

City of Fayetteville Staff Review Form

City Council Agenda Items
and
Contracts, Leases or Agreements

5/21/2013

City Council Meeting Date
Agenda Items Only

Peter Nierengarten
Submitted By

Division

Sustainability and Strategic Planning
Department

Action Required:

Approve a resolution of intent to cost share with the Houses at Willow Bend Project in the amount of \$1,000,000 for the construction of public infrastructure (steets, sidewalks, storm drainage, etc.) within and/or adjacent to the project.

N/A	N/A	N/A
Cost of this request	Category / Project Budget	Program Category / Project Name
N/A	N/A	N/A
Account Number	Funds Used to Date	Program / Project Category Name
N/A	N/A	N/A
Project Number	Remaining Balance	Fund Name

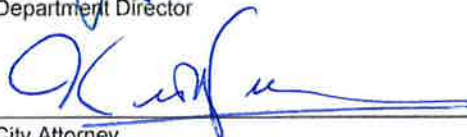
Budgeted Item

Budget Adjustment Attached


Department Director

5/2/13
Date

Previous Ordinance or Resolution # _____


City Attorney

5/2/13
Date

Original Contract Date: _____

Original Contract Number: _____

Paul A. Baecher
Finance and Internal Services Director

5-3-2013
Date

Received in City Clerk's Office 13P01:35 RCVD


Chief of Staff

5-3-13
Date

Received in Mayor's Office

ENTERED
5/2/13
P.A.


Mayor

5/3/13
Date

Comments:



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THE CITY OF FAYETTEVILLE, ARKANSAS
DEPARTMENT CORRESPONDENCE

CITY COUNCIL AGENDA MEMO

To: Mayor Lioneld Jordan and City Council

Thru: Don Marr, Chief of Staff
Jeremy Pate, Development Services Director JP
Chris Brown, City Engineer CB

From: Peter Nierengarten, Sustainability & Strategic Planning Director PN

Date: May 2, 2013

Subject: Resolution of Intent for the Houses at Willow Bend

PURPOSE

The purpose of this resolution is to express intent to cost share with the Houses at Willow Bend Project in the amount of \$1,000,000 for the construction of public infrastructure (steets, sidewalks, storm drainage, etc.) within and/or adjacent to the project. The City of Fayetteville's contribution to the public infrastructure would help lower the purchase price of the homes in an effort to better achieve the goal of providing home ownership opportunities for Fayetteville citizens making less than 80% of the median income. The City of Fayetteville's contribution to the public infrastructure would be subject to the project developers funding the remainder of the infrastructure construction cost, ensuring that Willow Bend be an owner occupied neighborhood and incorporating affordable resale of the homes into property deeds.

BACKGROUND

The Houses at Willow Bend is a 9.75 acre infill housing project in the Walker Park Neighborhood in south Fayetteville that aims to create a replicable model of sustainable and attainable housing. The project goal is to construct between 65 – 84 homes that will provide citizens making less than 80% of the median income the opportunity to become homeowners. The Houses at Willow Bend project has been developed through a partnership with the Fayetteville Housing Authority, the Fayetteville Partners for Better Housing, the City of Fayetteville, the National Center for Appropriate Technology, Community Resources Group, the Sustainable Cities Institute and the Home Depot Foundation.

Throughout the project, stakeholders have stressed the inclusion of all elements of sustainability, not only environmental, but economic and social elements as well. The master plan's infill location is surrounded by the existing traditional street grid near downtown Fayetteville. The neighborhood lacks quality affordable housing and was selected by stakeholders for its walkable location and associated transportation affordability, with its close proximity to major employers, retail centers, and the City's multi-use trail system. In addition, the existing tree canopy and storm water features on the site have provided an idyllic setting for demonstrating the integration of both ecology and placemaking principles into one. The master plan was informed by a recently adopted form based zoning code and parallel cottage court ordinance which together encourage a mix of unit

types and higher densities. The plan is also being used as a pilot project to facilitate the development of a proposed low-impact technical manual.

The City of Fayetteville's adopted City Plan 2030 contains six overarching goals. Two of these goals include:

- 1) We will make appropriate infill and revitalization our highest priorities.
- 2) We will create attainable housing opportunities.

The Houses at Willow Bend Project aligns very closely with both of these goals due to its location within the long-standing Walker Park Neighborhood and by virtue of the goal to provide homeownership opportunities for Fayetteville citizens making less than 80% of the median income.

RECOMMENDATION

The Street Committee recommended forwarding this resolution of intent to City Council at their April 30, 2013 meeting.

BUDGET IMPACT

Public infrastructure costs for the project are estimated to be \$1,997,000. Of that amount \$1,366,500 is estimated for public infrastructure such as streets, sidewalks and storm drainage. A contribution of \$1,000,000 towards the street, sidewalk and storm drainage infrastructure costs represents approximately a 75% cost share and would lower the purchase price of a home by approximately \$12,000. This reduced purchase price will allow greater access to these homes by families making less than 80% of the area median income.

