



TOWN OF JACKSON

WORKSHOP DOCUMENTATION

SUBMITTING DEPARTMENT: Housing

PRESENTER: April Norton

WORKSHOP DATE: September 3, 2019

SUBJECT: Project Selection for 174 N. King Street

PURPOSE OF WORKSHOP ITEM

Today, Council can choose a development partner who will break ground on a community housing project next spring.

On July 31 the Town was informed that the 174 N. King Street Project did not receive 9% Low Income Housing Tax Credit (LIHTC) allocations from the Wyoming Community Development Authority (WCDA). On August 19, the Council directed staff to analyze revised project proposals from Westmount Development and the Jackson Hole Community Housing Trust. Since that time, staff has received further refined proposals from both developers and provides an analysis below.

DESIRED OUTCOME

- Developer/project selection –
 - a) Westmount rental proposal
 - b) Housing Trust ownership proposal
- Direction on how to pay for the gap in funding required to build the project.
 - a) Town Housing Fee in Lieu funds that can only be used to fund housing that serves households earning <120% MFI, current balance: \$273,953; and/or
 - b) Town Housing Supply funds that have been allocated to implement the Housing Supply Plan in which this project is identified for development, current balance: \$1,719,059.

BACKGROUND

In 2018 the Council identified 174 N. King Street for low income rental housing based on the policy direction in the Housing Action Plan (*Initiative 2A: Prioritize lower-income, year-round housing; 4C: Seek and support grants, tax credits, loans, and other sources of funding*), pipeline and demand information available at the time. Since the initial project award, the development partner, Westmount Development, has unsuccessfully applied for Low Income Housing Tax Credits (LIHTC) through the Wyoming Community Development Authority.

On August 19 staff brought the 174 N. King Street project to Council for direction with how to move forward. After a staff presentation on current demand, pipeline, and funding, the Council directed staff to work with the Housing Trust and Westmount to analyze their revised options and bring an analysis and recommendation to the Council.

Since that time both developers have provided additional information and revisions to their proposals. These can be found online at <http://www.jhaffordablehousing.org/1577/174-N-King-Street>.

The good news is that there are two quality developers who have provided projects that, once built, will serve full-time, year-round working households in Teton County. Both proposals can break ground next Spring, which means that the Town of Jackson will welcome families to stable living situations sometime in 2021.

This staff report is broken into three sections: 1) proposal summary for each of the proposals, 2) key issue identification and analysis, and 3) options and staff recommendation.

Part One: Proposal Summary

Developer: Jackson Hole Community Housing Trust (JHCHT)

Architect: Northworks

Builder: Shaw Construction

For this proposal, JHCHT proposes a mixed-use development that will provide 24 ownership units with 34 bedrooms and 2,290 square feet of ground floor commercial space and 1,366 square feet of below grade commercial space. Total cost to build the project is estimated at \$15,971,918. Total funding for the project is estimated at \$16,019,625. JHCHT offers the Town of Jackson five Rights of First Purchase (ROFP) for Town employees. These rights will stay within the development, so if they are not all executed at the time of initial sale the Town will have an opportunity to exercise the rights as units come up for resale. (This is different from the “floating rights” the Town currently owns because they are only applicable to this development.) JHCHT proposes raising \$2,100,000 in private philanthropy, borrowing up to \$11,700,000 in debt, and requiring an additional \$1,250,000 investment from the Town of Jackson (in addition to a \$1/year ground lease for the land). The commercial space will be sold for market value, which is estimated at \$2,122,625 or \$580.59 per square foot (includes both above and below grade space). Unit pricing ranges from \$275,000 to \$517,000 and averages out at \$451.41 per square foot. Depending on household size, all of these units will serve households who earn in the 80-120% Income Range. JHCHT proposes recording its standard restriction on all 24 units, which requires that buyers earn no more than 120% of median family income (MFI) based on the Housing Trust’s formula.

Pros/Cons:

