

City of Ketchum, Idaho

P.O. Box 2315 Ketchum, ID 83340 (208) 726-3841 Fax: (208) 726-8234



August 10, 2012

Mayor Hall and City Councilors
City of Ketchum
Ketchum, Idaho

Mayor Hall and City Councilors:

ARCH Open Door Program Change Request

Attachment 1: Open Door Scattered Site Housing Resolution 09-021

Attachment 2: Letter from ARCH regarding Evergreen Apartments Tax Credit HOME proposal

Introduction/History

The City has partnered with ARCH, a nonprofit housing trust, to create additional community housing in Ketchum. One of the programs created by ARCH is the "Open Door" Program, a program designed to purchase distressed housing units, contract for renovations, deed-restrict the units and sell them to qualified buyers working in Ketchum or the north valley. ARCH approached the City about this program in 2009. Attachment 1, Resolution 09-021 attached to this report summarizes early workshops and the pilot program. The City allocated \$125,000 in March of 2009 towards the effort. In May of 2010, ARCH requested an additional \$70,000 due to the costs of the specific unit under consideration on Sabala Street in West Ketchum. The Council in their deliberations indicated a desire to have the funds "circled back" so that they could consider another project of this type. The unit at 209 Sabala has been renovated and sold to a qualified buyer. A check in the amount of \$130,000 was issued back to the City Housing In-Lieu fund on August 17, 2011. In September, 2011, the Council approved ARCH to pursue another similar project with the \$130,000 that was reimbursed. These funds are being used towards the purchase of a Parkside Unit. There will be a reimbursement from this transaction similar to the Sabala project.

Current Report

Michelle Griffith, Executive Director of ARCH, is seeking permission to pursue another similar project with a portion of the \$130,000 recently committed by the City. ARCH is partnering with a for-profit housing developer, New Beginnings Housing, to apply for Low Income Tax Credits and HOME funds to acquire and renovate the Evergreen Apartments located at 141 Bird Drive in Ketchum. If the tax credits are awarded the team proposes to renovate the existing 11

apartments, and add 7 or 8 additional units. ARCH is making the following requests:

- 1) To use \$100,000 of "Open Door" funds towards the purchase of the land, and as a "match" for the HOME funding (addressed in this report), and;
- 2) To lease a portion of the adjacent bike path right of way for \$1 per year as project open space (to be addressed in a subsequent staff report), and;
- 3) A letter of support from the City for the tax credit application process.

Policy Discussion "Open Door" funds

The City approved the Open Door Program (Resolution 09-021) as a program for home ownership. The request would shift these funds towards a rental project. The City does not have any other dedicated funds allocated towards home ownership programs. The majority of the ownership units in Ketchum have been dedicated through the development process. The only exception is the units developed in the Open Door Program. The Council should discuss the merits of allocating \$100,000 of the \$190,000 allocated to date towards the Open Door Program for rental housing versus purchase housing.

At this time, there is not a secure revenue stream for the City's Housing In Lieu Fund. The construction of one of the new hotels would create a revenue stream for home ownership through the Voluntary Real Estate Transfer Fee established in the various development agreements. These revenues are realistically 4 or more years in the future, once a hotel is operational and selling the residential portions of the project.

Policy Discussion/Letter of Support

As a general rule, the City of Ketchum has supported all affordable housing projects, and has generously provided letters of support whenever requested. For tax credit applications, letters of support give the applicant additional points in the scoring process. The City finds itself in a unique circumstance at this time, since this ARCH project is proposed to compete in the same September 2012 tax credit application round as Washington Place. Washington Place is the tax credit project proposed at 211 First Street, on land purchased by the Ketchum Urban Renewal Agency in 2006 for community housing purposes. Washington Place competed in the September, 2011 tax credit application process, but the project was not successful in that round. Changes have been made to the application based on feedback from Idaho Housing Finance Association, and the project has planned for some time to resubmit in the September 2012 application round.

This September round of tax credit awards in Idaho is considered by experts to be a "smaller than average" round, with only \$2 million in annual credits available to be awarded. Indications from experts in the housing arena advise that the tax credit round in September will be very competitive, and it is possible that no projects in Ketchum will be successful. In addition, changes in the scoring criteria have made local support, in the form of letters, land leases or the use of

land for recreational purposes, even more critical for a project to score high enough to be awarded tax credits.

