

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Action: Approval of Funding and Use of City Resources for Housing Affordable to Low-Income Persons – North Polk Apartments

Meeting Date: December 8, 2014
Department: Planning & Development
www.eugene-or.gov

Agenda Item Number: 7
Staff Contact: Ellen Meyi-Galloway
Contact Telephone Number: 541-682-5532

ISSUE STATEMENT

The City Council is asked to approve the use of Federal HOME Investment Partnerships Program (HOME) funds for acquisition of a 12-unit apartment building located at 89 North Polk Street by Neighborhood Economic Development Corporation (NEDCO) for affordable housing. The project was proposed in response to the City's 2014 Housing Request for Proposals (RFP).

BACKGROUND

The City of Eugene established current goals and programs for the development of housing affordable to low-income people through the adopted 2010 HUD Consolidated Plan. The Consolidated Plan guides the use of HOME funds and Community Development Block Grant (CDBG) funds over a five-year period. Each year, the City Council approves the allocation of federal funds through a One-Year Action Plan as well as specific uses of funds for affordable housing projects. In addition to use of federal funds, the City of Eugene offers a System Development Charge (SDC) Exemption and the Low-Income Rental Housing Property Tax Exemption (LIRHPTE) to further facilitate the development of affordable housing.

As outlined in the Consolidated Plan and One-Year Action Plan, staff develops and releases an annual RFP for affordable housing development projects. The intergovernmental Housing Policy Board (HPB) advises staff on the development of the RFP, reviews proposals, and makes funding recommendations to the City Council.

2014 Request for Housing Proposals

The City issued the 2014 Housing RFP for affordable housing projects in July 2014. The RFP sought proposals for:

1. Acquisition and/or rehabilitation of existing housing in Eugene to be converted to affordable housing.
2. Preservation and/or rehabilitation of existing affordable housing not in a HOME affordability period.
3. New construction that could move forward in a timely manner.

Up to \$1,500,000 in HOME funds and approximately \$1,400,000 in SDC waivers were available. Proposals were due to the City by September 18, 2014. All applicants were required to have site control at the time of application in the form of an option.

Two applications for acquisition-rehabilitation projects were received. NEDCO submitted a proposal to acquire and rehabilitate a 12-unit apartment building located at 89 North Polk Street in the Whiteaker Neighborhood. Cornerstone Community Housing submitted a proposal to acquire eight rental units located in the Westmoreland Village apartment complex in the Far West neighborhood.

Staff performed a threshold review for both applications. NEDCO's proposal met the minimum threshold requirements and was forwarded to the Evaluation Committee of the Housing Policy Board for review. The proposal from Cornerstone did not meet threshold requirements at the time of submission. Staff initiated discussions with Cornerstone to determine if threshold issues could be resolved in a timely manner. Cornerstone subsequently withdrew their proposal from consideration.

NEDCO's proposal was reviewed by staff and the Evaluation Committee of the Housing Policy Board. The Evaluation Committee was comprised of Councilor Chris Pryor, HPB at-large member Morgan Taylor, and Whitaker Community Council member Brad Foster. See *Attachment A* for a list of Evaluation Committee and Housing Policy Board Members.

City staff, NEDCO, and Looking Glass conducted neighborhood outreach through phone conversations and presentations to Whitaker Community Council (WCC) at meetings in September, October, and November to request involvement in the Evaluation Committee and keep neighbors informed about the proposed project. WCC members and meeting attendees expressed general support for the proposed project. One neighbor initially contacted the City with concerns but became supportive after learning more about the project and evaluation process.

Community members also had an opportunity to comment on the project through an advertised 30-day written comment period and a public hearing that was held by the Housing Policy Board. No written comments were received during the 30-day comment period and no one commented at the public hearing.

Summary of NEDCO Proposal to Acquire and Rehabilitate North Polk Apartments

The acquisition and rehabilitation of 12 one-bedroom apartments located at 89 North Polk Street is proposed as a partnership between NEDCO and Looking Glass to provide housing and services for young adults entering independence from foster care. One of the apartments would be converted to a studio apartment that would be accessible to a tenant with disabilities. A complete rehabilitation would be included as part of the project. If approved, the acquisition is scheduled to occur in February 2015, and the rehabilitation would be completed by August 2015. See *Attachment B* for a map of the site.

NEDCO proposes designating seven of the units as HOME units: five for households earning less than 30 percent of area median income (AMI) and two for households earning less than 50

percent of AMI, including the one accessible unit. One unit would be reserved for an on-site manager. The remaining four units would be for households earning less than 60 percent AMI, but rents would be capped at the 50 percent AMI level to maintain affordability. Initial rents are proposed to be \$444 - \$555 depending on income level. The project site is conveniently located near jobs, public transit, shopping, and other services. Given its proximity to railroad crossings, noise mitigation would be required.

The units are currently occupied. It is expected that most of the residents would be income-eligible to remain in the units after NEDCO acquired the property. Over-income residents or those wanting to relocate would be provided relocation assistance and housing placement counseling under the federal Uniform Relocation Act requirements at the time of acquisition. As the existing residents choose to move away, they would be replaced with young adults receiving case management, job training, and other services through Looking Glass. Residents would have the opportunity to receive financial literacy training and other services through NEDCO.

