

Staff Report

321 STATE AVENUE RESIDENTIAL DEVELOPMENT OPTIONS

March 6, 2018

BACKGROUND:

The City Council recently provided direction to staff in January 2018 to proceed with the design and construction of Tripp Street through the 321 State Avenue site to facilitate the eventual development of the site. The City Council, however, deferred a final decision regarding the preferred development option for the site to a later time. The staff is now seeking direction regarding this issue in order to continue to work on plans for development of housing on the site in conjunction with our proposed 2018-19 CDBG Annual Action Plan.

Staff has previously outlined options for allowing for detached and attached single-family housing as well as options for small scale multi-family housing on the site or in combination with relocation of Franklin Park. **Regardless of the type of housing built, a minimum of 51% must be affordable to households that earn 80% or less of the Ames median income (AMI).** Each of the above options can address a housing goal that is outlined in the CDBG 2014-18 Consolidated Plan. The Plan identified a need for affordable housing for both ownership and rental housing. However, the beneficiaries of each housing type (single-family vs. multi-family) will likely have different household income level. Additionally, the number of beneficiaries will vary greatly between ownership and rental 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. With the original requirements and financial incentives, J-CORP was the only proposal the City received. Council directed staff to increase available financial incentives to a maximum value of approximately \$900,000 for infrastructure along with first time homebuyer assistance as part of the proposed FY18-19 CDBG Annual Action Plan.

City Council must again consider how to define the range of allowable uses desired for the site.

Option 1 - Single Family Attached and Detached Homes, With A Developer

Construction of single-family homes for ownership purposes typically benefits households at the upper end of affordability definitions, i.e. maximum of 80% of AMI. Depending on resale restrictions, the production of that home may benefit one low income household if they remain in the structure for a long period of time. If a homeowner sells the home in relatively short period of time the City may recoup part of its investment and may or may not be able to place another low income household within home. Homes that are not part of minimum 51% affordable requirement are defined as market rate homes and can be sold at any price with no specific resale restrictions.

City Council can direct staff to proceed with plans for development of the 10 acre site in a similar manner to the 2017 RFP that allowed for either attached or detached single-family structures. **In this scenario, staff would again prepare an RFP looking for a partner developer/builder.** The terms would be adjusted to account for changes to level of City subsidy and the requirement for only a minimum of 51% the homes as affordable. Staff believes that the affordable homes in this option should be designed as 3-bedroom homes with a price point not to exceed \$120,000 to \$130,000 with options to potentially reduce costs for specific buyer needs.

Option 2 - Single Family Detached Homes, With City As Developer

A second option is for staff to contract for preparation of subdivision plans without a development partner. This alternative could be scaled to either part of the site or the whole site. This is a viable alternative if the City Council prefers only a simplified concept of single-family detached development. **The City would be responsible for preparing and finalizing the subdivision layout and then responsible for identifying homebuilders for the affordable home lots.** The City would likely sell the market rate lots to help support the affordable home lots.

Option 3 - Single-Family and Multi-Family Rental Development, With A Developer

Construction of some multi-family housing will likely address low income housing needs for households earning 60% or less of AMI. Additional income levels may be accommodated as well to broaden the range of households within a project. Rental housing would include a deed restriction limiting use of the property to affordable housing for 20 to 30 years. Single-family homes could be a combination of market rate and affordable homes. If construction of multi-family units meets all of the affordable housing production requirements, there would be substantial flexibility in the sales prices of the single-family homes.

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 level of affordable housing. This option may be financially viable with a development partner that would use Low Income Housing Tax Credits (LIHTC). The sale of single family lots could also be used to assist in lowering overall development costs.

Staff has identified two different alternatives for considering small apartment uses to meet the affordable housing goals for the NRSA. Multi-family could be constructed on part of 321 State Avenue or it could be constructed on the Franklin Park site with the construction of a new park at the 321 State Avenue 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 all developments in this NRSA. Single-family homes would also be part of both alternatives to construct multi-family housing. Attachment B is a conceptual layout of a mix of housing types and a relocated 3-acre park to 321 State Avenue. Staff believes an allowance for a minimum of 40 apartments would be needed to attract LIHTC development interest.

Both alternatives have benefits of broadening the range of low income households that could benefit from the development of affordable housing. There are trade-offs with each version. Incorporating multi-family housing at 321 State Avenue may be a lower cost option than relocating the park. However, the Franklin site may be a better contextual fit for multi-family rental due to existing abutting multi-family development and the close proximity to Lincoln Way. Staff could prepare options with or without Franklin Park and seek feedback from a neighborhood meeting regarding these options.

Once staff completed outreach, staff would provide an overview to City Council and seek direction on a preferred option and whether 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 July to allow for the selected developer to apply for the LIHTC funding by December of 2018.

