

WORKSHOP

**BAKER SUBDIVISION-321 STATE STREET
MULTI-FAMILY RENTAL HOUSING COMPONENT**

July 21, 2020

BACKGROUND:

At the City Council meeting on December 17th, the City Council directed staff to proceed with creating a development concept plan for affordable single-family homes along with affordable multi-family housing at the city-owned property at 321 State Avenue. That direction included providing information on the Low-Income Housing Tax Credit (LIHTC) program and process.

At the January 14th City Council meeting, staff presented information and the following timeline and timeframe for applying for LIHTC for the 321 State Avenue site.

1. Prepare an RFP to solicit an affordable housing developer interest and project proposal for the site. (Issue RFP by June 2020)
2. Proposals' due July 2020
3. Review proposals and interview-qualified candidates as needed. (August 2020)
4. City Council selection of a preferred developer. (September 2020)
5. Refine project concept and complete development agreement (December 2020)
6. Submit IFA application March 2021 (anticipated)
7. Notice of an award by IFA, August 2021.
8. Proceed with construction late 2021 or spring 2022.

With the above information in consideration, City Council directed staff to prepare a Request for Proposals (RFP) for a partner developer to prepare an LIHTC application for the 2021 Application round to the Iowa Finance Authority by March 2021. Additionally, staff was asked to reach out to the neighborhood to further explain LIHTC concept for the site.

Staff meet with the neighborhood in January to gain their feedback regarding which parcel the single family versus the multi-family should be located. Also, in January the City hired Civil Design Engineering (CDA) firm to prepare concepts, platting, designs and specifications for the site. On February 17th, staff meet with the neighborhood to get their input on six-design concepts for the site for both single and multi-family layouts. On February 25th staff shared the six concept designs with Council. At that meeting Council selected concept "F" which proposed that the single-family homes would be located on the North side of the subdivision, leaving the south side available for the multi-family rental housing units. However, Council directed staff to proceed preparing the platting for the single-family component on the north side of the subdivision, but postponed proceeding with the multi-family component until July allowing for further discussion with the neighborhood before proceeding a Request for Proposals.

BACKGROUND ON LOW INCOME HOUSING TAX CREDIT PROGRAM (LIHTC):

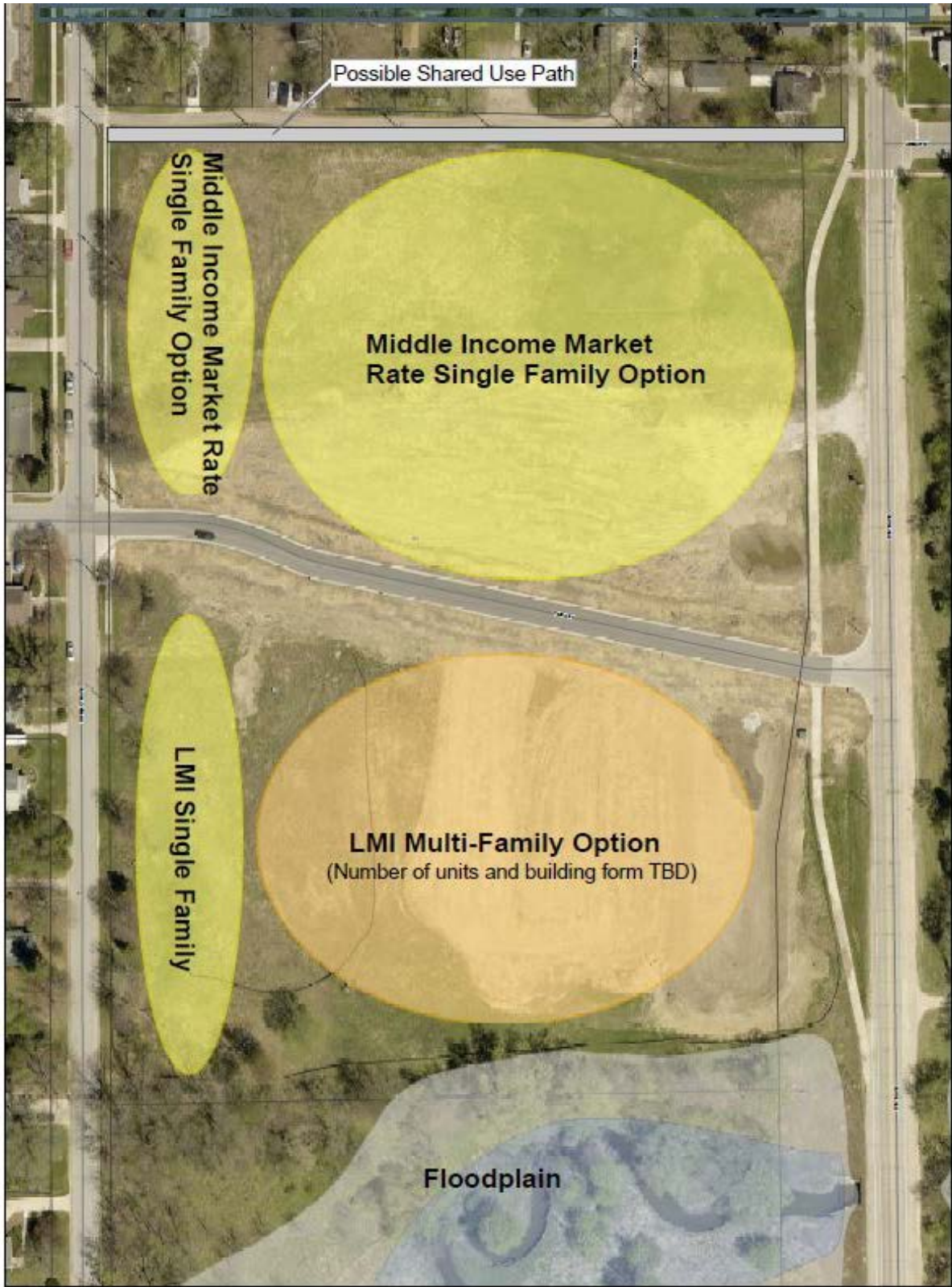
Attached is an overview of the LIHTC program. (Attached as a separate PDF.)

