

# EUGENE CITY COUNCIL

## AGENDA ITEM SUMMARY



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### Approval of Funding and Use of City Resources for Housing Affordable to Low-Income Persons – Delta Court Apartments

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Meeting Date: July 13, 2015  
Department: Planning & Development  
[www.eugene-or.gov](http://www.eugene-or.gov)

Agenda Item Number: 4C  
Staff Contact: Ellen Meyi-Galloway  
Contact Telephone Number: 541-682-5532

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#### **ISSUE STATEMENT**

The City Council is asked to approve the use of Federal HOME Investment Partnerships Program (HOME) funds for acquisition of an eight-unit apartment complex located at 850 and 870 Hunsaker Lane by Cornerstone Community Housing for affordable housing. The project was proposed in response to the City's 2015 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 and 2015 Housing and Urban Development (HUD) Consolidated Plan. The Consolidated Plan guides the use of HOME Investment Partnership (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 the 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.

The cities of Eugene and Springfield receive the federal HOME funding allocation as a unified HOME Consortium with a targeted percentage of funds to be awarded to each jurisdiction. As outlined in the Consolidated Plan and One-Year Action Plan, staff develops and releases an annual RFP for affordable housing development projects using HOME funds. HOME funds are required to be committed to a project within two years of receiving the funds, or the funds must be returned. The 2015 RFP was developed to seek projects that could commit funds quickly, in order to meet the Consortium's HOME commitment deadline.

#### ***2015 Request for Proposals for Acquisition-Rehabilitation Projects***

The City issued the 2015 Housing RFP for affordable housing projects in February with a focus on acquisition/rehabilitation projects. This was the first year that the cities of Eugene and Springfield issued a joint RFP.

HOME funds and SDC exemptions were made available through the RFP. Proposals were due to the City by April 23, 2015. All applicants were required to have site control at the time of application in the form of an option agreement.

Two applications for acquisition-rehabilitation projects were received. Cornerstone Community Housing (Cornerstone) submitted a proposal to acquire and rehabilitate "Delta Court," eight rental units located at 850 and 870 Hunsaker Lane in the Santa Clara neighborhood in Eugene. After the current residents move out, the Delta Court rental units would be targeted for transitional housing (24-month stays) for homeless families with children. The second proposal was submitted by St. Vincent de Paul Society of Lane County (SVDP), a proposal to acquire a nine-unit apartment building located at 1095 J Street in Springfield.

The two proposals were reviewed by staff and a four-member Evaluation Committee with members from Eugene and Springfield: City of Eugene Councilor Chris Pryor; City of Springfield Councilor Sean VanGordon; Michael Heckard, a Springfield citizen; and Kate Perle, a Eugene citizen and a representative of the Santa Clara Community Organization, the neighborhood in which the Delta Court proposal is located. Both proposals were recommended for funding.

City staff and Cornerstone staff conducted neighborhood outreach through mailings to adjacent neighbors and presentations to the Santa Clara Community Organization (SCCO) at meetings in May and July to keep neighbors informed about the proposed project. SCCO members and meeting attendees expressed general support for the proposed project. Concerns about the project related to the distance of the site to public transportation (one mile), and the proximity of the project to other affordable housing developments, St. Vincent de Paul's Ross Lane Apartments, and Cornerstone's Villages development.

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 at the Intergovernmental Housing Policy Board meeting on June 1. No written comments were received during the 30-day comment period. The one comment at the public hearing was in support of the project, because of the need for transitional housing for homeless families.

### ***Summary of Cornerstone's Proposal to Acquire and Rehabilitate Delta Court***

The acquisition and rehabilitation of eight, two-bedroom apartments located at 850 - 870 Hunsaker Lane is proposed as transitional 24-month housing for homeless families with children. One of the apartments would be converted to be accessible to persons with disabilities. The units only require minor rehabilitation. If approved, the acquisition is anticipated to occur by November 2015, and the rehabilitation would be completed by early 2016. See *Attachment A* for a map of the site.

