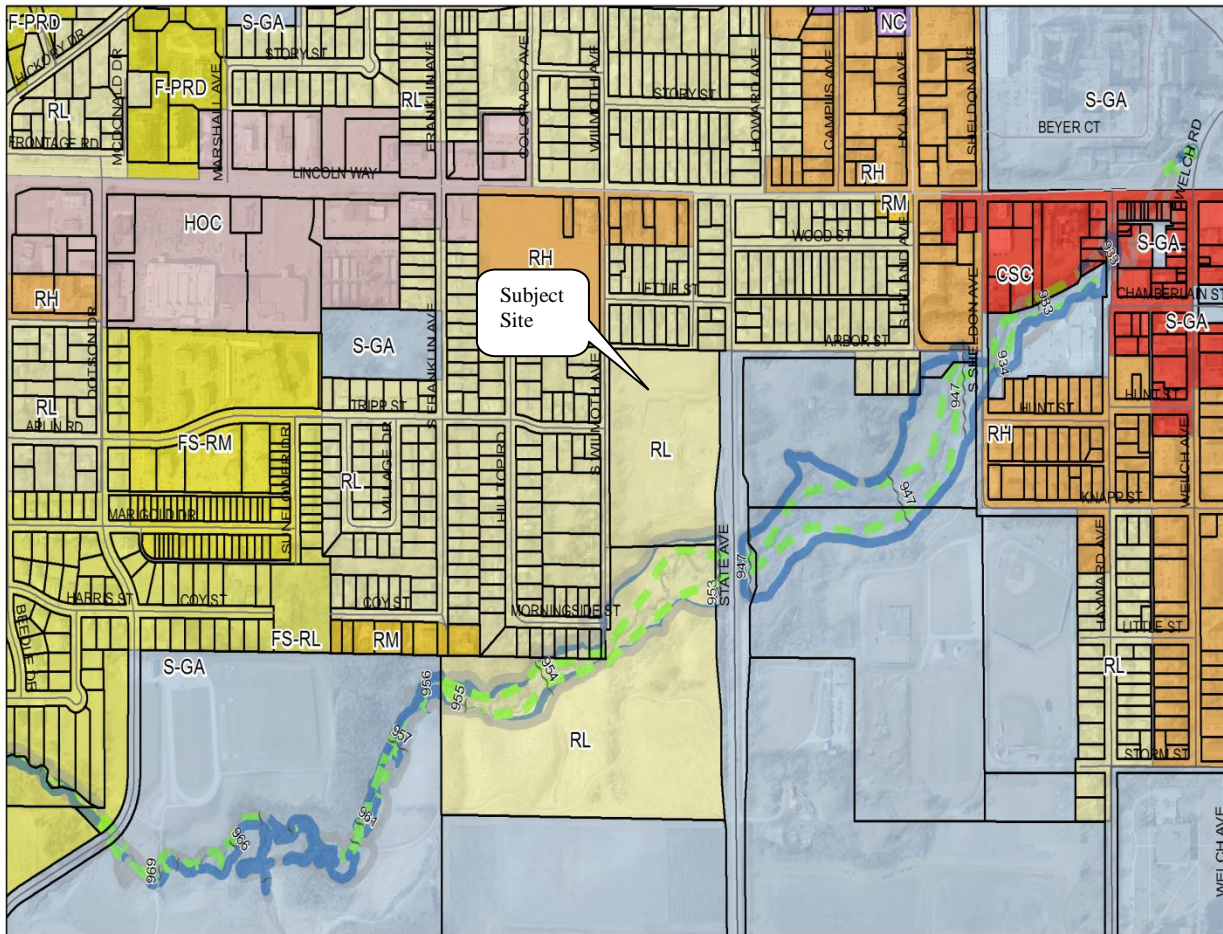
**NEIGHBORHOOD WORKSHOP:**

Staff met with a group of approximately 20 Old Ames Middle School and College Creek neighborhood members on June 15<sup>th</sup>. Staff reviewed the building type issues with the neighborhood and discussed our understanding of affordable housing needs, development process, and examples. Staff answered a number of questions concerning affordable housing programs and the operational concerns with rental housing as well. It is difficult to capture the full sentiment of all those that attended, however, staff believes there was willingness by those in attendance to consider alternative housing types beyond standard single family homes. Some were in support of considering a rental component, but there was also a strong belief by some in attendance that ownership housing is what is desirable for the site to balance out the existing neighborhoods mix of ownership and rental housing.

