

Staff Report

REQUEST TO SUPPORT FUTURE TAX ABATEMENT FOR 192 UNIT AFFORDABLE HOUSING DEVELOPMENT BY THE ANNEX GROUP WITHIN THE HAYDEN'S PRESERVE SUBDIVISION ALONG 190TH STREET.

March 8, 2022

BACKGROUND:

City Council received a correspondence from the Annex Group on January 24th requesting City Council establish an Urban Renewal Area to provide a tax abatement incentive in support of their planned 192-unit affordable housing project located within the Hayden Preserve (Formerly Rose Prairie) development. The approved Hayden's Preserve Master Plan for the site allows for the development of up to 192 apartment units spread across two sites and with limitations on the mix of bedrooms and sizes.

The Annex Group explains in their letter that they desire to apply for a 4% Low Income Housing Tax Credit (LIHTC) project with 100% of the units as affordable units to households making 60% or less of the average median income (AMI) for Ames for a period of 30 years. (Income limits-Attachment B). **The request for tax abatement revolves around concerns that the annual operating expenses for the project, which includes the payment of property taxes, is too great and will not allow for the project to be built.**

City staff and the applicant have attempted to verify an assumed valuation for the project with the City Assessor's Office, but due to the lack of a City Assessor at this time we cannot make a certain determination. It appears from the applicant's request that if the assessed value is within their initial projections based on the limited income potential of the project as affordable housing there may in fact not be a financial gap. However, the Assessor only controls the valuation of the apartments, it does not control the tax levy. The tax levy for this area within the Gilbert School District is approximately 9% higher than that of the City area within the Ames School District. **Due to the unknowns of the situation, a precise enumeration of a financial gap due to property taxes is not known at this time. Therefore, it is not possible at this time to determine if a tax abatement incentive is justified based upon concerns related to operating expenses.**

The City has no current policy pertaining to providing incentives for affordable housing beyond the use of its federal CDBG and Home funds. The City may create such an incentive through a tax abatement program under Chapter 404 of the Iowa Code for Urban Revitalizations Areas (URA). A URA may create partial or full property tax abatement schedules for qualified improvements to property. The City has used this tool to incent development in certain areas of the city, such as Campustown with specific

eligibility criteria and abatement schedules of 100% of taxes for three years or sliding scales for either 5 or 10 years that are equal an abatement of approximately 45% of the total taxes over the specified time period.

City Council has expressed through their goal setting process an interest in supporting affordable housing options within the City. **City Council has also identified a task to establish an Affordable Housing Strategy as part of the Planning and Housing Department Work Plan that would, among other things, identify specific affordable housing targets, project eligibility criteria, and potentially related incentives. Creation of the Strategy is schedule for later in 2022.**

Our current housing Consolidated Plan identifies the greatest need for affordable housing as rental housing for low (60% of AMI) and very low income (30% of AMI) households. However, it does not articulate any additional priorities or policies for affordable housing decisions. Defining affordable housing and our priorities for supporting specific types of affordable housing would be a logical first step for creating a policy to guide such decisions. Some of the policy issues that staff believes should be addressed by a City Council policy include:

- Targeted affordability levels, i.e. what percentage of AMI
- Duration of affordability restrictions
- Oversight of reporting requirements, i.e. by Iowa Finance Authority vs. City staff
- Location preferences:
 - Availability of services
 - Transit access for very low-income households
 - Housing choice and dispersal throughout the city
- Ongoing operational needs vs. one time capital support
- Acceptance of Section 8 vouchers
- Use of federal funds vs. local funding
- Use of Property Tax Abatement or Tax Increment Financing as an incentive
- Cost or value per unit subsidized

Staff's early assessment of the proposed project indicates that the location's lack of services, public transportation, and higher tax rates are negatives to the project. However, the proposed location does create a diverse housing opportunity for lower income households that does not exist in North Ames. Additionally, the targeted household income restriction of 60% of AMI is at the minimum level of affordability that staff would consider supporting with a limited duration of financial incentives. Staff would also want to consider options for requiring acceptance of Section 8 vouchers and set asides for some units with deeper levels of affordability. The Annex Group has indicated to staff they would accept Section 8 vouchers within their proposed project.

Staff reached out to the Annex Group regarding the timing of the request. The applicant has a due diligence period for purchasing land in the development and it is set to expire later this spring. The Annex Group indicates that they desire to have direction from City

Council on the City's willingness to establish a tax abatement program in support of their concept before the end of their due diligence period. Notably, Hayden's Preserve has submitted for preliminary plat approval, but the application is still in review and yet to be scheduled for P&Z and City Council approval. Hayden's Preserve intends to have preliminary plat and final plat approval this spring or summer, but it has not happened as of yet.