The cost share would be in the form of a reimbursement to the project developer after the public infrastructure has been constructed and accepted by the City. The actual fund that the \$1,000,000 cost share will come from will be identified at a later date.

RESOLUTION NO. _____

A RESOLUTION TO EXPRESS THE CITY COUNCIL'S INTENT TO INVEST ABOUT ONE MILLION DOLLARS TO COST SHARE THE CONSTRUCTION OF CITY INFRASTRUCTURE WITHIN THE HOUSES AT WILLOW BEND DEVELOPMENT WITH PROPER ASSURANCES THAT AFFORDABLE, OWNER OCCUPIED HOUSING WILL BE CONSTRUCTED AND PRESERVED IN THIS NEW NEIGHBORHOOD

WHEREAS, the City Council has long supported the goal of fostering affordable and attainable housing for our citizens and included this goal in Fayetteville's 2020, 2025 and 2030 Long Range plans; and

WHEREAS, the City Council can invest its funds to build its own infrastructure such as streets, sidewalks, water and sewer mains, and drainage structures and does so in established neighborhoods every year, but normally requires a subdivision developer to build all this infrastructure within a new development and dedicate it to the City of Fayetteville before the City assumes maintenance responsibilities for it; and

WHEREAS, in order to make the housing within the Houses at Willow Bend development built by a nonprofit corporation more affordable and attainable for moderate income citizens of Fayetteville, the City Council intends to invest up to One Million Dollars (\$1,000,000.00) as a cost share with the nonprofit developer to build city infrastructure if proper assurances and guarantees are in place to ensure such City investment will all inure to the benefit of the initial single family or duplex, owner occupied home buyers who must agree to restrictions upon the resale and use of their homes and duplexes to ensure that, after any resale of the home or duplex, the new owners/residents shall receive and retain the benefits of the City investment.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1: That the City Council of the City of Fayetteville, Arkansas hereby expresses its intent to invest up to One Million Dollars (\$1,000,000.00) to cost share the construction of city infrastructure within the Houses at Willow Bend development with the nonprofit development corporation if proper safeguards, assurances and guarantees are in place to ensure that:

(1) the benefits of this City investment will go **only** to the individual home and duplex buyers who shall occupy the purchased homes or at least one side of the duplex;

(2) any profit such home and duplex buyers could receive when such houses or duplexes are resold in the future shall be limited so that the actual residents of Willow Bend will continue to enjoy the City investment for affordable and attainable housing; and

(3) the requirement of owner occupied status for such housing shall be maintained for the number of years set by the City Council when the agreement for the investment is made with the nonprofit corporation.

Section 2 : That the City Council of the City of Fayetteville, Arkansas hereby requests that the City Administration work with the City Attorney's Office to negotiate an agreement with the nonprofit corporation to achieve the goals set forth in this Resolution and then present such agreement to the City Council which could then authorize the One Million Dollar (\$1,000,000.00) investment of City funds for this project.

PASSED and **APPROVED** this 21st day of May 2013.

APPROVED:

ATTEST:

By: _____
LIONELD JORDAN, Mayor

By: _____
SONDRA E. SMITH, City Clerk/Treasurer

Partners for Better Housing is a non-profit corporation created in 2007 for the specific purpose of constructing housing affordable to those individuals and families making 50-80% of the Area Median Income (AMI.) In order to accomplish this, the Partners board purchased in 2009 acreage in South Fayetteville in the Walker Park Neighborhood. This decision was due in large part to the need for housing identified in the excellent Walker Park Neighborhood Plan adopted by the City Council in early 2008. The city in 2010 was successful in securing a grant from the Home Depot Foundation. The grant request to Home Depot identified the creation of affordable housing as a high city priority and included our property as a key focus within the grant request.

The "Houses at Willow Bend" project is 9.8 acres in area and includes 78 dwelling units. The design of the Houses at Willow Bend neighborhood was funded by the Home Depot Sustainable Cities grant to the City of Fayetteville. The design of the project is complete and cost estimates have been done based upon recent bids from local contractors. The infrastructure costs for the project are estimated to be \$1,997,482. Of that amount, \$1,366,500 is for public infrastructure, such as streets, sidewalks, and stormwater drainage. The remaining \$630,982 is for water and sewer lines and private infrastructure, such as parking courts, grading, stormwater detention, franchise utilities, and retaining walls. This part of Fayetteville has not seen much public investment in the recent past and could benefit from upgraded infrastructure. We are preparing to submit drawings and reports to the City of Fayetteville requesting preliminary and final plat approval from the Planning Commission and the City Council.