**NEXT STEPS:**

**Before the City staff can move ahead with the development of this property, the City Council will need to address the four issues highlighted above either at the workshop or sometime in the near future. In the meantime, staff will continue to prepare the NRSA application and submit it to HUD for approval.**

# Attachment A



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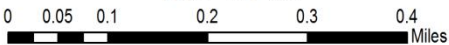
## 321 State Zoning Map

Date: 6/15/2016



NORTH

1 inch = 600 feet



**Attachment B**

<b>80% (Low Income)</b>	
<b>Family Size</b>	<b>Gross Income Cannot Exceed</b>
1	\$44,550
2	\$50,900
<b>3</b>	<b>\$57,250</b>
4	\$63,600
5	\$68,700
6	\$73,800
7	\$78,900
8	\$84,000

<b>50% (Very Low Income)</b>	
<b>Family Size</b>	<b>Gross Income Cannot Exceed</b>
1	\$27,850
2	\$31,800
<b>3</b>	<b>\$35,800</b>
4	\$39,750
5	\$42,950
6	\$46,150
7	\$49,300
8	\$52,500

<b>30% (Extremely Low Income)</b>	
<b>Family Size</b>	<b>Gross Income Cannot Exceed</b>
1	\$16,700
2	\$19,100
<b>3</b>	<b>\$21,500</b>
4	\$23,850
5	\$25,800
6	\$27,700
7	\$29,600
8	\$31,500

<b>60% (Lower Income)</b>	
<b>Family Size</b>	<b>Gross Income Cannot Exceed</b>
1	\$33,420
2	\$38,160
<b>3</b>	<b>\$42,960</b>
4	\$47,700
5	\$51,540
6	\$55,380
7	\$59,160
8	\$63,000

