



TOWN OF JACKSON

AGENDA DOCUMENTATION

SUBMITTING DEPARTMENT: Housing

PRESENTER: April Norton

MEETING DATE: January 28, 2020

SUBJECT: 430 & 440 West Kelly Avenue Workforce Housing Development

STATEMENT/PURPOSE

The Town Council ("Council") will consider how to move forward with the 430 & 440 West Kelly Avenue Workforce housing development. In previous meetings a majority of the Council voted in favor of 12 and 16-unit proposals. Assuming this direction stands, staff seeks additional direction on the key issues outlined below.

Key issues for the Council to consider include:

- **Bedrooms vs. Units.** Council has three different unit/bedroom mixes to consider.
- **Rights of First Purchase ("ROFP") for Town Employees.** Now that this development will be built on Town owned property, does the Town want to secure Rights of First Purchase for some units?
- **Additional Investment.** Does the Town want to invest more in the project to increase the affordability of the project?

BACKGROUND/ALTERNATIVES

From 2007 to 2012 the community worked to develop the Comprehensive Plan. This work included over 2,000 public comments and resulted in the adoption of the Jackson/Teton County Comprehensive Plan in 2012. The plan sets a goal of housing 65% of our workforce locally. *Comp Plan Policy 5.1.a*. The plan also identified Transitional Subareas that are appropriate for increased density and directs the community to develop a Workforce Housing Action Plan. *Comp Plan Policy 5.4.a*.

The 2015 Workforce Housing Action Plan (HAP) was informed by eight housing studies and is the result of the 2015 Housing Summit, which convened elected officials, stakeholders, and the public to examine workforce housing in Teton County and the Town of Jackson. The plan ties together the Comprehensive Plan policy directives and Character Districts and directs staff to purchase appropriately zoned land for the purpose of partnering with private developers to develop housing for our working families. *HAP Initiative 2B*. The HAP also provides a map showing which neighborhoods in the community are appropriate for updated zoning in an effort to find locations to create workforce housing through increased density. *HAP Initiative 5A*.

In 2016 and 2018 density was added to the Transitional Subareas through updated town zoning. *Comp Plan Policy 4.3.b*. *HAP Initiative 5A, 5B*. These Transitional Subareas have long been identified as places that are appropriate for more density because increasing the density from single-family homes that are no longer affordable to families earning median income to multifamily homes that are more likely to be affordable to local working families, gives the community a better chance to build housing for our local workforce. Essentially, by increasing the density we are allowing workforce neighborhoods to retain their working family character instead of preserving the existing density and losing that working family character.

For example, in the 440 W. Kelly Ave neighborhood a single-family home that was built in 1962 was recently purchased for around \$700,000, which is approximately twice what a family of four earning 100% of median income can afford. That same home was then remodeled over a 9-month timeframe and sold for \$1.2875M after only one showing. That purchase price is almost four times what a family of four earning 100% of median income can afford. To make redevelopment both attractive to developers and priced at rates that are affordable to working families, either denser housing must be built, or higher public subsidy must be provided. In some cases, both may be necessary.

In July 2018, the W. Kelly Ave neighborhood was rezoned to NH-1. This zoning provides opportunities for developers to build more residential floor area if they are willing to permanently deed restrict a portion of it. We call this the “fill the box” tool. The HAP tells us that we should prioritize areas that are zoned to allow for greater density for housing, which is exactly what the NH-1 zoning provides.

So, in December 2018 staff brought the 440 W. Kelly property to the Council and Board of County Commissioners (“Board”) to consider purchasing for the purpose of redeveloping the existing single-family home into multifamily homes by utilizing the new NH-1 zoning allowances and incentives. The property consists of two contiguous NH-1 lots that are located in the Town Residential Core in an area identified by both the Comprehensive Plan and HAP as a desired location for redeveloping workforce housing. The County purchased the property in January 2019, the Town reimbursed them 45% of sales price, and the property was transferred to the Jackson/Teton County Housing Authority.

In February 2019 a Request for Proposals (“RFP”) to develop housing at 440 W. Kelly Avenue was unanimously approved for release by the Council and Board.

On February 5, 2019 the RFP was released based on the direction from the Board and Council. Three responses to the RFP were received and reviewed by the Housing Supply Board (“HSB”). After interviewing finalists, the HSB recommended a development partner for the project: Roller Development and Tack Development (“Roller/Tack”).

On May 13, 2019 the Board and Council awarded the project to Roller/Tack and directed staff to work with the developers to bring back revised 12 and 16-unit options for consideration. On July 23 the Council directed staff to move forward with the revised 16-unit option; the Board did not approve the same motion, essentially stalling the project until the two boards can agree on a path forward. Since this decision, at least one 15-unit private sector rental project that was slated for workforce housing in this neighborhood has been abandoned.

On January 6, 2020, after several meetings during which no agreement was reached, the Council and Board directed and authorized the Jackson Teton County Housing Authority Board to deed 430 & 440 West Kelly Avenue to the Town of Jackson. This deed was executed January 21, 2020.

A comprehensive summary of this project is provided online at <http://www.jhaffordablehousing.org/1868/440-W-Kelly-Avenue>.

Now that the Town owns the property, staff seeks direction on the following key questions:

Key Question One: Bedrooms vs. Units

Council has consistently voted for options that maximize the property for workforce housing, while also balancing the mix of bedrooms and units. Below, staff has summarized three options proposed that meet these criteria. All three proposals are affordable to households earning 100-200% MFI.

Option One: Initial proposal – 16 units, 24 bedrooms

- 12, one-bedroom units that are 500 SF each
- 4, three-bedroom units that are 775 SF each
- 18 parking spaces
- This option does not require additional public investment.