Housing experts further counsel that, if there were to be an award in Ketchum, only one tax credit project would be awarded in the September round, not two. Therefore, a letter of support for Evergreen Apartments could have a detrimental impact on competitiveness of the Washington Place tax credit application. (The request for the City to grant use of the bike path right of way for recreational purposes also will score additional points for this project.)

In addition to the September tax credit application cycle; there is a smaller application cycle in February, which is comprised of about 25% of the available tax credits, or approximately \$666,000. Greg Dunfield of GMD Developments has stated that Washington Place is of a scale that it would need almost the entire February round allocated to fund Washington Place (\$600-625,000); an unlikely scenario. This February round is likely to be of sufficient size to fund the Evergreen project.

The City has made financial and policy commitments to Washington Place:

- The KURA has entered into a 99-year Option to Lease with the development team for the purposes of the development of a tax credit housing project. The project site was purchased in 2006 with the stated intent of community housing (KURA Resolution 06-URA4). In addition, the City has invested
- The City has invested \$1,495,830 of Housing In Lieu Funds into this site (\$707,914 as a down payment to purchase the property in 2006 and \$640,000 as a funds transfer in April 2011).
- An extensive public process has been underway for the last two years on this project: KURA meetings, City Pre-Application Design Review, public workshops. The City provided a letter of support in September 2011, and has been on the record in support of the project.

Because of the financial commitment the City and KURA have made towards the Tax Credit Project at 211 Washington, Mayor and staff believe that this project is a priority project of the City, and should be sequenced in advance of other tax credit applications. Mayor and staff are fully supportive of additional tax credit applications, such as Evergreen Place, which offers many compelling benefits, and furthers our community housing goals. Therefore, it is recommended that the City offer full support for the Evergreen Place application in the February, 2013 tax credit application round. This will allow the Washington Place project to proceed as planned, while ensuring City support of both projects.

Financial Requirement/Impact

The Housing In-Lieu Fund currently contains \$77,268.65, which does not include the \$130,000 allocated towards the Open Door Program.

Recommendation

Option #1: I respectfully recommend the City Council authorize the use of \$100,000 of Open Door Funds towards the Evergreen Apartment Tax Credit Application in the February 2013 application cycle, and authorize the Mayor to develop a letter of support consistent with this motion.

Option #2: I respectfully recommend the City Council authorize the use of \$100,000 of Open Door Funds towards the Evergreen Apartment Tax Credit Application in the September, 2012 application cycle, and authorize the Mayor to develop a letter of support consistent with this motion.

Recommended Motion:

Option #1: I move to authorize the use of \$100,000 of Open Door Funds towards the Evergreen Apartment Tax Credit Application in the February 2013 application cycle, and authorize the Mayor to develop a letter of support consistent with this motion.

Option #2: I move to authorize the use of \$100,000 of Open Door Funds towards the Evergreen Apartment Tax Credit Application in the September, 2012 application cycle, and authorize the Mayor to develop a letter of support consistent with this motion.

Sincerely,

Lisa Horowitz
Community and Economic Development Director

RESOLUTION NUMBER 09-021

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KETCHUM, IDAHO AUTHORIZING THE EXPENDITURE OF UP TO \$125,000 FROM THE HOUSING IN LIEU FUND FOR A PILOT HOUSING PROJECT IN COLLABORATION WITH THE KETCHUM COMMUNITY DEVELOPMENT CORPORATION AND ARCH FOR THE PURCHASE OF EXISTING HOUSING UNITS KNOWN AS THE OPEN DOOR PROGRAM.

WHEREAS, the Council is committed to thoughtful, systematic expenditures from the housing in-lieu fund that will further the City's housing goals and programs; and

WHEREAS, ARCH, a local non-profit housing land trust has proposed a public-private partnership whereby the City, ARCH and the Ketchum Community Development Corporation (KCDC) partner to buy down existing housing units and deed-restrict these units through the Open Door Program, as outlined in Attachment A; and

WHEREAS, a workshop was conducted on February 27, 2009, whereby the Council and the public discussed the proposal; and

WHEREAS, ARCH has indicated that a pilot project could be accomplished with an expenditure of no more than \$125,000; and

WHEREAS, the City Council has determined that this period in the housing economy is a good time to invest in existing housing units; and

