

Staff Report

File #: 16-208**Version:** 1**Date:** 9/26/2016**Item #:**

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Approval to fund the development of 288 affordable housing units with FY 2017-2018 and FY 2018-2019 HOME Investment Partnership program funding.

Ward(s): Ward 3 and 5

Councilor(s): Nanke and Dickey

Neighborhood(s): Northgate, Highland, and SEMCA

ISSUE:

Shall the Council approve a set aside of \$400,000 from the FY 2017-2018 and \$100,000 from the FY 2018-2019 U.S. Department of Housing and Urban Development HOME Investment Partnership allocations?

RECOMMENDATION:

Approve a set aside of \$400,000 from the FY 2017-2018 and \$100,000 from the FY 2018-2019 U.S. Department of Housing and Urban Development HOME Investment Partnership (HOME) allocations.

SUMMARY AND BACKGROUND:

Mountain West Investments Corporation (Mountain West), a Salem for-profit developer whose principals are Larry and Jason Tokarski, is proposing to construct 180 units of affordable multi-family housing on approximately 9.5 acres of land located at 3350 Portland Road (Attachment 1), beginning in spring 2017. The 14 acre property, currently owned by the Larry and Jeanette Epping Family Foundation, has been vacant for several years and actively marketed for commercial development. The Epping family plans to retain ownership of the remaining 4.5 acres adjacent to Portland Road for future commercial development.

The housing development will target individuals and families earning 60 percent or less of Salem's median income. A family of four will need to earn \$33,900 or less per year to qualify. Mountain West

is pursuing several financial subsidies because the anticipated monthly rents will not generate the revenue needed to cover the development costs. Some of the subsidies, including Low Income Housing Tax Credits (Tax Credits), require ongoing rent and income restrictions, further limiting the development income. Mountain West is requesting funding from the City's HOME program and the Urban Renewal Agency's North Gateway Urban Renewal Area (North Gateway URA).

Additionally, Mountain West is pursuing a second affordable multi-family housing development on Caplinger Road SE (Attachment 2). This second development would also be constructed in 2017 and would consist of 108 housing units targeting individuals and families earning 60 percent or less of Salem's median income. Mountain West will be applying for competitive nine percent Tax Credits to fund this second project. They will apply for the Tax Credits in September 2016 and will be notified in December 2016 whether or not their project has been selected. Mountain West is requesting funding from the City's HOME program for this second project.

Several recently adopted City and Urban Renewal Area plans and studies identify the need for a broader range of housing options for Salem residents. The City's current multifamily vacancy rates are between 1 and 1.5% which exacerbates the need for housing, including units that are affordable. The majority of new affordable housing units and rehabilitation of existing units has been led by the Salem Housing Authority and local non-profit organizations.

FACTS AND FINDINGS:

The City receives an annual grant from the U.S. Housing and Urban Development HOME program. In the 2016-2017 program year the City received approximately \$614,000 in HOME funds. Additionally, the City receives loan repayment (program income) from previous years HOME projects which is anticipated to be \$210,000 in 2016. A similar amount of funding is expected in the next two years. HOME regulations require the federal allocation and the program income funding be used for affordable housing projects or programs that serve individuals or families with incomes that are 60 percent or below the median family income for the local area.

In June 2016 Mountain West approached the Urban Development Department regarding the Portland Road project's financial feasibility. The anticipated funding gap for the project is approximately \$1.5 million. To address the need for affordable housing in North Gateway URA, revitalize this long vacant site, and respond to City and Agency goals and priorities, a funding commitment from the City and Agency is recommended. The funding commitment will allow an application to the Oregon Housing and Community Services for Tax Credits to proceed. Without City and Agency assistance, it is unlikely that the project will move forward.

In August 2016 Mountain West informed the Urban Development Department they are pursuing development of a second affordable housing project on Caplinger Road SE. Mountain West will be applying for competitive nine percent Tax Credits to fund this second project and is requesting a funding commitment from the City's HOME Investment Partnership program.

Total City and Agency Funding Request:

- \$749,000 - North Gateway URA grant for the Portland Road project construction;
- \$400,000 - City HOME funding for the Portland Road site with \$300,000 from FY 2017-2018 and \$100,000 from FY 2018-2019 (applications for these funds must be submitted in December with City Council adoption in May and June);
- \$650,000 - North Gateway URA funding for construction of an internal street into the property; and
- \$100,000 - City HOME funding for the Caplinger Road site from FY 2017-2018 (applications for these funds must be submitted in December with City Council adoption in May and June)

The addition of 288 affordable housing units to the City's current housing stock will provide decent, safe, and sanitary living conditions to households who without this option could be at risk of homelessness.

Rena Peck
Federal Programs Manager

Attachments:

1. Portland Road Site Plan
2. Caplinger Site Plan

09/08/2016