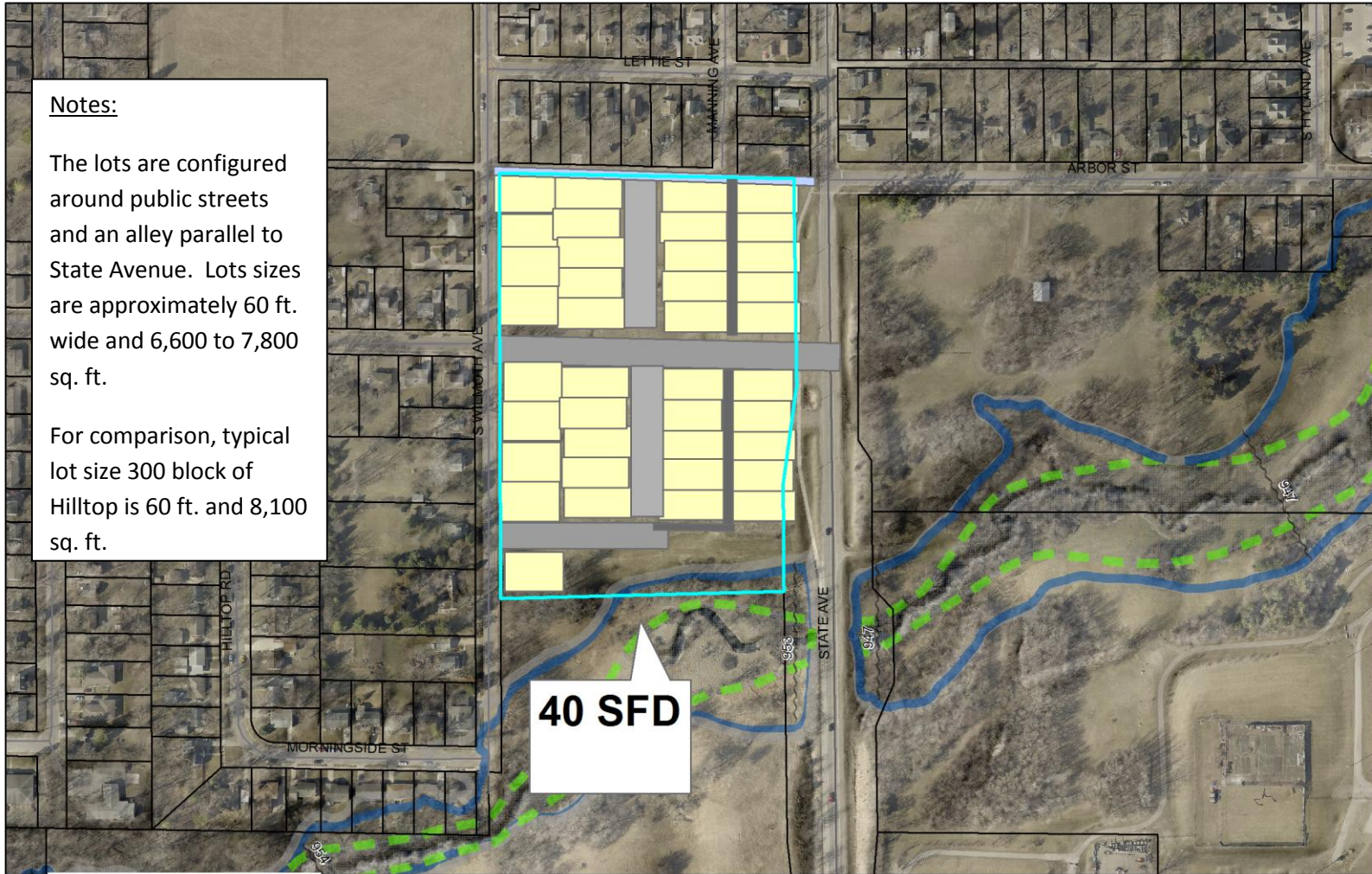


Attachment C  
40 Standard Lot Subdivision

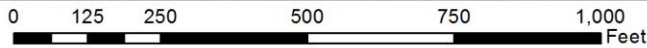
Notes:

The lots are configured around public streets and an alley parallel to State Avenue. Lots sizes are approximately 60 ft. wide and 6,600 to 7,800 sq. ft.

For comparison, typical lot size 300 block of Hilltop is 60 ft. and 8,100 sq. ft.