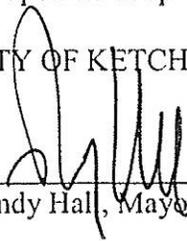
WHEREAS, the City Council has indicated that a pilot project is a good way to test the program, so that issues such as fiscal oversight and decision-making on individual units can be vetted; and

WHEREAS, the Council gave additional feedback regarding the pilot program as evidenced in the minutes of the February 27, 2009 workshop on this topic.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and the City Council of the City of Ketchum, Idaho that the City Council hereby authorizes the expenditure of up to \$125,000 from the Housing In-Lieu Fund upon a written proposal from ARCH and the KCDC as to the details of the decision-making process and next steps for the Open Door Program.

This Resolution will be in full force and effect upon its adoption this 16th day of March, 2009.

CITY OF KETCHUM, IDAHO



Randy Hall, Mayor

ATTEST:


Sandra E. Cady, CMC
City Treasurer/Clerk

EVERGREEN APARTMENTS

BACKGROUND

OPEN DOOR: In 2008, The City and ARCH partnered to create the “Open Door” program. The City granted \$120,000 to ARCH to be used as home buyer assistance for purchasing homes in Ketchum. The first project using this funding, was on Sabala Street in West Ketchum. ARCH asked the City to grant the full \$120,000 plus an additional \$70,000 which enabled us to purchase the home out of foreclosure with cash. Renovations of \$80,000 were funded by ARCH. The home was sold at market rate, and in order to bridge the funding gap for the home owners, \$60,000 of the Open Door funds were used as a zero interest deferred second loan. \$130,000 was returned to the City of which \$60,000 is the balance of the original Open Door commitment. This \$130,000 was again granted by the City for the purchase of a Parkside Unit. It is currently leased through September. Once vacant and renovated, BCHA will sell the home and the proceeds from the sale will be returned to the City.

EVERGREEN: ARCH together with New Beginnings Housing (NBH) have done significant due diligence relating to the acquisition and renovation of the Evergreen Apartments located at 141 Bird Drive in Ketchum. We believe that the apartments are an excellent candidate for permanently affordable housing financed using Low Income Housing Tax Credits (LIHTC) and HOME funds. In addition to substantially renovating the existing 11 units, we would add an additional 7 or 8 units. Preliminary discussions with City planning indicate that our plan meets City zoning requirements and would not require any variances. If our application for funding is successful, we would submit the project for design review.

COMMUNITY BENEFITS

This project is located in a highly desirable residential area. Buildings on both sides and across the street are high end, unaffordable units which are likely to be used as second homes and vacation rentals. The Evergreen Apartments, in contrast, are home to full time local residents. We believe that preserving this housing as permanently affordable housing is critical. Additionally, while in reasonable condition, the apartments would benefit from substantial renovation both to apartment interiors and the exterior. Zoning in the area would allow for taller buildings with greater mass. Renovating the existing building without maximizing lot coverage will also benefit the immediate neighbors. Once completed, these units will meet the demand (in terms of unit size) for affordable housing identified in the BCHA Housing Needs Assessment. The Needs Assessment also identified the need to upgrade existing housing stock in order to meet the demand for affordable rental housing which this project would accomplish.

APPROACH

ARCH and NBH plan to submit applications for LIHTC and HOME funding this September 7th. Preliminary discussions with both allocating departments at IHFA indicate that this application would be viewed favorably. We have also received preliminary indication that local stakeholders such as the Board of Realtors are also in favor of this project. In order to maximize application scoring, ARCH will

seek private donations of at least \$10,000, municipal support valued at a minimum of \$250,000 , maximize deferred developer fees and add equity to the project.

FUNDING

ARCH received grant funding of \$38,000 in order to finance the pre-development phase of the due diligence for this project. The grant will cover the costs of preliminary inspections, engineering, design, market research, environmental studies, earnest money, and the cost of the application. City funds will not be used for these purposes.

LIHTC funding can not be used to purchase land (for this project it can be used to for the renovation of the existing building and new construction). HOME funding can be used for land acquisition but has a match requirement of 25% which can be met with cash, donated land value, reduced taxes, or reduced fees.

