

## Staff Report

**321 STATE AVENUE NEXT STEPS**

January 23, 2018

**BACKGROUND:**

City Council is being asked to provide direction on how to proceed with the development of an affordable housing project (80% or less of Ames Median Income Limits) on the 321 State Avenue site. The Council recently ended negotiations with J-CORP in regards to their proposal responding to the City's RFP from the spring of 2017. During the review of the proposal a number of issues were raised concerning the total cost of the project, timing of meeting federal expenditure requirements, level of subsidy per unit, types of housing, and marketability of ownership units to qualified households.

In order for the staff to proceed with development of affordable housing for 321 State Avenue, it is desired that the City Council provide direction regarding the following two issues.

**ISSUE #1 INFRASTRUCTURE CONSTRUCTION:****Option A – The City constructs the infrastructure and plats five lots**

The City has \$650,000 of CDBG funds along with \$250,000 of unspent GO Bond funds designated for infrastructure construction that can be committed to the 321 State Avenue site. The City could choose to proceed with designing the backbone infrastructure needed to develop the overall site by constructing the Tripp Street extension through the site along with select water and sewer utilities needed to support future development.

Under this option, the construction would not include extension of all infrastructure described in the J-Corp proposal since a specific subdivision or use of the site is not identified at this time. Staff estimates that design specifications could be prepared quickly for a first phase of infrastructure construction and put out to bid this spring for construction in the summer and fall of 2018. In addition to the Tripp Street extension, staff proposes that five lots be platted along Wilmoth Avenue north of Tripp Street to create a first phase of building lots for affordable housing (Attachment A).

This approach would allow the City to spend its CDBG funds in a timely manner to facilitate home construction on the site. This approach does not foreclose any other options for use of the site except where five home lots are created along Wilmoth. Once the first phase of infrastructure started, the City could choose to undertake additional

subdivision platting and infrastructure construction, or to seek a developer partner for the remaining land area.

This strategy may have additional total cost to the City upon full buildout than was originally contemplated in 2017, but it does allow for the City to move forward on initiating construction towards its goal of developing housing for the site in 2018. Staff would also need to identify a strategy for construction and sale of the affordable homes once the infrastructure is complete as the CDBG funds cannot directly support construction of buildings. **The key point under this option is to move forward with infrastructure construction as City Council considers its affordable housing options for the area.**

### **Option B - The City Reissues A RFP To Developers For Modified Project**

Staff could prepare a RFP for a partner developer under the same model as 2017 where the developer would assist in overall development costs and be responsible for house construction. This approach would allow for someone to make a proposal for either one phase of development or development of the whole site. This would differentiate the process from last year's approach that was intended to identify a partner for development of the entire site.

If City Council selects this option, staff will need to prepare a draft RFP for City Council review that would outline the City's financial participation and development interests for the site. The viability of this option, compared to the JCORP proposal, will depend largely on the City's assumption of development costs up front to defray developer costs and reduce their risk in the timing of sale of the affordable homes. For example, changes could be made to the previous RFP to include up to \$900,000 of financial assistance compared to \$550,000, a minimum of 51% of the homes as affordable compared to 60%, and a requirement that the City construct most of the public improvements in advance of the developer's construction of affordable homes.

Compared to Option A, this approach would take additional time to solicit proposals and to enter into an agreement before construction could proceed on the property. This option would provide the security of having a developer partner and a complete plan or first phase of a plan before starting work on the site. However, based on our recent experience, there could be a challenge in finding a partner.

### **ISSUE #2 - HOUSING OPTIONS:**

The City Council first considered development options and uses for the site in January 2017 to help shape the original RFP. At that time, City Council directed staff to prepare an RFP with options for either ownership or rental of the affordable homes or for

ownership of market rate homes. In addition, the RFP included limits on building types to either single-family detached or single-family attached housing. **City Council must consider at this point which of the following options on housing types to pursue after a decision has been made regarding Issue 1.**

**Option A - Single Family Attached and Detached Homes**

The previous RFP limited development on the site to only single-family homes, either attached or detached. As City Council determines how to proceed with the project, it can continue require all homes developed on the site to be either single-family detached or attached. As part of the Neighborhood Revitalization Strategy Area (NRSA), a minimum of 51% of the housing developed on this site must be affordable to low and moderate income households.