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321 State

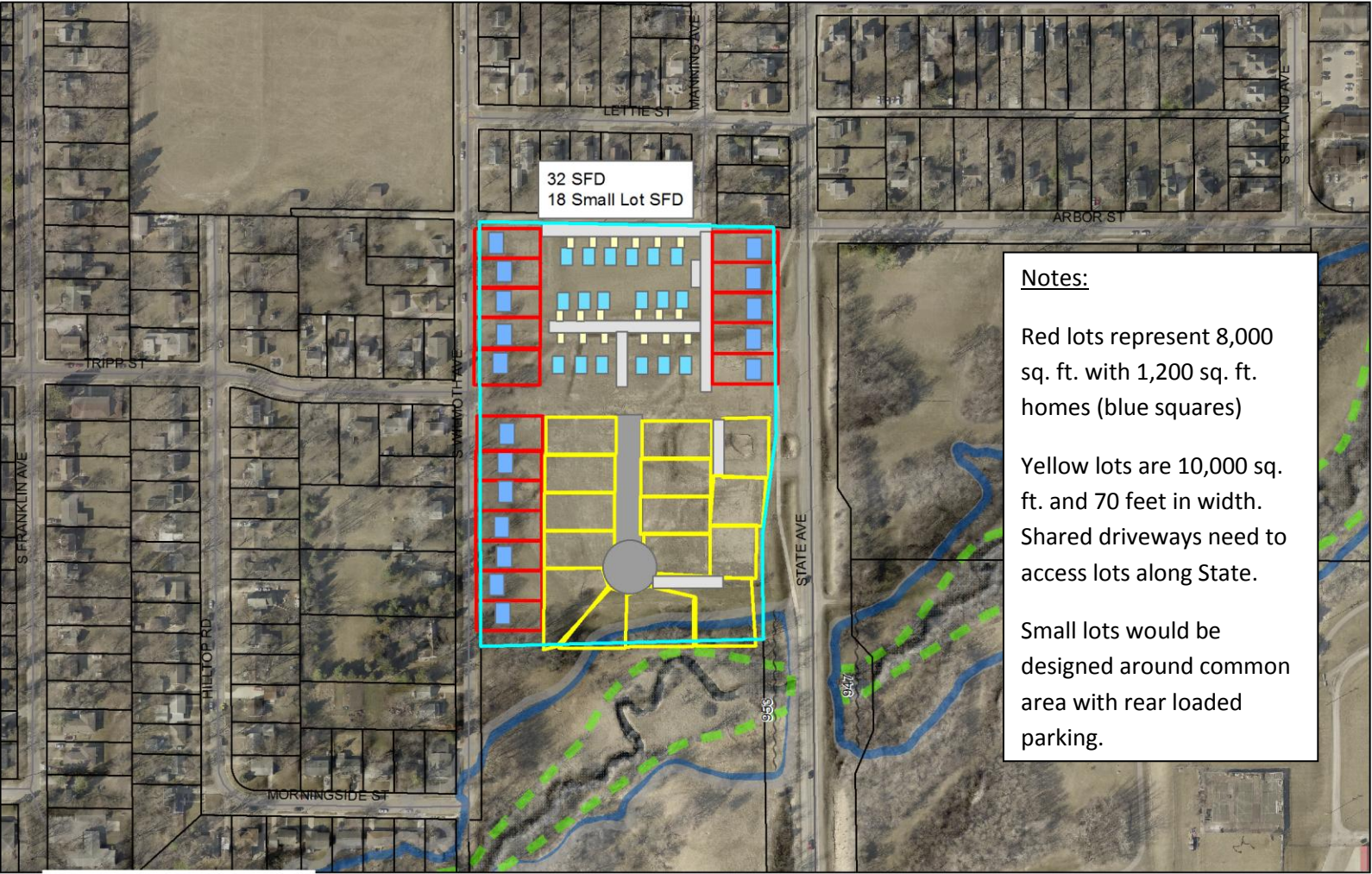
Date: 6/15/2016



NORTH

1 inch = 250 feet

Attachment C- Mix of standard lots and small lots



32 SFD  
18 Small Lot SFD

**Notes:**

Red lots represent 8,000 sq. ft. with 1,200 sq. ft. homes (blue squares)

Yellow lots are 10,000 sq. ft. and 70 feet in width. Shared driveways need to access lots along State.

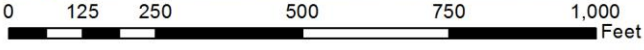
Small lots would be designed around common area with rear loaded parking.