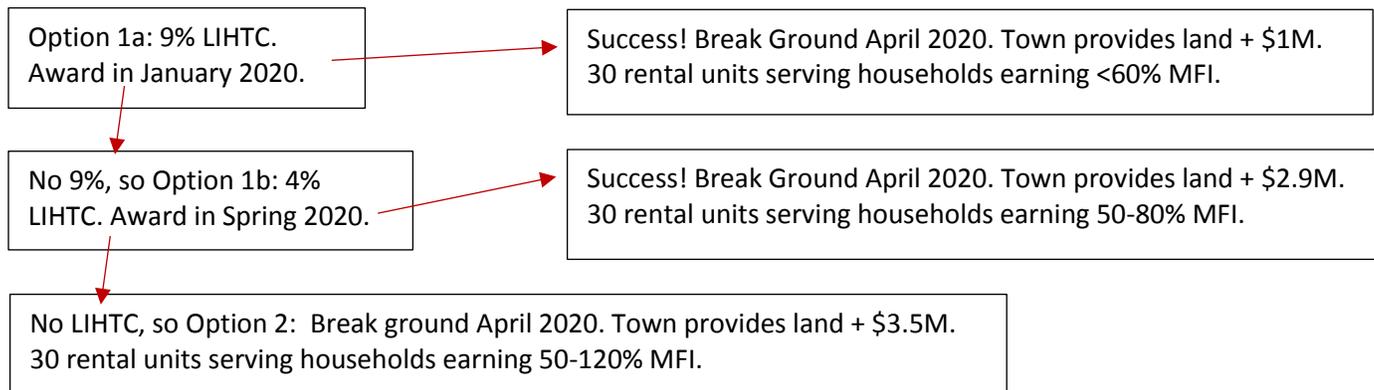
- Pros: Builder has extensive and recent experience building multifamily in Jackson.
- Cons: Risk associated with fundraising if JHCHT cannot raise at least \$2.1M in philanthropy the Town may be responsible for making up the gap in addition to the \$1.25M provided + land. And risk associated with potentially unfavorable results from a geotechnical analysis of the site, which could preclude below grade space and increase overall building costs because of poor soils, which may result in the Town providing additional funding over the \$1.25M + land.

Developer: Westmount Development

Architect: Krikor Architects

Builder: New West Builders

For this proposal, Westmount offers a mixed-use design that provides 30 rental units with 32 bedrooms and 1,920 square feet of ground floor commercial space. The total cost to build the project is estimated at \$13,509,172. Westmount proposes re-applying to the WCDA for 9% LIHTC (“Option 1a”). To strengthen their application, an additional \$1M investment from the Town may be necessary. The award date is in January 2020. If unsuccessful, Westmount would then apply for 4% LIHTC (“Option 1b”). If successful they will need an additional \$2.9M from the Town of Jackson. If unsuccessful, Westmount can still break ground on a project in Spring 2020 but will need \$3.5M from the Town of Jackson to do so (“Option 2”). Westmount offers the Town of Jackson five First Rights of Rental (FROR) for Town employees.



Pros/Cons

- Pros: Developer has completed a geotechnical analysis of the site and is not proposing below grade space, received Design Review Committee approval, has current cost estimates, has received a reduced parking requirement (1 space per unit), leverages federal resources, and addresses highest housing need in the community.
- Cons: Risk associated with applying for 9% LIHTC again after two unsuccessful attempts. If unsuccessful with 9% and 4% LIHTC, then Town will need to provide \$3.5M for the project, which is about \$1M more than what is available in the Housing Supply Program and fees in-lieu accounts.

Part Two: Key Issue Identification and Analysis

Key issues that were analyzed and used to compare the two projects are listed below. Other key components were analyzed but did not meaningfully differentiate the two projects.

1. Affordability, Type of Product
2. Timeline, Approvals, Variances Needed
3. Projects Risks
4. Town Funding Required
5. Commercial Space

Affordability, Type of Product

- Both proposals provide needed units based on product type and demand.

The August 2019 Intake Form indicates that most households looking for housing through the Housing Department programs are one or two people and earn less than 120% MFI. Over 2,200 individuals in over 1,000 households are represented in this data set (about 10% of the County population).

The highest demand right now is for units serving 1-2 person households earning <80% of median family income (MFI). These units should be primarily rental, one and two-bedrooms.

- Westmount Development Option 1 provides rental units for households earning <80% MFI.

The second highest demand is for units serving 1-2 person households earning 80-120% MFI. These units should be a blend of rental and ownership, one and two-bedroom. They could be a mix of the Affordable 80-120% Income Range and Workforce restrictions.

- The Housing Trust proposal provides 24 ownership units that qualify in the 80-120% Income Range depending on household size.
- Westmount Development Option 2 provides rental units for households earning 50-120% MFI.

<p>Highest Demand: 0-80% Rental</p> <ul style="list-style-type: none"> • 0 units in the pipeline <p>634 households on Intake Form earn <80% MFI. (245 earn <50% MFI.)</p> <p>Westmount options 1 fits here = 30 rental units (all studio, one- or two-bedrooms)</p> <p>Westmount option 2 provides 8 of 30 units that fit here.</p>	<p>Second Highest Demand: 80-120% Ownership</p> <ul style="list-style-type: none"> • 44 rental units in the pipeline • 0 ownership units in the pipeline <p>313 households on Intake Form earn 80-120% MFI.</p> <p>JHCHT project fits here = 24 ownership units (18 one-bedroom, 2 two-bedroom, 4 three-bedroom)</p> <p>Westmount option 2 fits here = 30 rental units (all studio, one- or two-bedrooms)</p>
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Timeline, Approvals, Variances Needed

- Both projects can break ground in the Spring 2020.