Development fees for the project are dictated by IHFA and HUD guidelines. It is anticipated that ARCH and NBH will defer over \$100,000 of developer fees to support the project. The total development period for a project of this magnitude is about three years with no developer fees paid for the first two and half years and stepped developer fees paid over the next 6 to 18 months. Deferred developer fees would be paid over 10 years from net cash flow generated by the project after the project financing converts to permanent financing and rents stabilize and cover operational expenses.

ARCH is a non- profit affordable housing developer. Proceeds beyond minimal operating expenses are used to finance additional affordable housing in Blaine County.

REQUEST FROM THE CITY

- 1) ARCH is asking the City to lease the land to the East of the project (currently the open space east of the bike path which was the old rail road right of way) to ARCH for 1\$ per year. This space would be used for resident open space and recreation.

Why? The quality of the project would be greatly enhanced by providing usable recreational open space. Also, the value of this contribution will be used as the "match" for the HOME portion of the funding.

- 2) ARCH would like to apply \$100,000 of the Open Door grant funds to this project. This can be done in the form of a zero interest deferred second loan.

Why? This will help bridge our initial financing gap for the purchase of the land and be used towards the "match" contribution for HOME funding. Relative to other City supported multifamily housing projects, this is a very small contribution which will be significantly leveraged with Federal funding.

- 3) We respectfully request a letter of support from the City for the project.