**Option B - Single-Family and Multi-Family Rental Development**

Staff has previously described options of considering multi-family housing with small apartment buildings as a way to potentially leverage outside resources for development of the site. Adding multi-family rental housing to the options likely changes both the financial structure of a development deal and addresses a lower household income need for rental housing. This option may be financially viable with a development partner that would use Low Income Housing Tax Credits (LIHTC) and a return from the market rate lot sales to assist in lowering development costs of the single-family homes.

Staff previously identified two different options of considering small apartment uses for part of 321 State Avenue or potentially relocating Franklin Park to 321 State Avenue site along with single-family home development on the remainder of the site. If Franklin Park were to be relocated, then affordable housing configured as apartments could be permitted at the former Franklin Park site to meet the affordable housing obligations for developments in this NRSA. Attachment B is a conceptual layout of a mix of uses and relocated 3-acre park to 321 State Avenue. Staff believes an allowance for a minimum of 40 apartments would be needed to attract LIHTC interest.

This option is distinct from the others in that it attempts to rearrange the two City controlled resources in the area to meet multiple interests for development of affordable housing and managing costs. In this option, staff would investigate alternatives for adding apartment uses to the project mix. Incorporating multi-family housing at 321 State Avenue may be a lower cost option than relocating the park, but the Franklin site may be a better contextual fit for multi-family rental. This would require consideration of options with or without Franklin Park and feedback from the neighbors regarding these options.

Once staff completed outreach, staff would provide an overview to City Council and seek direction on a preferred option and to proceed with a RFP to find a partner affordable housing apartment developer. The timing for this option is critical when trying to

coordinate with the upcoming LIHTC timelines. Ideally, the City would need to make a decision on issuing the RFP by May and seek proposals in June to allow for the selected developer to apply for the LIHTC funding by December of 2018.

