



TO: Honorable Mayor and City Council
FROM: Kelly Diekmann, Planning and Housing Director
DATE: February 11 2022
SUBJECT: Affordable Housing Tax Abatement Incentive for the Annex Group

City Council received a correspondence from the Annex Group on January 24th requesting City Council establish an Urban Renewal Area in support of their planned 192-unit affordable housing project located within the Hayden Preserve (Formerly Rose Prairie) development. The approved Hayden's Preserve Master Plan for the site allows for the development of up to 192 apartment units spread across two sites and with limitations on the mix of bedrooms and sizes. The Annex Group explains in their letter that they desire to apply for a 4% Low Income Housing Tax Credit (LIHTC) project with 100% of the units as affordable units to households making 60% or less of the average median income (AMI) for Ames for a period of 30 years. (Income limits-Attachment A). The request for tax abatement revolves around concern that the annual operating expenses for the project, which includes the payment of property taxes, is too great and will not allow for the project to be built.

The City has no current policy pertaining to providing incentives for affordable housing beyond the use of its federal CDBG and Home funds. The Annex Group requests that the City establish a property tax abatement program to support their project. The City may create such a program under Chapter 404 of the Iowa Code for Urban Revitalizations Areas (URA). A URA may create partial or full property tax abatement schedules for qualified improvements to property. The City has used this tool to incent development in certain areas of the city, such as Campustown with specific qualifying criteria and abatement schedules of either a 100% tax abatement for three years or sliding scales for either 5 or 10 years that are equal to an abatement of approximately 45% of the total taxes over the specified time period.

City Council has expressed through their goal setting process an interest in supporting additional housing and affordable housing options within the City. Our current Housing Consolidated Plan identifies the greatest need for affordable housing as rental housing for low (60% of AMI) and very low income (30% of AMI) households. However, it does not articulate any additional priorities or policies for affordable housing decisions. Defining affordable housing and our priorities for supporting specific types of affordable housing would be a logical first step for creating a policy to guide such

decisions. Some of the policy issues that staff believes should be addressed by a City Council policy include:

- Identifying targeted affordability levels, i.e. what percentage of AMI
- Duration of affordability restrictions
- Oversight of reporting requirements, i.e. by Iowa Finance Authority vs. City staff
- Location preferences:
 - Availability of services
 - Transit access for very low-income households
 - Housing choice and dispersal throughout the city
- Ongoing operational needs vs. one time capital support
- Use of Section 8 vouchers
- Use of federal funds vs. local funding
- Use of Property Tax Abatement or Tax Increment Financing as an incentive
- Cost or value per unit subsidized

The Annex Group is interested in a specific URA for their desired location in Hayden's Preserve. The applicant identified to staff that development costs, projected valuation, and the higher property tax rate of the Gilbert School District area of Ames as reasons for the higher than expected operating costs that lead to their request. Staff has not reviewed specific details about the project other the estimated valuation and property tax assumptions.

Staff's early assessment of the proposed project indicate that the location's lack of services, public transportation, and higher tax rates are negatives to the project. However, the proposed location does create a diverse housing opportunity for lower income households that does not exist in North Ames. Additionally, the targeted household income restriction of 60% of AMI is at the minimum level of affordability that staff would consider supporting with a limited duration of financial incentives. Staff would want to consider options for requiring acceptance of Section 8 vouchers and set asides for some units with deeper levels of affordability.

The Annex Group has a specific interest in direction from City Council as early as possible this spring to decide if they can move forward with the acquisition o the site and preparing their development plans.

If the Council wants to further consider this request for affordable housing incentives it should direct staff to place the item on March 8th Agenda and indicate if the discussion is focused on the Annex Group request or about a general policy for city-wide application.

January 21, 2022

Mr. Kelly Diekmann, Director of Planning
Members of the City Council
City of Ames - City Hall
515 Clark Avenue
Ames, Iowa 50010

RE: The Annex Group - Tax Abatement Request
Affordable Housing Development

Dear Mr. Diekmann and Members of the City Council:

The Annex Group is exploring development of an affordable housing project on existing vacant property within the City of Ames. As part of our feasibility analysis, we have identified that estimated real estate taxes assessed upon completion of this project are well beyond what the development can reasonably afford. In fact, it was determined that the anticipated tax assessment is more than twice as high as other affordable projects we have developed around the country. For this reason, we respectfully request that the City Council consider approving a potential Tax Abatement for this development.

COMPANY BACKGROUND

Our mission: *To create a positive impact with the people who live, work, and are engaged in our communities.*

The Annex Group is an Indiana based multi-family housing developer, general contractor, and owner with a portfolio of communities valued at more than \$500 million. Combining the career experience of its entire leadership team, The Annex Group has overseen more than \$1 billion in single family, multi-family, mixed-use and other commercial projects including redevelopment and ground-up construction. Our developments create community and improve quality of life. We are proud that each of our developments to date has lived up to its purpose.

Each development is strategically planned and executed to ensure a finished product that is cohesive with the goals and values of the constituencies and communities we serve. Our strategy is to position each redevelopment or newly developed project as the most exciting new address to live, work, or play.

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PROJECT BACKGROUND

The proposed project is comprised of two parcels totaling 13.54-acres of land and is located at the northern border of the City, within property known as Hayden's Preserve. The site will be part of a much larger 170-acre residential development (by others), which we understand has recently received Preliminary Plat approval.

Annex is hoping to build 192-units of 60% Area Median Income affordable housing on the property and intends to submit the project to the Iowa Finance Authority for procurement of 4% Low-Income Housing Tax Credits. The site will include approximately fifteen three-story buildings, each with a mix of one, two, and three-bedroom apartments along with required surface parking. Planned amenities include: a clubhouse with fitness center, community space, and computer room; a playground and dog play area; a picnic area, landscaping, and open space with pedestrian linkage to trails within the overall development.

Affordable housing need is at historic levels nationally, regionally, and locally. Rising construction costs have made development of new affordable projects even more difficult. It is our understanding that new affordable housing in Ames is in limited supply in proportion to the communities in need and to that end, The Annex Group is committed to bringing affordable housing to the City of Ames. We hope Members of the City Council will consider supporting this affordable housing project by providing the requested Tax Abatement.

Thank you in advance for your thoughtful consideration.



Margaret A. L. Blum
Senior Director of Development

2021

Program Income Limits
(subject to change)

80% of Ames, Iowa MSA (Low Income)	
Family Size	Gross Income Cannot Exceed
1	\$50,400
2	\$57,600
3	\$64,800
4	\$71,950
5	\$77,750
6	\$83,500
7	\$89,250
8	\$95,000

60% of Ames, Iowa MSA	
Family Size	Gross Income Cannot Exceed
1	\$37,800
2	\$43,200
3	\$48,600
4	\$53,940
5	\$58,260
6	\$62,580
7	\$66,900
8	\$71,220

50% of Ames, Iowa MSA (Very Low Income)	
Family Size	Gross Income Cannot Exceed
1	\$31,500
2	\$36,000
3	\$40,500
4	\$44,950
5	\$48,550
6	\$52,150
7	\$55,750
8	\$59,350

30% of Ames, Iowa MSA (Extremely Low Income)	
Family Size	Gross Income Cannot Exceed
1	\$18,900
2	\$21,600
3	\$24,300
4	\$26,950
5	\$29,150
6	\$31,300
7	\$33,450
8	\$35,600

Effective July 1, 2021