EVERGREEN APARTMENTS

141 Bird Drive
Ketchum, Idaho



**Evergreen
Apartments**



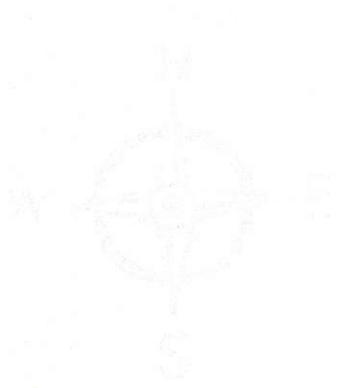
City Lot



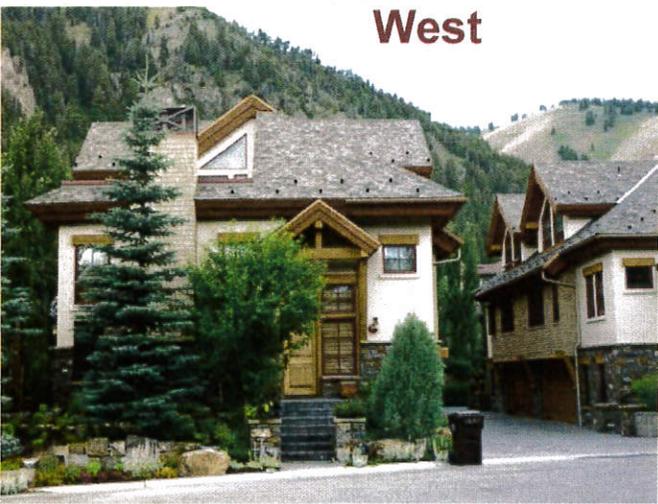
Interior Living and Bathroom



NEIGHBORING BUILDINGS



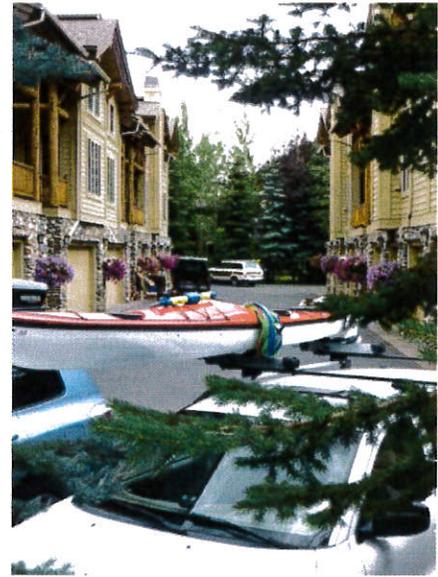
North



West

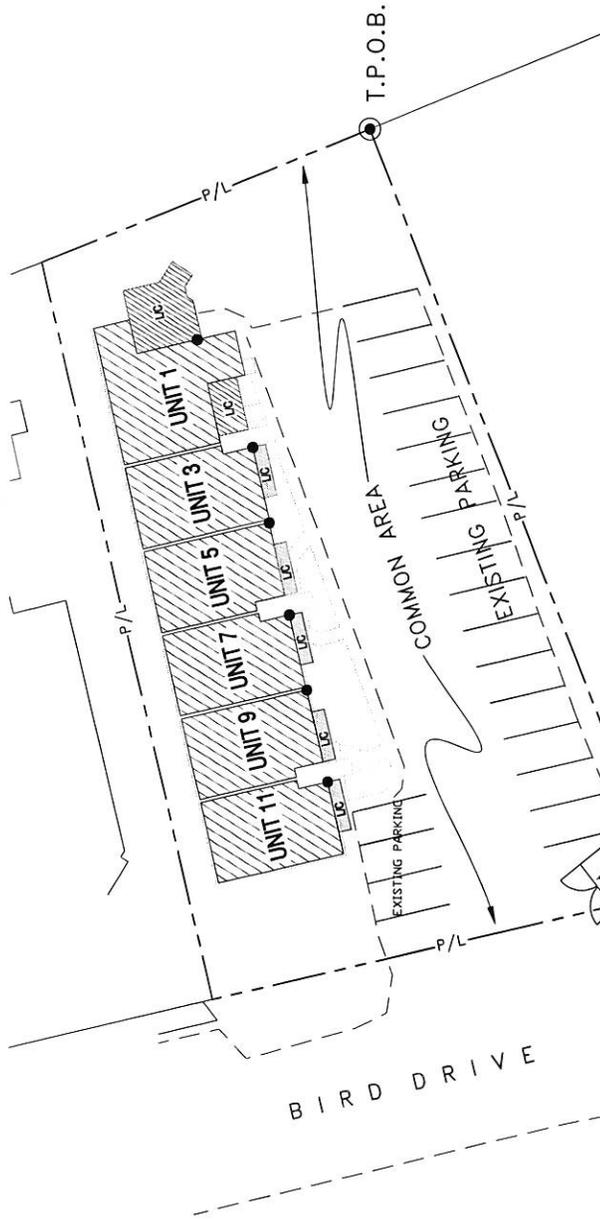


East: City Lot



South

EAGLE NOOK CONDOMINIUMS

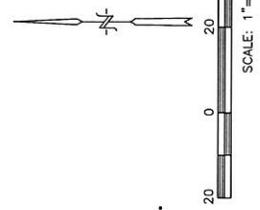


FIRST FLOOR PLAN

PRELIMINARY PLAT



SECOND FLOOR PLAN

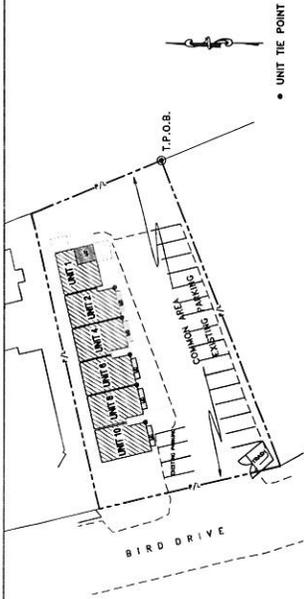


**EAGLE NOOK
CONDOMINIUMS**
LOCATED WITHIN
SECTION 13, TOWNSHIP 4 NORTH, RANGE 17 EAST, R.1M,
CITY OF KETCHUM, BLAINE COUNTY, IDAHO

PROJECT NO. 09077 | DWG BY: ROB | FILE: 09077ps2-3.DWG
 A. CONDOMINIUM PLAT | DATE: 11/17/09 | SHEET: 2 OF 2
 PREPARED FOR: MICHAEL SHUM