Six of the eight units will be HOME designated units, affordable to households earning less than 50 percent of area median income. The other two units will be for households earning less than 60 percent of AMI. Proposed rents are \$504 - \$585 depending on income level.

The units are currently occupied as market rate units with rents at \$735-\$800. It is expected that most of the residents would be income-eligible to remain in the units after Cornerstone acquired the property. Over-income residents 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, Cornerstone would work with Lane County Human Services Commission to target the units to homeless families with children. The families could be provided with rent vouchers to cover the rents for up to 24 months.

The proposed site is approximately 1.8 acres, and is zoned R-2. As a result, it has the capacity to accommodate development of additional units on the site. Cornerstone is evaluating possibilities and financing strategies for building up to 20 additional units in phase II. Staff will update the council with any development proposals that may include requests for additional City resources.

Cornerstone requests a forgivable HOME loan for \$741,358 for the acquisition of the property, relocation assistance 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 \$756,358. Cornerstone will contribute \$35,000 as a deferred developer fee. The agency anticipates receiving an Umpqua Bank loan for \$225,000 and will apply to the City of Eugene for a Community Development Block Grant Rental Rehab Loan for approximately \$25,000. The HOME match generated by the project is \$260,000, which is 25 percent of the total development cost. Cornerstone has applied for a Low Income Rental Housing Property Tax Exemption for the property.

### **EVALUATION COMMITTEE RECOMMENDATION**

The Evaluation Committee recommends providing HOME funds to Delta Court 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 enough 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.

### **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 families experiencing homelessness. The project supports other City priorities and policies including the Eugene-Springfield 2015 Consolidated Plan, Growth Management Policies, Envision Eugene, and the Housing Dispersal Policy.

***Eugene-Springfield 2015 Consolidated Plan*** –This plan identifies a need for affordable housing for low-income persons and sets a five-year goal of developing 600 new units of affordable rental housing in Eugene and Springfield and specifically 20 units of housing for homeless persons. The proposed project directly supports the objective by creating eight transitional rental units for very low-income homeless family with children.

***Eugene Adopted Growth Management Policies*** - The City of Eugene affordable housing development programs and Delta Court supports 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. The eight units proposed for acquisition at this time are existing occupied units, and are not subject to the Housing Dispersal Policy. Once the residents move out, this site would expand the opportunities for homeless families with children who would not otherwise be able to live in this area. Phase II new construction of affordable housing would be located in a suitable Census Block Group, meaning that no more than 50 percent of the residents have incomes at or below 50 percent of area median income and subsidized units do not reach 20 percent of all housing units.

## **COUNCIL OPTIONS**

The City Council has three options:

1. Approve funding for Delta Court as recommended by the Evaluation Committee.
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 \$756,358 in HOME funding for acquisition, developer costs, and project delivery costs for the Delta Court project as proposed by Cornerstone Community Housing.

## **SUGGESTED MOTION**

Move to approve the use of \$756,358 in federal HOME funds for acquisition, developer costs, and project delivery costs for the Delta Court project as proposed by Cornerstone Community Housing.