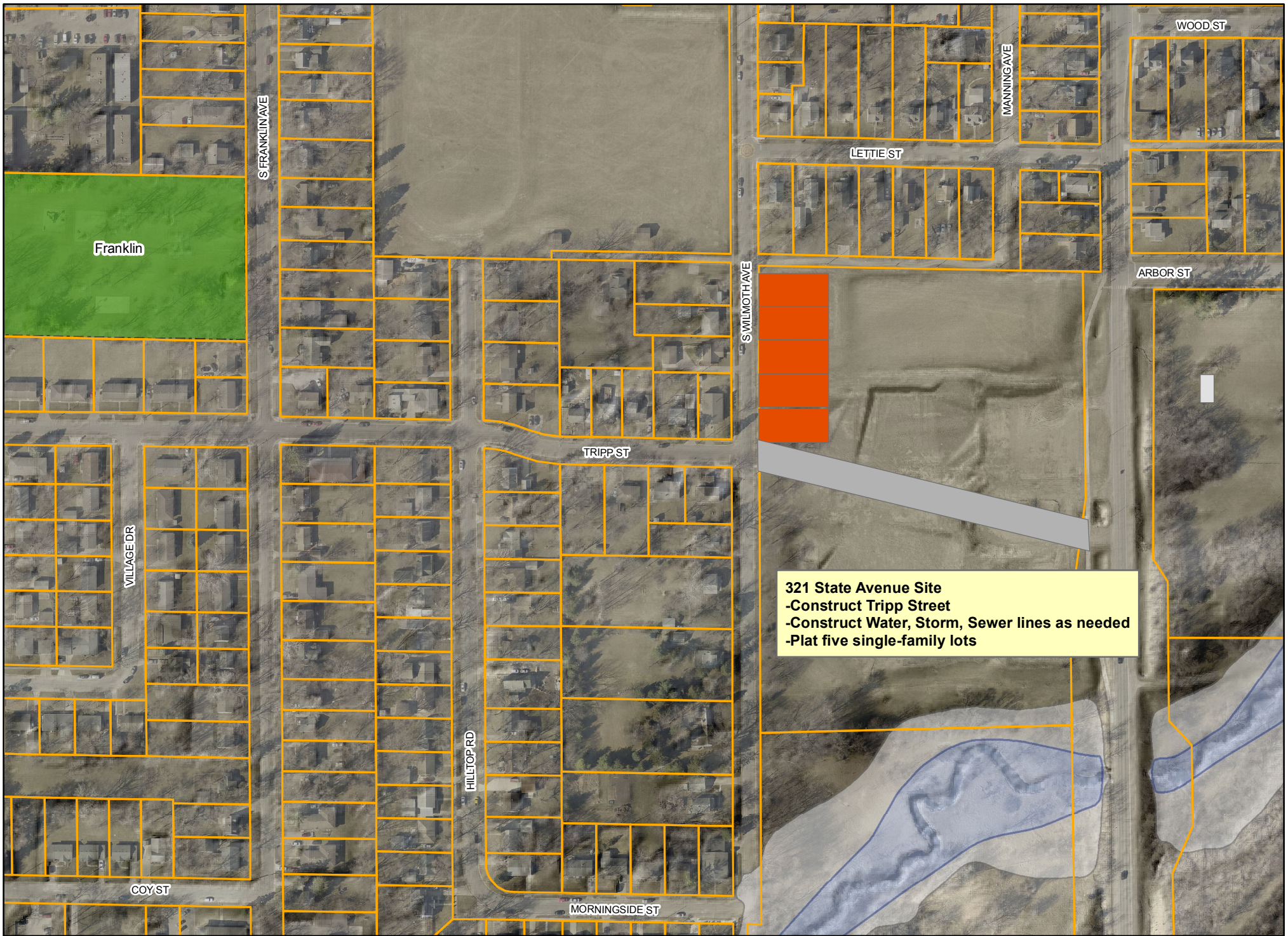
While Staff believes the City could have a very competitive application for LIHTC funding, it is a competitive program and a decision on the award for the project would not be until the spring of 2019. If the City Council wants to consider this Option for multi-family proposals, City staff would need to start infrastructure construction (Issue #1 Option A) prior to a final decision by the Iowa Finance Authority to ensure we meet our CDBG timeliness test requirements.

**STAFF COMMENTS:**

The imperative for staff to proceed with an infrastructure choice at this time is ensuring that construction can begin this summer and that we can make progress on meeting our CDBG 2019 timeliness test requirements. Based upon the projected CDBG carryover balance from this year and a new annual allocation for FY18-19, we can only meet our timeliness test requirements by spending the designated infrastructure program funds in the summer of 2018. **This requires an early decision on how to proceed with the infrastructure to ensure we start construction this year.** Staff recommends that proceeding with a City project for constructing the first phase of infrastructure (Attachment A) is the most certain way to move forward meeting the CDBG requirements as this time.

Staff believes that allowing for a mix of multi-family and single-family homes on the 321 State Avenue site or in combination with relocating Franklin Park is desirable to meet our Consolidated Plan's housing goals for producing affordable housing. City Council can choose to provide direction on housing types at this time or direct staff to provide more information.





Franklin

S FRANKLIN AVE

VILLAGE DR

COYST

HILLTOP RD

TRIPP ST

MORNINGSIDE ST

S WILMOTH AVE

LETTIE ST

MANNING AVE

WOOD ST

ARBOR ST

**321 State Avenue Site**  
**-Construct Tripp Street**  
**-Construct Water, Storm, Sewer lines as needed**  
**-Plat five single-family lots**