NEDCO requests a HOME grant of \$655,323 for the acquisition of the property and developer costs. An additional \$15,000 must be allocated to cover City of Eugene staff project delivery costs bringing the total HOME request to \$670,323. NEDCO will contribute \$57,000 to the project, and the property sellers will donate \$35,000. The agency anticipates receiving a Siuslaw Bank loan for \$250,000 and will apply to the City of Eugene for a Community Development Block Grant Rental Rehab Loan for \$264,215. The HOME Match generated by the project is \$342,000, which is 27 percent of the total development cost. NEDCO has applied for a Low-Income Rental Housing Property Tax Exemption for the property.

Housing Policy Board Recommendation

The HPB recommends providing HOME funds to North Polk Apartments as it is consistent with Eugene's goal of increasing the supply of affordable housing. In addition, the funds will help provide housing for a special needs population that does not currently have designated housing opportunities in the community. The HOME dollars contributed to this project would allow rents affordable to this population. The project cannot proceed without the requested HOME funds. *Attachment C* is the HPB's letter of recommendation.

RELATED CITY POLICIES

The City Council has established a priority to address homelessness in Eugene. The proposed project directly supports this objective by preserving and expanding affordable housing opportunities for very low and extremely low-income individuals who would be at risk of homelessness. The project supports other City priorities and policies including the Eugene-Springfield 2010 Consolidated Plan, Growth Management Policies, Envision Eugene, and the Housing Dispersal Policy.

Eugene-Springfield 2010 Consolidated Plan - This plan identifies a need for affordable housing for low-income persons and sets a five-year goal of developing 500 new units of affordable housing. The proposed projects directly support the objective by creating 11 multi-family rental units for very low-income young adults lacking familial support.

Eugene Adopted Growth Management Policies - The City of Eugene affordable housing

development programs and North Polk Apartments support multiple Growth Management Policies including:

- Encourage in-fill, mixed-use, redevelopment, and higher density development.
- Improve the appearance of buildings and landscapes.
- Provide for a greater variety of housing types.

Envision Eugene Plan – This plan identifies strategies and goals (pillars) that help the City of Eugene plan for growth over the next 20 years. The Envision Eugene proposal’s Housing Affordability pillar includes strategies to meet the growing and changing housing needs of Eugene residents by supporting subsidized affordable housing projects. Continuing to provide property tax exemptions to low-income rental housing developments has been identified as an action to help successfully implement this strategy.

Housing Dispersal Policy - The City Council has established a Housing Dispersal Policy which seeks to maximize housing choices for low-income families and integrate housing throughout the City of Eugene. All projects recommended by the Housing Policy Board to receive funding are located in appropriate census tracts and/or have previously been reviewed and determined to meet the intent of the Housing Dispersal Policy.

COUNCIL OPTIONS

1. Approve funding for North Polk Apartments as recommended by Housing Policy Board.
2. Approve funding with specific modifications as determined by the City Council.
3. Decline to approve funding for the proposed project.

CITY MANAGER’S RECOMMENDATION

The City Manager recommends option 1, approval of \$670,323 in HOME funding for acquisition, developer costs, and project delivery costs for the North Polk Apartments project as proposed by NEDCO.

SUGGESTED MOTION

Move to approve the use of \$670,323 in federal HOME funds for acquisition, developer costs, and project delivery costs for the North Polk Apartments project as proposed by NEDCO.

ATTACHMENTS

- A. List of Evaluation Committee and Housing Policy Board Members
- B. Map of Proposed Development
- C. Letter of Recommendation from Housing Policy Board

FOR MORE INFORMATION

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Evaluation Committee and Housing Policy Board Members

