



City Council Report

Date: November 4, 2024
To: City Council
From: Candace Cannistraro, Deputy City Manager
Subject: Senior Affordable Housing Project Opportunity
City Council District No. 4

Purpose and Recommendation

Staff recommend that City Council approve the purchase of land located on University Dr., west of Center St. (17, 31, 37 W University Dr.) for the purpose of developing senior affordable housing. Development of the site would be through a partnership with a housing developer.

Background

Last year, the City endorsed a developer application for Low-income Housing Tax Credits (LIHTC) with the State related to the subject property and senior affordable housing for 62 units. Community outreach was performed by the developer resulting in favorable responses. City HOME funds were identified for the project to provide gap financing and to earn additional points on the LIHTC application. Despite a strong application and favorable community response, the project narrowly missed the LIHTC funding cutoff. By securing land and issuing a land-lease, a project like this gains a competitive advantage in the upcoming LIHTC cycle.

The parcel in question is in an ideal location for senior affordable housing due to the proximity to the downtown senior center. It is off the northeast corner of the senior center across a residential road. An appraisal was completed in February 2024 identifying the highest and best use for the property as commercial/multi-family and appraising the value at \$2.1M.

Staff researched options to secure the parcel to reserve it for future development. After consultation with the City's Housing and Urban Development (HUD) representative, Neighborhood Stabilization Program (NSP) funding was identified as the best fit for the project. The City received NSP funding in 2009 and 2011. The program was developed to address the negative impact of foreclosure and vacant properties. During that time, the City purchased foreclosure and/or blighted properties, renovated them, and resold them under market value to income-eligible individuals.

The program has been inactive for many years. The remaining funds include \$536,000 in original funds and \$1,390,000 in program income. For a total available of \$1,926,000.

Discussion

Seniors are one of the fastest growing populations of homeless individuals. This opportunity allows the City to leverage the site's proximity to the existing senior center and reserve it for future senior affordable housing units.

The purchase agreement for the property would be contingent on the completion of an updated appraisal and a clean HUD environmental study.

A request for proposals (RFP) would be issued for the development of the property. The selected developer would receive a no/low-cost land-lease for the property as well as \$500,000 in HOME funding toward the construction costs. This maximizes the points available for State LIHTC funding. The agreement with the selected developer would be contingent on the project being awarded LIHTC.

If the selected developer/project does not receive LIHTC funding, the land-lease would not become effective, and the City would reissue the site development RFP the following year for the next LIHTC funding round. NSP funding allows time for future development.

Alternatives

The City could reinstate the old NSP program. Staff do not recommend this option as the housing and home loan environments have changed and are not as conducive.

The funds can be used for the demolition of blighted structures to prepare for future development. This activity may be useful for infill development. Staff do not recommend this option as the proposed option positively impacts seniors in a faster timeframe.

The City could convert the program income portion of the funding to Community Development Block Grant (CDBG) funds, \$1,390,000. The total amount would need to be converted at one time. Only 15% could be used on public services. The remaining amount would need to be used on construction projects. Staff do not recommend this option as CDBG construction projects have historically been difficult to complete in a timely manner. City projects have worked better in this category and there are already three park projects in various stages of development. This option would also leave \$536,000 in NSP funding that would need to be used on NSP eligible projects or returned to the federal government.

Fiscal Impact

The purchase is covered by federal funds from the Neighborhood Stabilization Program (NSP) of \$1,926,000. The remaining funding is from the General Fund, sourced from a developer reimbursement of HOME (Home investment partnership programs) dollars related to a project that did not move forward. Construction costs for development of the property and on-going operational costs will be the responsibility of the selected housing developer.

A future request for proposals (RFP) for the development of the property will include an award of \$500,000 in HOME funds toward construction, and the requirement to receive a LIHTC allocation in the next State process.

Coordinated With

Coordinated with the following departments: City Manager's Office, Community Services, City Attorney's Office.