

Staff Report

321 STATE AVENUE RFP UPDATE

July 11, 2017

On February 28th the City Council initiated a Request for Proposals (RFP) for the development of the City's 10-acre site at 321 State Avenue. (See Location Map Attachment A.) The RFP included minimum development requirements, an outline of City assistance for the development, and required content of a proposal. Proposals were accepted from March 10 to April 18. The City received one formal proposal for the site from JCorp, Inc. represented by Duane Jensen. The City Council reviewed the initial proposal that included 48 homes at its June 13, 2017 meeting. [The original report can be found at this link.](#)

The initial proposal had an estimated financial gap between available City funding and the developer's requested funding of approximately \$400,000 (\$550,000 for infrastructure vs. \$950,000 requested). **City Council then directed staff to work with the developer on an alternative proposal that would have less infrastructure costs to help eliminate the financial gap between development costs and the available CDBG funding.**

JCorp has provided an alternative layout that reduces infrastructure costs by building fewer streets and reducing the total development size to between 37 and 43 housing units. The proposal has two options for phasing of development, potentially deferring additional infrastructure costs to a later phase for the larger version of the project. The attached conceptual layout illustrates the two phases of the project with the shaded area indicating Phase 2.

The revised project does not utilize alleys for access to the proposed standard home lots. The affordable lots are approximately 55 feet wide and an average of approximately 6,000 square feet compared to the original proposal of 45-foot wide alley loaded lots. The homes would take access from Tripp, State, and Wilmoth. The 2nd phase does include an option with eight lots having access off of the north alley, should that alley be improved. If the alley was not improved, then two standard lots would be finished along Tripp Street.

The developer's proposal for Phase 1 can be summarized as constructing a minimum of 35 housing units with 18 units for low and moderate income households and 17 homes as market rate homes. Additionally, Phase 2 would add either two additional affordable

homes with no additional infrastructure costs or eight additional affordable homes for the cost of improving Manning Avenue and the alley north of the site. The developer estimates that the 37 unit project can be completed with the originally budgeted \$535,000 of financial assistance for infrastructure. The developer estimates the 43 unit project would cost an additional \$300,000.

As a result of the phasing options, the developer requests an adjustment to the City Council request for 60% of the homes to be built as affordable housing. The percentage of homes designated for affordable housing would be 51.4% (18 of 35 homes) for Phase 1, and with the completion of Phase 2 the number of affordable housing units would be between 54% (20 of 37 homes) and 60.4% (26 of 43 homes).

The developer presents these two options with phasing to allow the City Council to either proceed with no additional funding for the project per their direction from June, or to potentially identify additional funds for improvements to the alley and Manning at a future date. Phase 1 could begin this fall and be developed over time until 2019. The developer would be willing to defer a decision on Phase 2 until 2019, if necessary.

The original 48 home proposal with 29 affordable home sites had a request for City assistance that totaled approximately \$2.1 million¹ at a rate of \$72,000 per home. The revised proposal with 20 affordable homes has a City assistance cost of \$1.5 million² for an average of \$75,000 per affordable home. With the 26 affordable homes option, the total cost would be \$1.9 million with an average of \$73,000 per affordable unit. The developer's new proposal does lower the absolute costs to the City, but does not change the per unit cost of City assistance. It should be noted that the assumption of homebuyer assistance is spread over multiple years and is not budgeted completely for the first year of development.

The developer has not provided a complete updated proposal with a revised pro forma to review all the development cost and profit assumptions. The general approach for the development is the same as the initial proposal where the developer would build all of the affordable housing units and provide a variety of floor plans with various sales prices. The developer assumes a profit of approximately \$5,000 per affordable home and \$10,000 per market rate lot for a total of approximately \$335,000. The developer may not be the final builder of the market rate homes.

¹Initial Proposal 29 affordable homes – Value of land \$550,000. Infrastructure estimated at \$950,000. 1st time homebuyer assistance assumed at \$580,000.

² New proposal 20 affordable homes – Value of land \$550,000. Infrastructure estimated at \$550,000. 1st time homebuyer assistance assumed at \$400,000. With 26 affordable homes, value of land at \$550,000 and infrastructure estimated at \$850,000, 1st time homebuyer assistance assumed at \$520,000.

After conferring with staff, the developer has offered a revised, two-phase proposal that falls within the City's funding constraints for Phase 1, where a majority of the homes would be built. The City Council now has two possible options.

OPTION 1: Proceed with Revised Proposal

With this option, the City Council would direct staff to prepare a development agreement based upon a commitment to the 35 home Phase 1 layout. Council could also decide if there is an interest in considering additional funds for alleys improvements related to Phase 2. If there is no interest in additional funding, **the project would include 37 lots with no second phase**. In preparation of the development agreement, staff would review the pro forma for the project and finalize details on the home design and features.

OPTION 2: Reject Proposal

If the City Council is not satisfied that the proposal meets the interests of the City, it can reject the revised proposal. If Council rejects the proposal, it would then need to provide direction to staff on how to proceed with alternative development options for the site. The June 13th report provided Council with an outline of other options.

S. WILMOTH AVE

EXISTING 20' PUBLIC ALLEY

MANWING

PROPOSED 26' PUBLIC STREET

8' WIDE BIKE TRAIL

LOT 1
6547 sq. ft.
0.15 acres

LOT 2
6547 sq. ft.
0.15 acres

LOT 3
6547 sq. ft.
0.15 acres

LOT 4
6547 sq. ft.
0.15 acres

LOT 5
7273 sq. ft.
0.17 acres

LOT 38
7612 sq. ft.
0.17 acres

LOT 39
6600 sq. ft.
0.15 acres

LOT 40
6600 sq. ft.
0.15 acres

LOT 41
6600 sq. ft.
0.15 acres

LOT 42
6600 sq. ft.
0.15 acres

LOT 43
6600 sq. ft.
0.15 acres

LOT 44
6600 sq. ft.
0.15 acres

LOT 45
8375 sq. ft.
0.19 acres

LOT 6
7805 sq. ft.
0.18 acres

LOT 7
6883 sq. ft.
0.16 acres

LOT 8
6756 sq. ft.
0.16 acres

LOT 9
7344 sq. ft.
0.17 acres

OUTLOT D
30744 sq. ft.
0.71 acres

LOT 10
6771 sq. ft.
0.16 acres

LOT 11
6545 sq. ft.
0.15 acres

LOT 12
6545 sq. ft.
0.15 acres

LOT 13
6545 sq. ft.
0.15 acres

LOT 14
6743 sq. ft.
0.15 acres

LOT 15
6820 sq. ft.
0.16 acres

LOT 16
7203 sq. ft.
0.17 acres

LOT A
56384 sq. ft.
1.29 acres

LOT 27
10139 sq. ft.
0.23 acres

LOT 28
7706 sq. ft.
0.18 acres

LOT 29
7690 sq. ft.
0.18 acres

LOT 30
7138 sq. ft.
0.16 acres

LOT 31
11506 sq. ft.
0.26 acres

LOT 32
15000 sq. ft.
0.34 acres

LOT 33
15000 sq. ft.
0.34 acres

LOT 34
15000 sq. ft.
0.34 acres

LOT 35
9687 sq. ft.
0.22 acres

LOT 36
8038 sq. ft.
0.18 acres

LOT 37
10502 sq. ft.
0.24 acres

OUTLOT C
32651 sq. ft.
0.75 acres



SHARED DRIVE

STATE ST

SHARED DRIVE

SHARED DRIVE

TRIPP STREET

26' PUBLIC STREET

20' PUBLIC STREET

60' R.O.W.