EAGLE NOOK CONDOMINIUMS

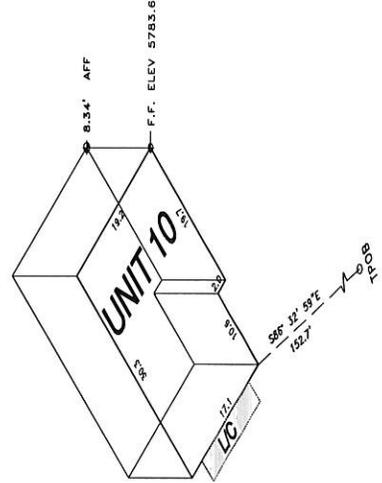
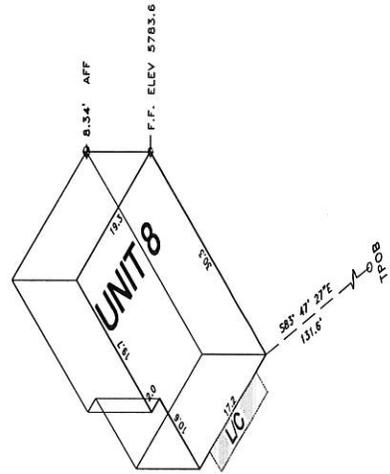
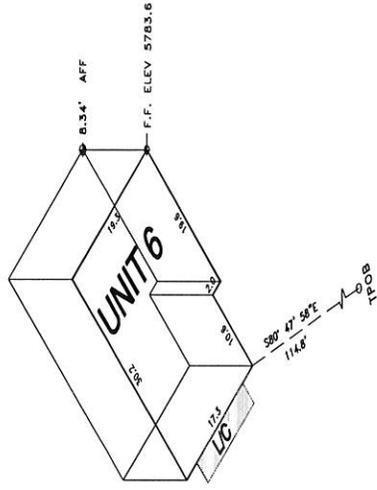
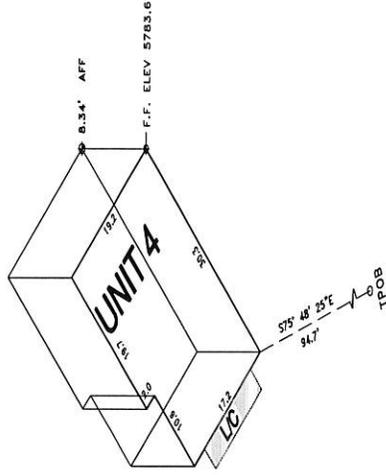
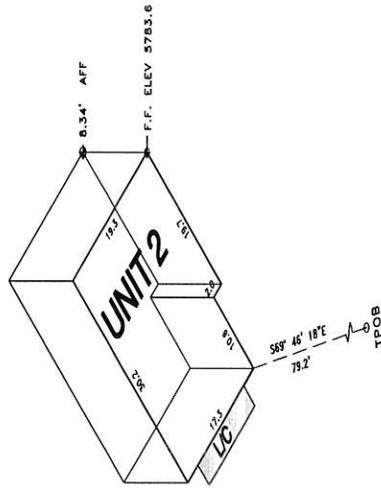
SECOND FLOOR: UNITS 2, 4, 6, 8 & 10



SECOND FLOOR PLAN

LIMITED COMMON BALCONY
LC

F.F. - FINISHED FLOOR
AFF - ABOVE FINISHED FLOOR



**EAGLE NOOK
CONDOMINIUMS**

LOCATED WITHIN
SECTION 13, TOWNSHIP 4 NORTH, RANGE 17 EAST, B.M.,
CITY OF KETCHUM, BLAINE COUNTY, IDAHO

PREPARED FOR: MICHAEL SHUM

DWG BY: ROB

DATE: 11/17/09

FILE: 09077pg2-3.DWG

SHEET: 4 OF 5

PREPARED BY: BENCHMARK ASSOCIATES P.A.

EAGLE NOOK CONDOMINIUMS

OWNER'S CERTIFICATE

This is to certify that MICHAEL S. SHUM, an unmarried man, is the owner in Fee Simple of the Real Property described as follows:
 A parcel of land located within Section 13, Township 4 North, Range 17 East, Boise Meridian, City of Ketchum, Idaho, more particularly described as follows:

**TOWNSHIP 4 NORTH, RANGE 17 EAST, BOISE MERIDIAN
 SECTION 13, KETCHUM, BLAINE COUNTY, IDAHO**

A parcel of land lying within Government Lot 4 of said Section 13, being more particularly described by metes and bounds as follows:

Commencing at a brass cap marking the Southeast corner of said Section 13, said corner lying S45°28'25"E, 1911.32 feet from the SE 1/16 corner of said Section 13, thence N43°41'32"W, 813.69 feet to the southeast corner of Central Park Condominiums: Phase 2, according to the official plat thereof, recorded as Instrument No. 422231, records of Blaine County, Idaho, said corner being a point on the westerly boundary of the City of Ketchum Blaine Path Right of Way as depicted within that Record of Survey of the UPRR Right of Way recorded as Instrument No. 285689, records of Blaine County, Idaho; thence following the easterly boundary of said Central Park Condominiums: Phase 2 195.71 feet along a curve to the right, said curve having a central angle of 01°55'25", a radius of 5829.65 feet, and a chord length of 195.70 feet that bears N23°15'07"W to the True Point of Beginning, said TPOB being witnessed by a 2 inch pipe lying N88°14'01"E, 0.44 feet.