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321 State

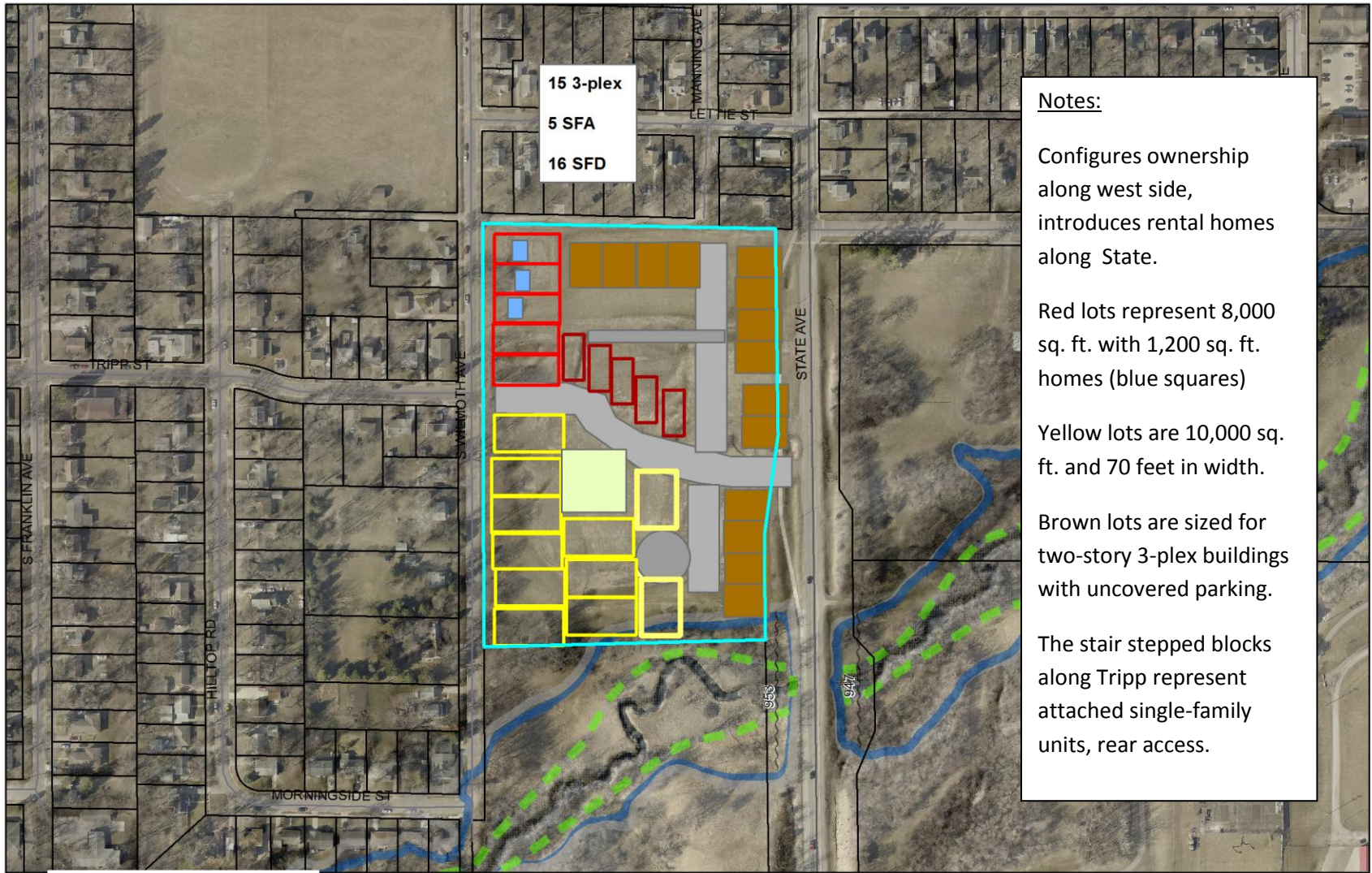
Date: 6/15/2016



NORTH

1 inch = 250 feet

Attachment C- Mix of single family and 3-plexes



15 3-plex  
5 SFA  
16 SFD

**Notes:**

Configures ownership along west side, introduces rental homes along State.

Red lots represent 8,000 sq. ft. with 1,200 sq. ft. homes (blue squares)

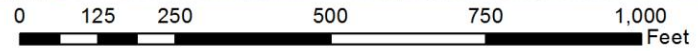
Yellow lots are 10,000 sq. ft. and 70 feet in width.

Brown lots are sized for two-story 3-plex buildings with uncovered parking.

The stair stepped blocks along Tripp represent attached single-family units, rear access.