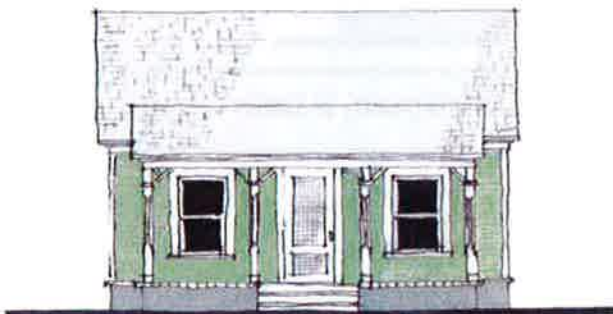
It is important to remember that any time public monies are spent on infrastructure, it creates a benefit for the adjacent property owners. Partners for Better Housing feels that spending public monies for public infrastructure adjacent to the Willow Bend property would be an effective, immediate, and appropriate way for the City of Fayetteville to meet its goal as stated in City Plan 2030:

"We will create opportunities for attainable housing."

This is also an excellent opportunity to meet another of our major goals:

"We will make appropriate infill and revitalization our highest priorities."

The Partners for Better Housing board, at the suggestion of city staff, is asking the city council to assist in increasing the affordability of the housing by investing in the street portion of the project cost. The following three examples demonstrate how this assistance dramatically increases the affordability to low and moderate-income individuals and families:



The Joplin Cottage. 768 sq ft 2
Bedroom, 1 bath

With no City Cost Share: Sale Price of **\$104,290**
Affordable to a household with \$27,657
annual income

With **75%** City Cost Share: Sale Price of **\$92,202**
Affordable to a household with \$25,207
annual income

With **100%** City Cost Share: Sale Price of **\$88,173**
Affordable to a household with \$24,390
annual income



The Siloam Cottage. 1100 sq ft 2 Bedroom, 2 bath

With no City Cost Share: Sale Price of **\$136,660**

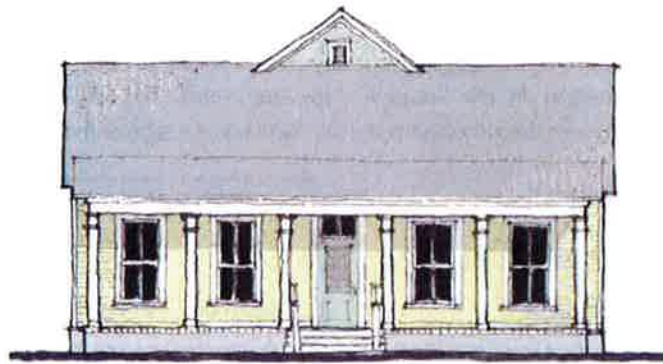
Affordable to a household with \$35,498 annual income

With **75%** City Cost Share: Sale Price of **\$124,572**

Affordable to a household with \$33,048 annual income

With **100%** City Cost Share: Sale Price of **\$120,542**

Affordable to a household with 32,230 annual income



The Spring House. 1308 sq ft 3 Bedroom, 2 bath

With no City Cost Share: Sale Price of **\$148,887**

Affordable to a household with \$40,495 annual income

With **75%** City Cost Share: Sale Price of **\$133,120**

Affordable to a household with \$37,300 annual income

With **100%** City Cost Share: Sale Price of **\$127,864**

Affordable to a household with \$36,235 annual income



The principles of the Houses at Willow Bend came out of the Walker Park Neighborhood Plan. Housing affordability is based upon mortgage expense, transportation cost, and energy costs to heat and cool the houses.

The Houses at Willow Bend is designed to serve the needs of Low Income households as defined by HUD and as implemented by the Community Services Division's Community Development Block Grant Program.

The household income ranges area as follows: Area Median Income (AMI), Fiscal Year 2013:

	One Person	Two Person	Three Person	Four Person	Five Person
50% of AMI	\$19,850	\$ 22,700	\$25,500	\$28,350	\$30,650
80% of AMI	\$31,750	\$36,300	\$40,850	\$45,350	\$49,000

Return on Investment:

Any time that an expenditure of public monies is contemplated, Return on Investment must be considered. In addition to the intangible benefits of adding to Fayetteville's housing stock of stable dignified energy efficient housing, there is the transportation benefit of locating housing on the multi-use trail network and close to major employment opportunities such as the University of Arkansas Campus, the Square, and the Industrial Park. Transportation dollars would be spent in a way that *reduces* the need for cross town travel, rather than *encouraging* it.

The financial return on the investment would be as follows: If the City of Fayetteville dedicated \$1,366,500 of bond monies to public infrastructure, it would allow the construction of 78 houses at an average cost of \$125,000 each for a total of \$9,750,000 in affordable housing. **That is a return of seven dollars of affordable housing for every dollar of public money spent.**

The financial return would also ripple out to the school system, the county, the library, and the City of Fayetteville as follows: Projected Property Tax Receipts, 78 houses, average value of \$125,000 each: \$100,425 annually. Current property tax receipts for the property are \$1,800 annually, for a net increase of **\$98,625** annually. Over a **25 year period**, that would provide the following property tax revenue:

Fayetteville Public Schools	\$ 1,997,156
Washington County	\$ 246,562
Library	\$ 24,656
City of Fayetteville	\$ 197,250

In addition, the City of Fayetteville should expect to see increases in sales tax revenue as a certain number of households currently living the outlying areas of the region have the choice of moving into town.