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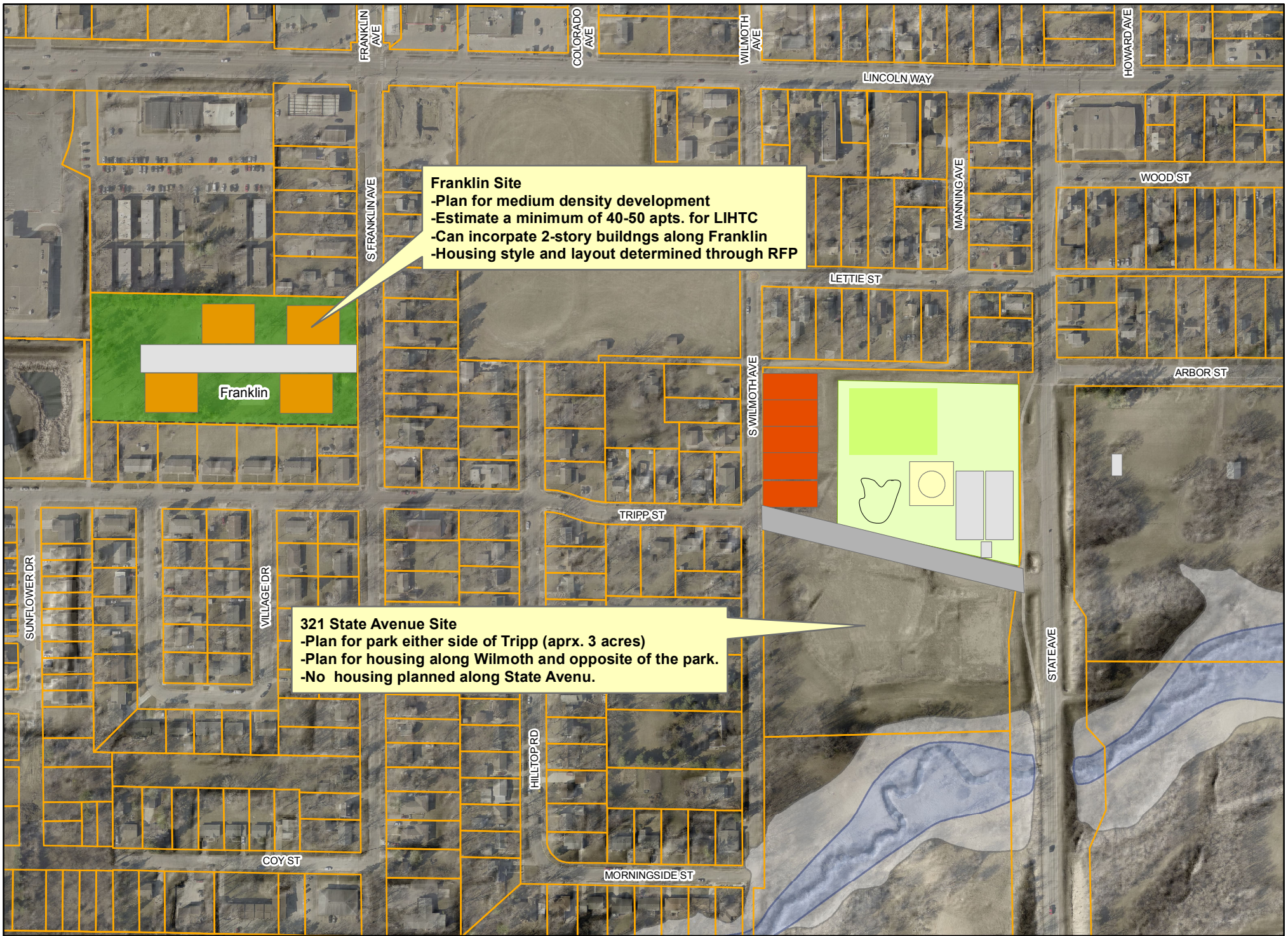
Date: 1/19/2018

1 inch = 219 feet



# City Project Option A





**Franklin Site**  
 -Plan for medium density development  
 -Estimate a minimum of 40-50 apts. for LIHTC  
 -Can incorporate 2-story buildings along Franklin  
 -Housing style and layout determined through RFP

**321 State Avenue Site**  
 -Plan for park either side of Tripp (aprx. 3 acres)  
 -Plan for housing along Wilmoth and opposite of the park.  
 -No housing planned along State Avenue.

# Relocate Franklin Park Concept