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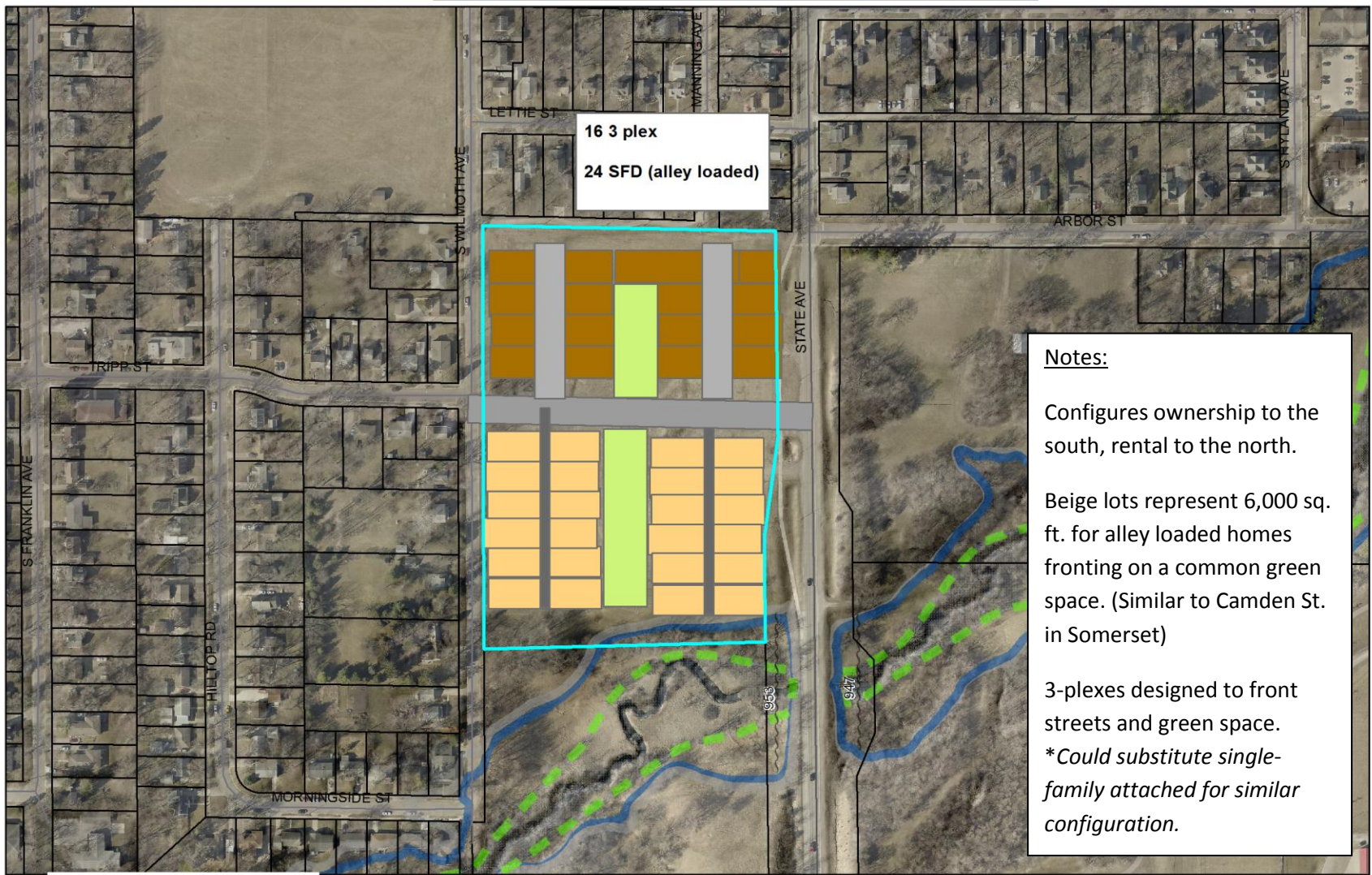
321 State

Date: 6/15/2016



1 inch = 250 feet

Attachment C- Single Family Alley Loaded with 3-plexes



16 3 plex  
24 SFD (alley loaded)

**Notes:**

Configures ownership to the south, rental to the north.

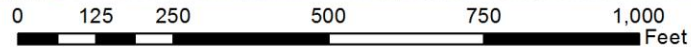
Beige lots represent 6,000 sq. ft. for alley loaded homes fronting on a common green space. (Similar to Camden St. in Somerset)

3-plexes designed to front streets and green space.