What	JHCHT	Westmount
Geotechnical Analysis	Still needs.	Complete.
Design Review Committee	Still needs.	Complete.
Reduced parking to 1:1	Still needs.	Complete.
Off-site parking allocation	Still needs.	N/A
LIHTC Allocation	N/A	Deadline 9/30. Award 1/2020.
Fundraising	Still needs.	N/A
Ground Lease	Still needs.	Still needs.
Development Agreement	Maybe	Maybe
Building Permit	Still needs.	Still needs.

The Westmount project is farther along in the design and approval process. In order to break ground, they must receive LIHTC allocation and/or Town funding, plus they must have an executed Ground Lease with the Town and possibly a Development Agreement, and they must receive their building permit.

JHCHT has an advanced proposal, but still needs to conduct a geotechnical analysis to finalize the design. They will also be required to receive Design Review Committee approval. They must apply for and receive approval for a parking reduction plus an off-site parking allocation of six spots for at least the winter season. They too will need an executed Ground Lease and possibly a Development Agreement. Once those pieces are complete, the developer may submit for building permit. If they cannot receive the proper planning approvals, they may be required to redesign their building (planning approval is not guaranteed with selection today).

Project Risks

- Both projects come with risks associated with dependence on outside funding (not debt) and if that funding is not received, then the Town will be required to make up the shortfall to ensure a Spring 2020 groundbreaking.

JHCHT: lower risk, lesser affordability	Westmount: higher risk, greater affordability
<p>Risks:</p> <ul style="list-style-type: none"> • Fundraising goals are not met, so sales prices are increased, reducing affordability and/or the Town is required to provide additional investment up to \$2.1M. • JHCHT still needs a geotechnical analysis. If this indicates poor soils that limit below grade space and increase construction costs, then they may need to raise the sales prices, reducing affordability and/or require increased Town investment. • Town does not have five employees to take advantage of the 5 ROFP at initial sale which would result in community working household who qualify purchasing the unit(s) that the Town cannot fill at initial sale and then as units come up for resale Town employees will have an opportunity to purchase. 	<p>Risks:</p> <ul style="list-style-type: none"> • LIHTC application is denied and the Town is required to provide additional investment to build the project, plus the project goes from serving <60% MFI households to serving households earning 50-120% MFI. • Town does not have five employees who qualify to rent the units at initial lease which would result in community working households who qualify leasing the unit(s) that Town cannot fill. Then annually Town employees will have an opportunity to lease assuming they qualify.
<p>Potential additional cost to Town: Unknown, but probably not more than \$2.1M more than the \$1.25M + land already provided.</p>	<p>Potential additional cost to Town: \$3.5M more than the land already provided.</p>

How to address:

- In the Ground Lease, require JHCHT to execute a Guaranteed Maximum Price (GMP) contract with Shaw Construction by a date certain.
- In the Ground Lease, guarantee that the Town of Jackson will provide up to \$1.25M or 7.83% of the total project cost, whichever is less, in matching funds for the project based on the GMP.
- In the Ground Lease, require JHCHT to record their affordable restriction on all units, ensuring affordability (as opposed to allowing a market sale or workforce sale).
- In the Ground Lease, clearly specify what steps must be taken if philanthropy goals are not met (Town loans JHCHT funds to cover the gap, Ground Lease is revoked and JHCHT is forced to sign improvements over to the Town, Town provides the additional funds, etc.).
- Once the Ground Lease is signed, the Town can let employees know about the ROFP and encourage them to consider the opportunity.

How to address:

- The funding risk is not easily addressed aside from providing strong support for the project and assisting with infrastructure construction.
- Do not execute a Ground Lease until LIHTC allocations are announced.
- In the Ground Lease, require Westmount to execute a GMP contract with New West Builders by a date certain.
- If LIHTC are allocated, guarantee the Town’s monetary contribution not to exceed the amount stated in the LIHTC application or the percentage of total estimated project cost – whichever is less.
- If LIHTC are not allocated, guarantee the Town’s monetary contribution not to exceed the amounts provided as attachments to this staff report or the corollary percentage of total estimated project cost – whichever is less.
- Once the Ground Lease is signed, the Town can let employees know about the ROFR and encourage them to consider the opportunity.