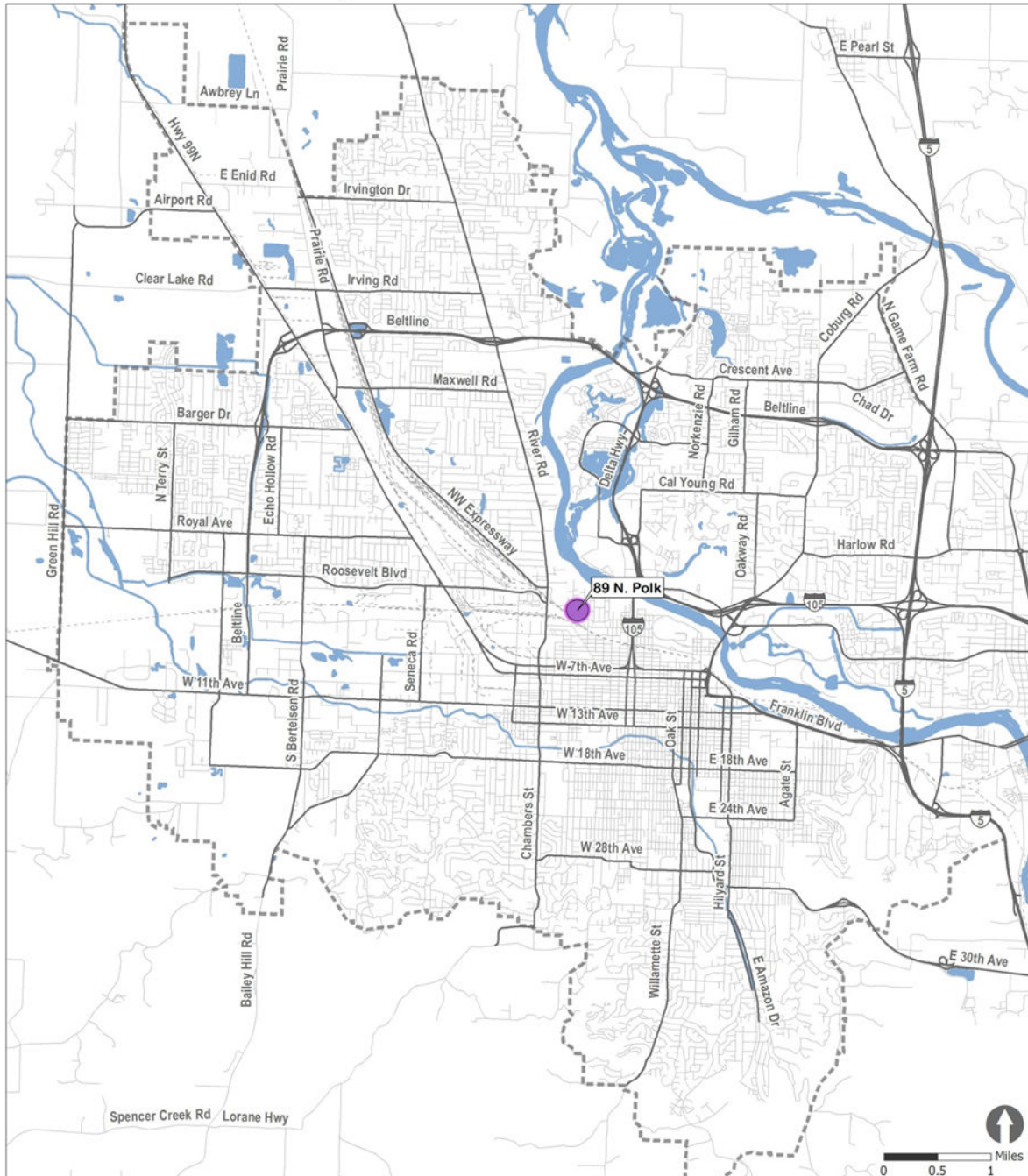
Evaluation Committee Members

1. Chris Pryor – Eugene City Councilor & Housing Policy Board Member
2. Morgan Taylor – Housing Policy Board At-Large Member
3. Brad Foster – Whiteaker Community Council Member, Neighbor of the proposed development

Housing Policy Board Members

1. Norton Cabell (chair)
2. Karen Clearwater
3. Jenna Fribley
4. Sid Leiken, Lane County Commissioner
5. Sheri Moore, City of Springfield Councilor
6. Chris Pryor, City of Eugene Councilor
7. Morgan Taylor
8. John Van Landingham

89 North Polk Location Map



- Urban growth boundary
- Railroads

City of Eugene
Planning and Development Department
November 20, 2014



Caution: This map is based on imprecise source data, subject to change, and for general reference only.

Letter of Recommendation from Housing Policy Board

HOUSING POLICY BOARD
Eugene 🏠 **Lane County** 🏠 **Springfield** 🏠 **HACSA**

Date: November 24, 2014
To: Mayor and City Council
From: J. Norton Cabell, Chair, Intergovernmental Housing Policy Board
Re: Approval of Funding and Use of City Resources for Housing Affordable to Low-Income Persons

At its meeting, Monday, November 3rd, 2014, the Housing Policy Board (HPB) unanimously voted to recommend the City Council approve the use of up to \$655,323 in HOME funds to Neighborhood Economic Development Corporation (NEDCO) for the acquisition and rehabilitation of North Polk Apartments, a 12-unit apartment building located at 89 North Polk Street. NEDCO will partner with Looking Glass to offer the 1-bedroom units for young adults aging out of foster care who receive ongoing services and job training through their programs.

The North Polk Apartments proposal is consistent with Eugene's goal of increasing the supply of affordable housing, and would be the first dedicated housing in the area for this target population. The newly rehabilitated units would be assets in the overall supply of affordable housing. In addition to the complete rehabilitation, one unit would be converted to a studio apartment fully accessible to a tenant with disabilities. The significant amount of HOME dollars contributed to this project would allow rent levels to be affordable to very low and extremely low-income households. The project could not be completed without the requested HOME funds.

The HPB also recommends providing a Low Income Rental Housing Property Tax Exemption (LIRHPTE) for the North Polk Apartments to further improve the affordability of the property. It would be difficult for the housing to remain affordable without the LIRHPTE.

The recommendations were made after a review of the Evaluation Committee's recommendation, a 30 day comment period (no comments were received), and a public hearing. The neighborhood has also expressed support for the project.

The North Polk Apartments proposal would provide needed affordable housing for young adults entering independence who are at risk of homelessness.