PURPOSE OF THE WORKSHOP:

Before preparing an RFP to be distributed to potential developers, the City Council has scheduled this workshop to solicit input, suggestions, or concerns regarding the multi-family component of this site.

It should be emphasized that staff is not seeking any final Council decisions at this workshop. However, Council will be asked on July 28th to give staff final direction regarding the contents of the RFP and to authorize staff to proceed with its solicitation.

Attachment A- Site Overview



Option B

- LMI Multi-Family units south of Tripp Street and LMI Single Family along S Wilmoth Avenue
- Single Family north of Tripp Street and along S Wilmoth Avenue



Low- Income Housing Tax Credit (LIHTC) Program

The Tax Reform Act of 1986 created the tax credit as an incentive for Housing Tax Credit project owners to invest in the development of rental housing for individuals and families with fixed or limited incomes. The Housing Tax Credit, rather than a direct federal subsidy, provides a dollar for dollar reduction (or credit) to offset an owner's federal tax liability on ordinary income for a 10-year period.

Tax credit interest may be syndicated or sold to generate equity for the developments, thus reducing the necessary mortgage financing and providing more affordable terms. The Housing Tax Credit frequently provides the last critical element to ensure the financial feasibility of the project.

The Iowa Finance Authority (IFA) has been the Housing Tax Credit allocating agency for the state of Iowa since 1986. Since then, IFA has helped create nearly 21,000 Housing Tax Credit units in more than 580 projects located in 83 counties throughout Iowa.

IFA also monitors all Housing Tax Credit developments for compliance throughout the designated compliance period. More information about housing tax credit compliance is available here:

👉 Scoring and Reservation Procedures

An administrative review is conducted on each Application. If an Application submits the Market Analysis and Application Fee and meets the Threshold Criteria, the Applicant will be competitively scored using Scoring Criteria. If the Application scores highly enough to be competitive, a reservation of tax credits will be recommended to the IFA Board of Directors. For specific information, refer to the Qualified Allocation Plan. The IFA Board of Directors then approves reservations for successful Applicants. A non-refundable reservation fee is assessed at 1% of the total 10-year tax credit amount.

👉 Determination of Credit Amount

The amount of credit is limited to no more than the amount necessary for the financial feasibility of the project. The credit is determined by taking a percentage of the "qualified" cost of development. The maximum percentage for new construction and rehabilitation is 9%. The maximum percentage for acquisition and federally subsidized projects is approximately 4%.

👉 Project Eligibility

- Must be a residential rental property.
- **May be apartments, single-family houses, duplexes, town homes or condominiums.**
- May be new construction, substantial rehabilitation or acquisition and rehabilitation projects.
- Project must meet one of the following requirements:
 - 20% or more of the units in the project are occupied by individuals or families whose income is 50% or less than the area median gross income and the unit is rent restricted.
 - 40% percent or more of the units in the project are occupied by individuals or families whose income is 60% or less than the area median gross income and the unit is rent restricted.

👉 Applicant Eligibility

- Individuals
- Nonprofit and for-profit organizations
- Partnerships

Some Housing and LIHTC Q n A's

How does housing tax credit work?