The Westmount Option 1a is superior in affordability and product type based on current demand in the community. However, this option is risky because of its reliance on 9% LIHTC. Westmount has unsuccessfully applied to WCDA twice already and there has been no indication from the WCDA staff that they will grant the cost waivers necessary to approve the project. The Westmount Option 1b provides a high level of affordability and the right product type based on current demand. It also requires an allocation by WCDA of 4% LIHTC. These are easier to apply for and receive, but they also do not provide enough equity for the developer to build the project without a significant additional investment by the Town. Westmount Options 2 provides similar affordability to what JHCHT is proposing and requests over \$2M more than JHCHT to build.

The JHCHT project is less affordable than Westmount Option 1 (a & b), but it still meets a high demand in the community. However, should JHCHT experience unforeseen costs and/or fail to meet fundraising goals, the Town could be required to provide investment in addition to the \$1.25M + land it is already providing. This potential additional investment is likely not to exceed \$2.1M.

Town Funding Required

- Both projects require Town funding in addition to a long-term ground lease for the land.

What	JHCHT – 24 ownership units	Westmount – 30 rental units		
		Option 1a	Option 1b	Option 3
Project Cost (includes land value and Town cash)	\$15,971,918 (does not include parking)	\$14,074,172	\$14,074,172	\$13,639,664
Project Funding	\$16,019,625	\$14,074,172	\$14,074,172	\$13,639,664
Town Land	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Town Cash	\$1,250,000	Optional \$1M	\$2,864,124	\$3,453,282
Off-Site Parking*	\$90,000 6 spaces at \$15,000/per	None	None	None

*Not included in Project Cost number

Westmount's overall project cost is lower than JHCHT and is based on current bids (in preparation for LIHTC allocation in July 2019). For their Option 1a, the Town can provide an additional \$1M in infrastructure improvements if needed to strengthen the LIHTC application. If the 9% LIHTC application is unsuccessful, then Westmount will apply for 4% LIHTC and if awarded the Town will need to provide \$2.9M in additional funds. (Right now, the Town has about \$2M in Housing Supply Program + fees in-lieu funds to use for this project.) If the 4% application is unsuccessful, then the Town will need to provide \$3.5M for the project, which is about \$1.5M more than what is currently available.

JHCHT's project cost is estimated around \$2M higher than Westmount's. JHCHT requests \$1.25M (or ~8% of projected project cost) from the Town to be provided when the Ground Lease is executed. If JHCHT fails to raise \$2.1M, the Town may be required to provide the gap funding which is unlikely to be greater than \$2.1M.

ALTERNATIVES

Council chooses to work with Westmount.

Westmount applies for 9% LIHTC in the September 2019 round. WCDA announces allocations in January 2020.

- Option 1a: LIHTC are allocated in January 2020. Ground Lease and Development Agreement are executed. Westmount executes a GMP with New West Builders. Project breaks ground in April 2020. 30 rental units serving households earning <60% MFI welcome families in Fall of 2021.
 - Most affordable, least expensive for public, riskiest because of dependence on 9% LIHTC allocation that has been denied twice already. If needed, funding sources = Town Housing Supply Program (\$1M)
- Option 1b: 9% LIHTC are not allocated in January 2020. Westmount applies for 4% LIHTC and those are awarded in March 2020. Ground Lease and Development Agreement are executed. Westmount executes a GMP with New West Builders. Town provides a guarantee of \$2,864,210 or 20% of total project cost – whichever is lower – in funding to Westmount. Project breaks ground in April 2020. 30 rental units serving households earning 50-80% MFI welcome families in Fall 2021.
 - Second most affordable, more expensive for public, lower risk because 4% LIHTC are a noncompetitive funding source. Funding sources = Town Housing Supply Program fund (\$1,719,059) + Fees In-Lieu (\$273,953). Funding gap is \$871,198.
- Option 2: LIHTC are not allocated. Ground Lease and Development Agreement are executed. Westmount executes a GMP with New West Builders. Town provides a guarantee of \$3,453,282 or 25% of total project cost – whichever is less – in funding to Westmount. Project breaks ground in April 2020. 30 rental units serving households earning 50-120% MFI welcome families in Fall 2021.
 - Affordability meets highest and second highest demand, most expensive for public, low risk. Funding sources = Town Housing Supply Program fund (\$1,719,059) + Fees In-Lieu (\$273,953). Funding gap is \$1,460,270.
- Alternative Option: LIHTC are not allocated. Westmount sells their plans to JHCHT for \$200,000 and JHCHT develops property. Project cost is estimated at \$2M below what JHCHT proposes currently, revenues generated from sales will likely be reduced.
 - Funding sources are the same as above. Staff does not know what sources/uses in this scenario would be.