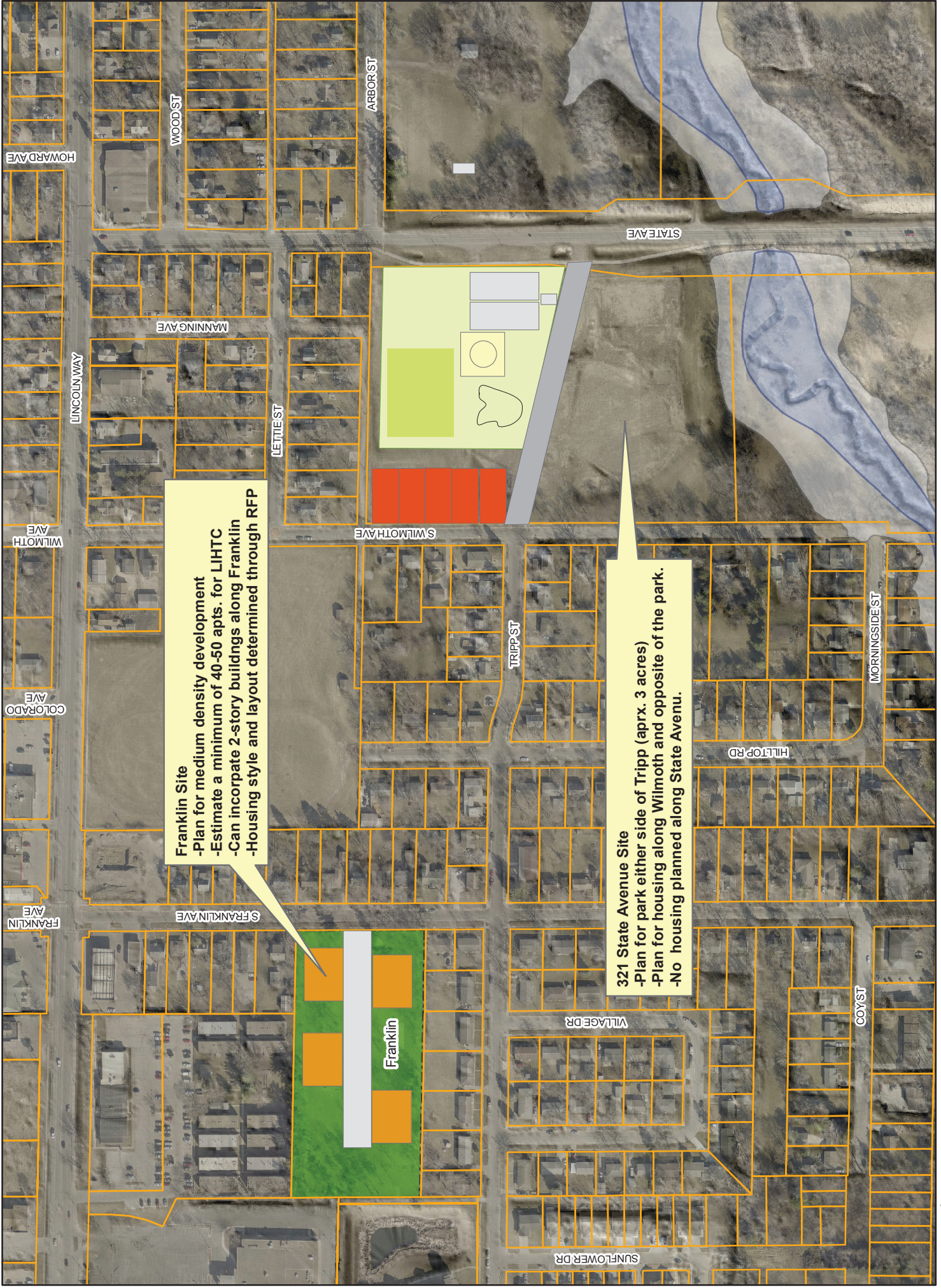
STAFF COMMENTS:

Because of our experience with Option 1 in 2017, the City Council might want to give consideration to Option 3. Multiple objectives for affordable housing and development of the 321 State Avenue site within the Neighborhood Revitalization Strategy Area can be met with this option to allow for both single-family ownership homes and small scale multi-family rental homes.

Before finalizing an RFP under this option, a neighborhood meeting should be held to help develop parameters for the project. Staff would then present the RFP, describe the City's overall goals for development, and define the City's financial resources supporting

the project. Finally, staff would seek proposals early in the summer and present the most qualified proposals for City Council's approval later in the summer.

If City Council prefers to focus only on single-family options, then City Council would need to provide direction on pursuing a new partner developer through another RFP process or to have staff plan for platting of a subdivision on its own.



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 (appr. 3 acres)
 -Plan for housing along Wilmoth and opposite of the park.
 -No housing planned along State Avenue.

Relocate Franklin Park Concept



1 inch = 277 feet

Date: 1/19/2018