- The LIHTC program **works** as follows. The Internal Revenue Service (IRS) allocates federal **tax** credits to state **housing credit** agencies (HCA) based on each state's population. ... The equity investment reduces the debt burden on the **tax credit property**, making it financially feasible to offer lower, more affordable rents.

How are LIHTC calculated?

- **LIHTC** rents are **calculated** to include a utility allowance for tenant-paid utilities. **LIHTC** rents are set at 30% of the income of the AMI tied to the unit. This is **calculated** with an assumed family size of 1.5 persons per bedroom.

How is Area Median Income (AMI*) rent calculated?

- 1-bedroom **rents** are based upon the **AMI** of a 1.5-person household (i.e. the average **AMI** of 1- and 2-person households) 2-bedroom **rents** are based upon the **AMI** of a 3-person household.

...

LIHTC GROSS RENT

1. The unit's tax credit set aside.
2. The unit's number of bedrooms.
3. The correct Area Median Income (AMI) schedule.

Can you sell low income housing tax credits?

- The **low-income housing tax credit** (LIHTC) program is **one** of the federal government's primary policy tools for encouraging the development and rehabilitation of **affordable** rental **housing**. ... Developers typically **sell** their **tax credits** to outside investors in exchange for equity in the project.

Where is LMI housing already in Ames?

There are approximately 441 units of Low-income housing in Ames, of which:

- 245 are for elderly and disabled persons
- 196 are for singles and families
- 2 complexes are in North Ames
- 1 complex in East Ames
- 1 complex in central downtown area
- 1 complex in West Ames
- 1 complex in South Ames

Where is middle income housing in Ames?

- Middle income housing is scattered over the community

What are all the ways one can use LIHTC in building homes in Ames?

- See answer above

Can it be in the area of affordable housing like Town Houses attached (if necessary) for home owners?

- See answer above

*The area median income (**AMI**) is a statistic generated by the U.S. Department of Housing and Urban Development (HUD) for purposes of determining the eligibility of applicants for certain federal housing programs

What is the Section 8 Housing Choice Voucher Program?

- The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments.
- The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.
- Housing choice vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program.
- A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. This unit may include the family's present residence. Rental units must meet minimum standards of health and safety, as determined by the PHA.
- A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. Under certain circumstances, if authorized by the PHA, a family may use its voucher to purchase a modest home.

Who is eligible for the Section 8 Housing Choice Voucher Program Assistance?

- Eligibility for a housing voucher is determined by the PHA based on the total annual gross income and family size and is limited to US citizens and specified categories of non-citizens who have eligible immigration status. In general, the family's income may not exceed 50% of the median income for the county or metropolitan area in which the family chooses to live. By law, a PHA must provide 75 percent of its voucher to applicants whose incomes do not exceed 30 percent of the area median income. Median income levels are published by HUD and vary by location. The PHA serving your community can provide you with the income limits for your area and family size.
- During the application process, the PHA will collect information on family income, assets, and family composition. The PHA will verify this information with other local agencies, your employer and bank, and will use the information to determine program eligibility and the amount of the housing assistance payment.
- If the PHA determines that your family is eligible, the PHA will put your name on a waiting list, unless it is able to assist you immediately. Once your name is reached on the waiting list, the PHA will contact you and issue to you a housing voucher.

Who administers the Section 8 Housing Choice Voucher Program for the City of Ames?

The Central Iowa Regional Housing Authority (CIRHA) administers the program for Ames and Story County. There are currently 275 Voucher holders in Story County of which 219 are in Ames.

2020
Program Income Limits
(subject to change)

80% of Ames, Iowa MSA (Low Income)	
Family Size	Gross Income Cannot Exceed
1	\$53,000
2	\$60,600
3	\$68,150
4	\$75,700
5	\$81,800
6	\$87,850
7	\$93,900
8	\$99,950

60% of Ames, Iowa MSA	
Family Size	Gross Income Cannot Exceed
1	\$39,780
2	\$45,420
3	\$51,120
4	\$56,760
5	\$61,320
6	\$65,880
7	\$70,440
8	\$74,940

50% of Ames, Iowa MSA (Very Low Income)	
Family Size	Gross Income Cannot Exceed
1	\$33,150
2	\$37,850
3	\$42,600
4	\$47,300
5	\$51,100
6	\$54,900
7	\$58,700
8	\$62,450

30% of Ames, Iowa MSA (Extremely Low Income)	
Family Size	Gross Income Cannot Exceed
1	\$19,900
2	\$22,750
3	\$25,600
4	\$28,400
5	\$30,700
6	\$32,950
7	\$35,250
8	\$37,500