Council chooses to work with JHCHT.

- Ground Lease and Development Agreement are executed in Fall 2019. Town provides \$1,250,000 to JHCHT. JHCHT buys geotechnical analysis from Westmount and finalizes design. JHCHT executes a GMP with Shaw Construction. If GMP reflects a lower total project cost than previously estimated, Town reserves the right to either recoup money provided over 8% of project cost or to require JHCHT to reduce sales prices by the amount provided above 8% of project costs. JHCHT finalizes design and applies for and receives all planning and DRC approvals necessary, and then receives building permit. Project breaks ground in April 2020. 24 ownership units serving households earning 80-120% MFI welcome families in Fall 2021.
 - Affordability and unit types meet second highest demand, more expensive for the public than 9% LIHTC option, but less expensive for the public than other Westmount options, risk related to dependence on philanthropy. Funding source = Town Housing Supply Program fund (General Fund dollars). If JHCHT does not meet fundraising goals, then additional funding may need to be found outside of the Town housing budgets.

COMPREHENSIVE PLAN ALIGNMENT

Comprehensive Plan Policy:

- Emphasize a variety of housing types. 3.2.d
- Emphasize a variety of housing types, including deed-restricted housing. 4.1.b
- Create and develop Transitional Subareas. 4.3.b
- House at least 65% of the workforce locally. 5.1.a
- Focus housing subsidies on full-time, year-round workers. 5.1.b
- Provide a variety of housing options. 5.2.a
- Housing will be consistent with Character Districts. 5.2.b
- Create workforce housing to address remaining shortages. 5.3.c

Housing Action Plan Initiative:

- Prioritize lower-income, year-round housing. 2A
- Provide land as a public subsidy and build development partnerships. 2B
- Lead by example by housing public employees. 2C
- Allow for supply of workforce housing by removing barriers. 5A
- Incentivize the supply of restricted housing. 5B

STAKEHOLDER ANALYSIS

Stakeholders include Town and County taxpayers, local working families, business owners, and neighbors.

FISCAL IMPACT

The fiscal impact of various options is provided above.

STAFF IMPACT

These projects will be led by the Housing Director who will lean on several colleagues for support and guidance, including the Town Administrator, Community Development Director, Town Attorney, Town Planning Director, and Town Engineer.

LEGAL ISSUES

None right now.

ATTACHMENTS

All documents related to this item are provided online at <http://www.jhaffordablehousing.org/1577/174-N-King-Street>.

RECOMMENDATION

The Housing Supply Board met August 13 to discuss these projects. Without policy direction from the Council, the board could not make a recommendation.

While staff recognizes the immense need for low income rental housing, the costs to build that type housing at this site and the public funding realities limit Town's ability to pursue the rental options. If Westmount is unsuccessful in their 9% LIHTC application, the Town does not currently have the funds to pay for any of the other options proposed by Westmount. There has been no indication from WCDA staff that they will grant the fee waiver, even with reduced project costs and additional funding from the Town. Without secure funding and limited financial resources at the Town, staff cannot recommend moving forward with Westmount.

It is because of the limited amount of funding for housing coupled with a high demand for ownership housing serving households earning 80-120% MFI that staff recommends awarding the project to JHCHT with the requirements listed below in the suggested motion along with any other requirements Council wishes to include.

Moving forward, **the persistent demand in the community and the demand that has zero units in the pipeline is rental product for households earning <80% MFI.** These are the most expensive units to build and they are the units that serve the most marginalized in our community, including individuals, children, and extended families. To build these units we

must find an additional funding source, whether it's LIHTC, Community Block Grants, Specific Purpose Excise Tax, etc. to provide the investment needed to build these homes.

SUGGESTED MOTION

I move to proceed with developing housing at 174 N. King Street with the Jackson Hole Community Housing Trust and direct staff to bring a Ground Lease to the Council for consideration at a future meeting. The Ground Lease should include the following:

- Requirement that JHCHT execute a Guaranteed Maximum Price contract with Shaw Construction by a date certain.
- Guarantee that the Town of Jackson will provide up to \$1,250,000 or 8% of the total project cost, whichever is less, in matching funds for the project based on the Guaranteed Maximum Price.
- Requirement that JHCHT record their standard affordable restriction on all units.
- Requirement that JHCHT receive all necessary approvals from the planning and building departments and that the signed Ground Lease does not remove this obligation.