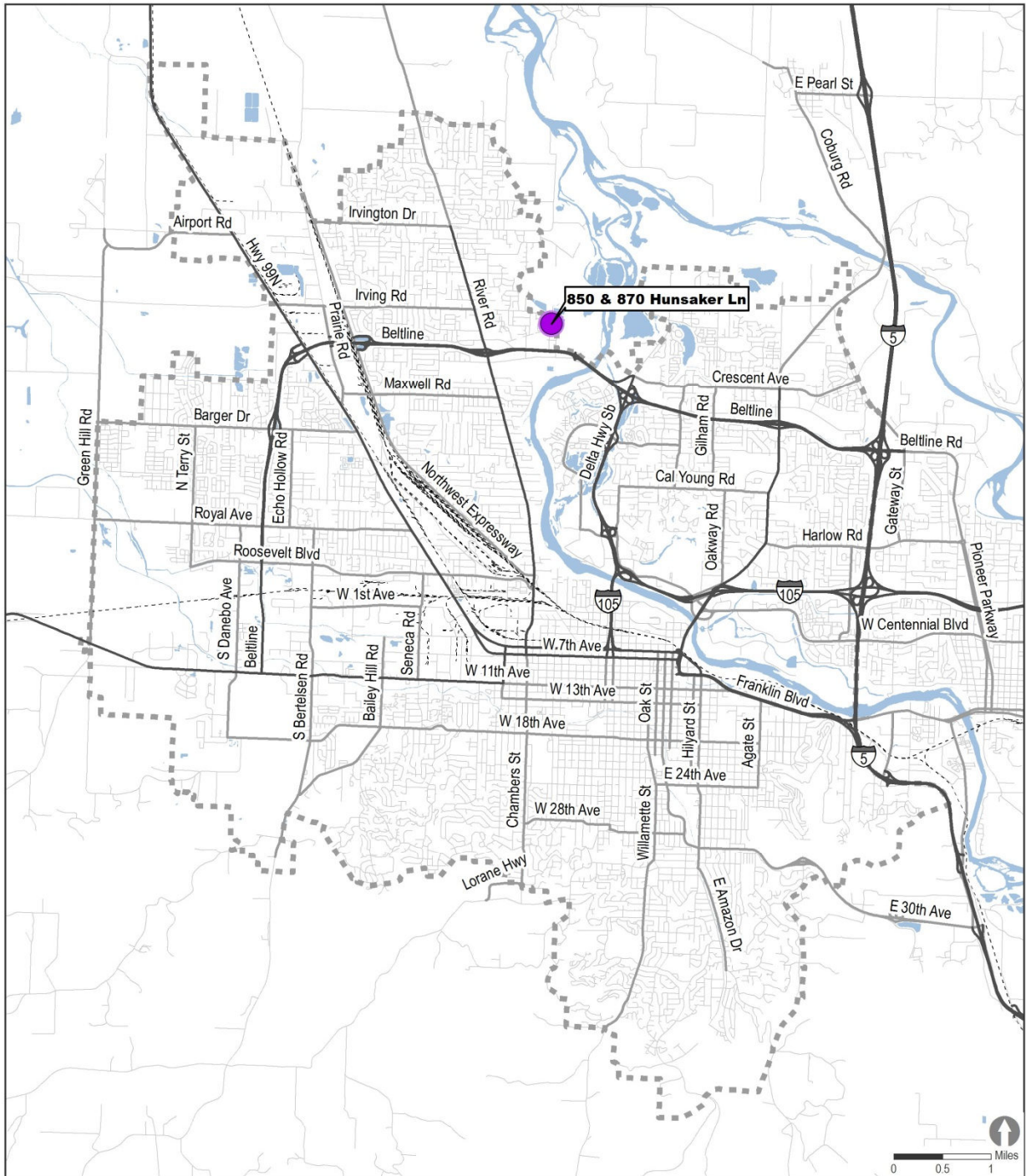
## **ATTACHMENTS**


A. Maps of Proposed Development

**FOR MORE INFORMATION**


Staff Contact: Ellen Meyi-Galloway, Housing Finance Analyst  
Telephone: 541-682-5532  
Staff E-Mail: [Ellen.E.Meyi-Galloway@ci.eugene.or.us](mailto:Ellen.E.Meyi-Galloway@ci.eugene.or.us)

# Hunsaker Lane



 Eugene UGB

City of Eugene  
Planning and Development  
June 9, 2015



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

# Hunsaker Lane



 Project Site Taxlots     Eugene UGB

Aerial Imagery: 2013  
Caution: This map is based on imprecise source data, subject to change, and for general reference only.

City of Eugene  
Planning and Development  
July 2, 2015