Thence S68°14'01"W, 191.64 feet along the northerly boundary of said Central Park Condominiums: Phase 2;
 thence leaving said northerly boundary N13°06'45"W, 110.22 feet the southwest corner of Deer Run Townhomes, according to the official plat thereof, recorded as Instrument No. 472487, records of Blaine County, Idaho;
 thence N76°36'23"E, 176.77 feet along the southerly boundary of said Deer Run Townhomes to a point on the westerly boundary of said City of Ketchum Blaine Path Right of Way;
 Ketchum Blaine Path Right of Way 83.23 feet along a curve to the left, said curve having a central angle of 00°49'05", a radius of 5829.65 feet, and a chord length of 83.23 feet that bears S21°52'52 E to the True Point of Beginning.

The easements shown hereon are not dedicated to the public, but the right to use said easements for the intended purposes is hereby reserved. No structures other than for such utility and other designated uses are to be erected within the lines of said easements.

It is his intention to create a project including said Real Property in this condominium plat. The Owner also hereby certifies that he consents to the recordation of this instrument in accordance with Idaho Code 50-1334. I do hereby certify that the condominium project described in this plat will be eligible to receive domestic water service from an existing water distribution system and that the City of Ketchum has agreed in writing to serve the condominium project shown on this plat.

IN WITNESS WHEREOF, I have hereunto set my hand.

MICHAEL S. SHUM _____
 Signed this _____ day of _____, 20____.

ACKNOWLEDGEMENT

STATE OF _____)
 COUNTY OF _____) ss

On this _____ day of _____, 20____, before me, the undersigned, a Notary Public for said State, personally appeared MICHAEL S. SHUM, known or identified to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

My commission expires: _____
 Residing at: _____

Notary Public

SURVEYOR'S CERTIFICATE

I, James E. Robinson, a duly Registered Professional Land Surveyor in the State of Idaho, do hereby certify that this is a true and accurate map of the land surveyed under my direct supervision in strict accordance with the Idaho State Code relating to Plats, Surveys, Condominiums and the Corner Perpetuation and Filing Act 55-1601 through 55-1602.

JAMES E. ROBINSON, P.L.L.S.

COUNTY SURVEYOR'S APPROVAL

This is to certify that I, Jim W. Koance, County Surveyor for Blaine County, Idaho, have reviewed the foregoing plat and computations for making the same and have determined that they conform with the laws of the State of Idaho relating to plats, surveys and condominiums.

JIM W. KOANCE _____ DATE _____

CITY ENGINEER'S APPROVAL

I, Steven R. Yearsley, City Engineer for Ketchum, Idaho do hereby approve the foregoing plat.

STEVEN R. YEARSLEY _____ DATE _____

CITY OF KETCHUM APPROVAL

I, Sandra Gady, City Clerk, in and for the City of Ketchum, do hereby certify that the foregoing plat was duly accepted and approved according to the Ketchum Subdivision Ordinance.

SANDRA GADY _____ DATE _____

BLAINE COUNTY TREASURER'S CERTIFICATE

I, the undersigned, County Treasurer in and for Blaine County, State of Idaho, per the requirements of Idaho Code 50-1308, do hereby certify that any and all current and/or delinquent county property taxes for the property included in this plat of EAGLE NOOK CONDOMINIUMS have been paid in full on this _____ day of _____, 20____. This certification is valid for the next thirty (30) days only.

BLAINE COUNTY TREASURER



EAGLE NOOK CONDOMINIUMS

LOCATED WITHIN:
 SECTION 13, TOWNSHIP 4 NORTH, RANGE 17 EAST, BOISE MERIDIAN, CITY OF KETCHUM, BLAINE COUNTY, IDAHO
 PROJECT NO. 09077 PLOT BY: CPL FILE: 09077CR1.DWG
 A CONDOMINIUM PLAT DATE: 11/17/09 SHEET 5 OF 5

