



Staff Report

File #: 24-280

Version: 1

Date: 7/8/2024

Item #: 3.3c.

TO: Mayor and City Council

THROUGH: Keith Stahley, City Manager

FROM: Kristin Retherford, Director, Community Planning and Development

SUBJECT:

Request for an allocation of \$3 million of the \$10 million included in the City's Safety and Livability Bond for affordable housing to fund off-site improvements in support of new, affordable housing units to be constructed at the intersection of Joseph Street SE and Aumsville Highway.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Welcoming and Livable Community

SUMMARY:

On June 20, 2024, Neighborly Development contacted staff with a requested allocation of \$3 million of the \$10 million included in the City's Safety and Livability Bond for affordable housing to fund off-site improvements in support of 183 new, affordable housing units to be constructed at the intersection of Joseph Street SE and Aumsville Highway. Due to bond requirements, these funds can only be expended on improvements that will stay in City ownership for the life of the bond. The necessary offsite improvements will include street, water, and sewer infrastructure. As the City does not yet have a program or criteria in place to guide allocation of these funds, the request was presented by staff at the June 27, 2024, Bond Steering Committee, where it was supported with the direction to bring the request before Council for consideration.

ISSUE:

Shall City Council approve an allocation of \$3 million from the Safety and Livability Bond to pay for offsite improvements necessary to construct new, affordable housing units to be developed by Neighborly Development at the intersection of Joseph Street SE and Aumsville Highway?

RECOMMENDATION:

Approve an allocation of \$3 million from the Safety and Livability Bond to pay for offsite improvements necessary to construct new, affordable housing units to be developed by Neighborly Development at the intersection of Joseph Street SE and Aumsville Highway.

FACTS AND FINDINGS:

Neighborly Development has successfully developed and operated affordable housing projects in Salem such as the Cornerstone Apartments and Jory Apartments. Their team intends to seek funding from the State of Oregon through the Office of Housing and Community Services (OHCS) to develop a new affordable housing project at the intersection of Joseph Street SE and Aumsville Highway.

The development team has completed their initial intake with OHCS and has worked with the City to obtain land use approval and determine offsite infrastructure requirements to support the development. Offsite improvements are estimated to cost \$5.5 million and include the design and construction of water, sewer, street, and stormwater infrastructure. The development team is seeking an allocation of \$3 million from the City's Safety and Livability Bond allotment for affordable housing to pay for more than half of the offsite infrastructure costs.

The proposed development consists of two phases. The first phase will be 183 affordable units, and if funding is secured, construction will begin the spring of 2025. There is currently no schedule for the second phase of the development.

If this allocation is approved, the community will obtain 183 new units of affordable housing at a per-door cost of \$16,393. The project is also dependent on receiving LIFT funds through OHCS. Award notification is expected in August and if awarded, the project would close on the LIFT funding in January 2025.

The affordability level for this project will be 60% of Area Median Income (AMI) and the anticipated rent for a one bedroom is \$1,028 per month. The market for this project will fall between the market for Permanent Supportive Housing projects like Sequoia Crossings or deeply subsidized public housing (30% AMI) and recent downtown incentivized affordable housing units, which target 80% AMI.

BACKGROUND:

There are currently no criteria in place to guide affordable housing allocations from the City's Safety and Livability bond, other than the requirement that the funds be spent on land or infrastructure that will remain in City ownership. Discussion at the June 27, 2024, Bond Steering Committee included direction to return with criteria for future projects. It also included a discussion of climate change considerations and that geographical location and access to services could be factors to include in future criteria, as well as return on investment in the form of cost-per-door. Staff will draft additional

criteria to present to the Bond Steering Committee, which will likely include elements from existing programs such as project readiness, anticipated construction start date, land use approval, percentage of affordable units, amount of requested funding, and level of affordability.

Kristin Retherford, Director
Community Planning and Development

Attachments:

1. Vicinity Map
2. Site Plan