*\*Could substitute single-family attached for similar configuration.*



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321 State

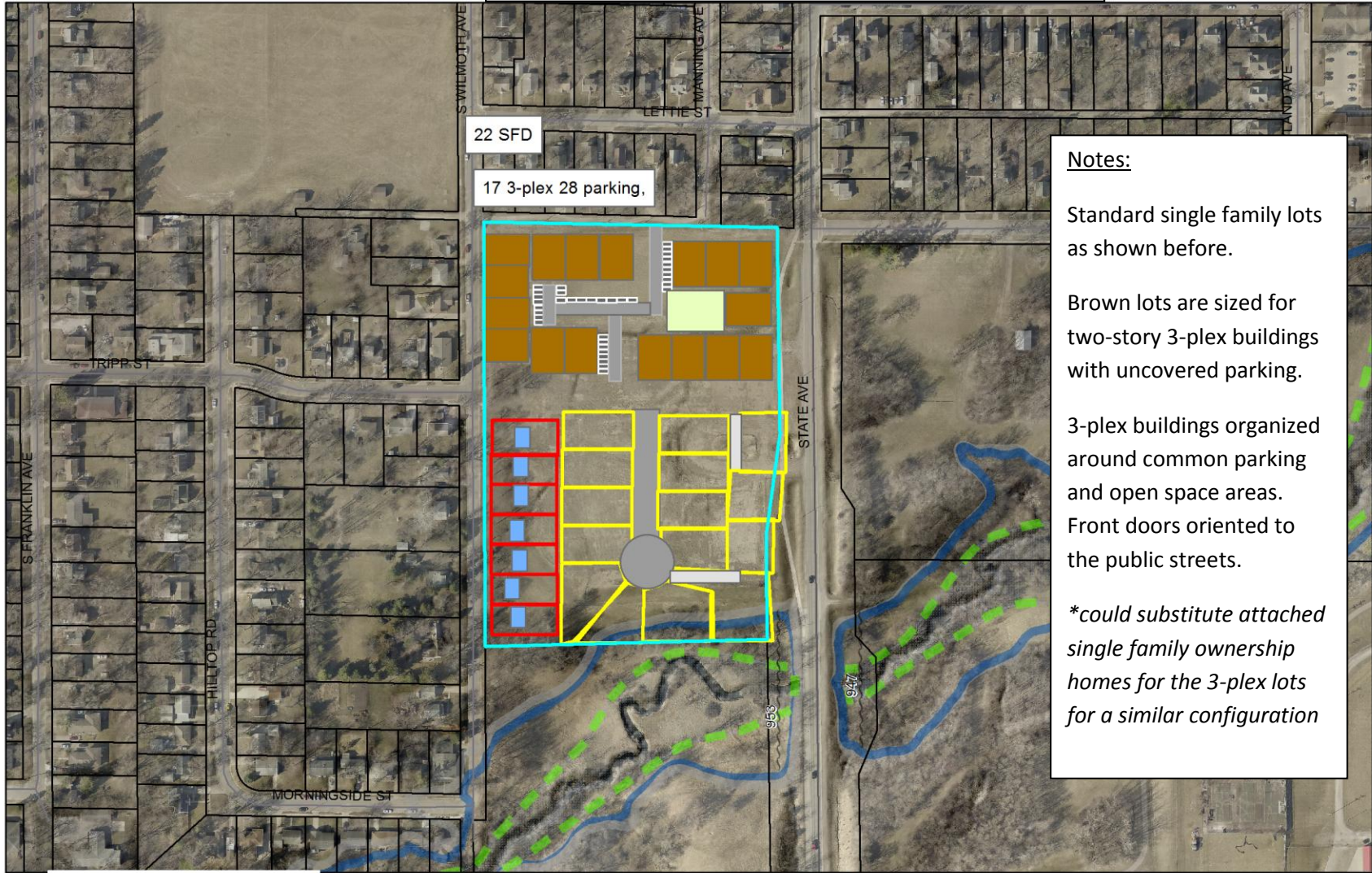
Date: 6/15/2016



NORTH

1 inch = 250 feet

Attachment C- Single Family front driveways and 3-plexes



**Notes:**

Standard single family lots as shown before.

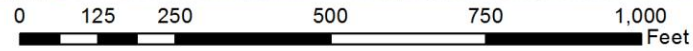
Brown lots are sized for two-story 3-plex buildings with uncovered parking.

3-plex buildings organized around common parking and open space areas. Front doors oriented to the public streets.

*\*could substitute attached single family ownership homes for the 3-plex lots for a similar configuration*



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321 State

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NORTH

1 inch = 250 feet

Attachment C-Representative Examples

