



Staff Report

File #: 16-216

Version: 1

Date: 8/22/2016

Item #: 6.b.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Development of 3350 Portland Road, NE for affordable housing located within the North Gateway Urban Renewal Area and development of additional affordable housing on Caplinger Road SE.

Ward(s): Ward 3, 5

Councilor(s): Nanke, Dickey

Neighborhood(s): SEMCA, Northgate, Highland

ISSUE:

Information regarding a development proposal to construct 180 units of affordable multi-family housing on a portion of the property located at 3350 Portland Road, NE (commonly referred as the "Epping property") within the North Gateway Urban Renewal Area (URA), and potentially an additional 108 units of affordable multi-family housing on Caplinger Road SE.

RECOMMENDATION:

Information only.

SUMMARY AND BACKGROUND:

Mountain West Investments Corporation (Mountain West), a Salem for-profit developer whose principles are Larry and Jason Tokarski, is proposing to construct 180 units of affordable multi-family housing on approximately eight acres of land located at 3350 Portland Road (Attachment 1), beginning in spring 2017. The 14 acre property, 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 six acres adjacent to Portland Road for future commercial development.

The development will target individuals and families earning 60 percent or less of Salem's median income. A family of four will need to earn \$34,320 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 (LIHTC), require ongoing rent and income restrictions, further limiting the development income. Mountain West also plans to request funding from the City's U.S. Department of Housing and Urban Development HOME Investment Partnership Program and the North Gateway Urban Renewal Area (North Gateway URA).

Several recently adopted City and Urban Renewal Area plans and studies identify the need for a broader range of housing options for Salem residents, including in the North Gateway URA. The 2012 Salem Housing Needs Assessment (HNA) identified that 39 percent of Salem residents spent more than 30 percent of their gross income on housing. In Table B-17, the HNA cited a deficit of nearly 6,400 units for households earning less than \$25,000 annually (Attachment 2). Many existing affordable housing units, including in North Salem, were built pre-1978 and are in need of upgrades. 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.

The recently adopted Portland Road Corridor Action Plan (Action Plan) recommended that Urban Renewal Agency (Agency) address the need for more affordable housing in the North Gateway URA by providing Toolbox Grant Program funding and/or other incentive to support development. The Action Plan also identified the Epping property, along with several sites along Portland Road, as "opportunity sites" that the Agency should prioritize for possible acquisition and/or development support. On June 27, 2016, the Agency approved amendments to the Toolbox Grant Program and the North Gateway URA Plan to add multi-family housing as eligible activities.

Additionally, Mountain West is pursuing a second affordable multi-family housing development on Caplinger Road SE. This second development would also be constructed in 2017 and would consist of 108 units targeting individuals and families earning 60 percent or less of Salem's median income. Mountain West will be applying for competitive nine percent Low Income Housing Tax Credits (LIHTC) to fund this second project. They will apply for the tax credits in September 2016 and will be notified whether or not their project has been selected in December 2016. Mountain West also plans to request funding from the City's U.S. Department of Housing and Urban Development HOME Investment Partnership Program for this second project, which is not included in an urban renewal area.

FACTS AND FINDINGS:

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 LIHTC to proceed. Without City and Agency assistance, it is unlikely that the project will move forward.

Additionally, in August 2016 Mountain West informed the Urban Development Department that they are pursuing development of a second affordable housing project on Caplinger Road SE. Mountain West will be applying for competitive 9% Federal Low Income Housing Tax Credits (LIHTC) to fund this second project and also plans to request funding from the City's U.S. Department of Housing and Urban Development HOME Investment Partnership. The Caplinger Road SE site is not within an urban renewal area.

Anticipated Funding Request, fall 2016:

- \$749,000 - North Gateway URA grant for project construction;
- \$400,000 - City HOME funding for the Epping site with \$300,000 for FY 2017-2018 and \$100,000 for 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 for FY 2017-2018 (Applications for these funds must be submitted in December with City Council adoption in May and June)

Next Steps

Mountain West will conduct outreach to the neighborhood and surrounding businesses seeking support for the project, including August meetings with the North Gateway Redevelopment Advisory Board and the Northgate Neighborhood Association. Staff anticipates returning to the Agency and Council on September 26, 2016, to seek formal recommendation for the project, including approval for \$749,000 in FY 16-17 North Gateway URA funding and a \$400,000 HOME set aside. Sufficient budget authority exists to cover the request.

Annie Gorski
Interim Economic Development Manager

Attachments:

1. Site Map - Portland Road NE
2. Table B17-HNA
3. Site Map - Caplinger Road SE

08/05/2016