Option Two: Revised 16-unit option –16 units, 24 bedrooms

- 8, one-bedroom units that are 500 SF each
- 8, two-bedroom units that are 675 SF each
- 20 parking spaces
- This option requires an additional public investment of \$200,000. This could be earmarked in the FY-21 budget.

Option Three: 12-unit option – 12 units, 22 bedrooms

- 10, two-bedroom units that are 1,000 SF each
- 2, one-bedroom units that are 500 SF each

- 17 parking spaces
- This option does not require additional public investment.

In July 2019, the Council and Board changed the household size requirements for Affordable and Workforce units. Previously, a couple could only qualify for a one-bedroom unit. Today, any size household can qualify for a Workforce unit so long as they meet the other requirements (% of income earned locally, working full time locally, no ownership of residential real estate, etc.).

Given this change to the Housing Rules and Regulations, staff assumes that one-bedroom units will serve households with one adult or an adult couple. Staff assumes that two- and three-bedroom units will serve households with one adult, adult couples, and one or two adults with children. From a demand perspective, the Intake Form shows a strong demand for all sizes of housing, and the strongest preference for two-bedroom units. Based on this information, staff recommends pursuing Option Three.

Key Issue Two: Rights of First Purchase for Town Employees

For the 174 N. King Street housing development partnership the Town secured five ROFP for Town employees. Similarly, at the 105 Mercill Avenue housing development partnership the County secured five ROFP for County employees. For this project, does the Town Council want to secure ROFP in this project? If so, how many/what percentage of the project? These rights will revolve perpetually within the development and will be managed by the Housing Department.

Key Issue Three: Additional Investment in Affordability

The Town and County purchased this property last year for \$1,700,000. It is located in a Transitional Neighborhood that is identified in the Housing Action Plan as a prime spot for workforce housing.

Today, with additional investment, the Council could increase the affordability of the project. As proposed, the project serves households earning 100-200% MFI. Additional investment in affordability could be made up front like what the Town agreed to with the Housing Trust at 174 N. King Street or the Town could choose to increase the affordability of the units once they are closer to coming online. If the Town invested \$660,000 (10% of projected sales), all units can be made affordable for households earning 80-120% MFI.

Key Issue Four: How to Proceed

Council has the option to proceed in the following ways, listed in order from quickest to slowest and least staff time to most staff time:

1. **Move Forward Now.** Council directs staff to draft a Ground Lease (“GL”) with the Developers based on the discussion today and to bring it back for approval by March 16, 2020. Once the GL is executed, the developer will begin moving through the planning process. Given the size of the development, the developer will have to go to Design Review Committee before submitting for building permit. Estimated groundbreaking in the third quarter, but that could be delayed to the spring of 2021 depending on weather and any unforeseen delays. Housing Director will make all design and project decisions on behalf of the Town, with guidance from the Town Manager.
2. **Council Redesigns Project.** Council directs staff to bring a design for consideration back to Council based on the conversation today. Once a design is approved by Council, staff will bring the GL back for consideration and approval sometime after spring break. Once the GL is executed, the developer will begin moving through the planning process. Under this scenario, the project could break ground in the spring of 2021. Given the history of the project, additional investment will be required to cover any design costs that occur prior to the execution of the GL. Under this scenario, the project could break ground in spring of 2021.
3. **Move Slowly with a Focus on Increased Public Engagement.** Council directs staff to hold a series of public meetings to discuss the project and identify key elements that are most important to potential homeowners and other community members. Staff reports the outcome from these sessions to the Council and seeks direction on what to design for the site. Staff then works with the developer to redesign the project before bringing a GL to the Council for their consideration. Once the GL is executed, the developer will begin moving through the planning process. Under this scenario, the project could break ground in spring or summer of 2021. Additional funding will be required for the public engagement process and redesign.
4. **Some other path forward identified by Council today.**

COMPREHENSIVE PLAN ALIGNMENT

Comprehensive Plan Policy:

- Emphasize a variety of housing types. 3.2.d
- 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:

- 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

STAKEHOLDER ANALYSIS

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

FISCAL IMPACT

The property was purchased by the Town and County for \$1,700,000 in January 2019. Additional investment in the project could include paying for public engagement, design, and/or increased affordability.

STAFF IMPACT

Staff impact for this item has been significant up to this point. Depending on how Council chooses to proceed, the project will continue to require significant staff time, most immediately from the Town Attorney who will be drafting the GL and the Housing Director.

The long-term impact of developing this property will fall in a variety of departments and require time from several staff members, including: Housing Director, Town Manager, Community Development Director, Town Attorney, Town Planning Director, Town Engineer, Housing Manager, and Housing Sales Coordinator.

LEGAL REVIEW

Ongoing, as Needed.

ATTACHMENTS

None

RECOMMENDATION

- Staff recommends moving forward with the 12-unit, 22-bedroom project (Option Three).
- Staff recommends securing four ROFP for Town employees (30% of project).
- Staff recommends delaying decisions about additional investments until the project is closer to completion.
- Staff recommends working with community members to determine and prioritize community benefit infrastructure for this area that can be prioritized through the Capital Improvement Planning (“CIP”) process and that will serve the area while it transitions to a more diverse neighborhood. This work will include involvement and expertise from Public Works, Parks & Recreation, Pathways, Police, Planning and Community Development staff and will need to be planned and budgeted for through the 10-year CIP.

SUGGESTED MOTION

I move to direct staff to draft a Ground Lease for the development of 430 & 440 West Kelly Avenue for 12 permanently deed restricted homes and to include four Rights of First Purchase for Town employees and to bring the Ground Lease to the Council for consideration and approval at a future Council Meeting.