STAFF COMMENTS:

The Annex Group desires direction from City Council on the willingness to establish a URA for future tax abatement to benefit their project. However, at this time there is no policy in place to guide the City Council in determining which affordable housing projects should qualify for a tax abatement incentive. An affordable housing strategy is planned for City Council discussion later this year which should identify targets, project eligibility criteria, and incentives related to requests such as this one by the Annex Group. What further complicates responding to this request, is the inability to determine if a gap does exist since we are awaiting more information regarding the estimated assessed value of the proposed project.

If City Council prefers to wait until a policy is in place to guide your decision making regarding this request, staff will inform the Annex Group of projected timing of that discussion. Hopefully, the Hayden Preserve developer will grant the Annex Group an extension to their purchase option in order for the City Council to approve an Affordable Housing strategy.

If City Council desires to proceed with consideration of the Annex Group request at this time, Staff will continue to work with the applicant to identify a probable valuation for the project once a new City Assessor is in place and how that affects the operational expenses of the project. This information will allow Staff to recommend if, or how much, a tax incentive should be offered. In any event, staff believes at this time that the most substantial incentive available for the project would be a five-year sliding scale tax abatement.

Attachment A



January 21, 2022

Mr. Kelly Diekmann, Director of Planning
Members of the City Council
City of Ames - City Hall
515 Clark Avenue
Ames, Iowa 50010

RE: The Annex Group - Tax Abatement Request
Affordable Housing Development

Dear Mr. Diekmann and Members of the City Council:

The Annex Group is exploring development of an affordable housing project on existing vacant property within the City of Ames. As part of our feasibility analysis, we have identified that estimated real estate taxes assessed upon completion of this project are well beyond what the development can reasonably afford. In fact, it was determined that the anticipated tax assessment is more than twice as high as other affordable projects we have developed around the country. For this reason, we respectfully request that the City Council consider approving a potential Tax Abatement for this development.

COMPANY BACKGROUND

Our mission: *To create a positive impact with the people who live, work, and are engaged in our communities.*

The Annex Group is an Indiana based multi-family housing developer, general contractor, and owner with a portfolio of communities valued at more than \$500 million. Combining the career experience of its entire leadership team, The Annex Group has overseen more than \$1 billion in single family, multi-family, mixed-use and other commercial projects including redevelopment and ground-up construction. Our developments create community and improve quality of life. We are proud that each of our developments to date has lived up to its purpose.

Each development is strategically planned and executed to ensure a finished product that is cohesive with the goals and values of the constituencies and communities we serve. Our strategy is to position each redevelopment or newly developed project as the most exciting new address to live, work, or play.



PROJECT BACKGROUND

The proposed project is comprised of two parcels totaling 13.54-acres of land and is located at the northern border of the City, within property known as Hayden's Preserve. The site will be part of a much larger 170-acre residential development (by others), which we understand has recently received Preliminary Plat approval.

Annex is hoping to build 192-units of 60% Area Median Income affordable housing on the property and intends to submit the project to the Iowa Finance Authority for procurement of 4% Low-Income Housing Tax Credits. The site will include approximately fifteen three-story buildings, each with a mix of one, two, and three-bedroom apartments along with required surface parking. Planned amenities include: a clubhouse with fitness center, community space, and computer room; a playground and dog play area; a picnic area, landscaping, and open space with pedestrian linkage to trails within the overall development.

Affordable housing need is at historic levels nationally, regionally, and locally. Rising construction costs have made development of new affordable projects even more difficult. It is our understanding that new affordable housing in Ames is in limited supply in proportion to the communities in need and to that end, The Annex Group is committed to bringing affordable housing to the City of Ames. We hope Members of the City Council will consider supporting this affordable housing project by providing the requested Tax Abatement.

Thank you in advance for your thoughtful consideration.



Margaret A. L. Blum
Senior Director of Development

2021

Program Income Limits
(subject to change)

80% of Ames, Iowa MSA (Low Income)	
Family Size	Gross Income Cannot Exceed
1	\$50,400
2	\$57,600
3	\$64,800
4	\$71,950
5	\$77,750
6	\$83,500
7	\$89,250
8	\$95,000

60% of Ames, Iowa MSA	
Family Size	Gross Income Cannot Exceed
1	\$37,800
2	\$43,200
3	\$48,600
4	\$53,940
5	\$58,260
6	\$62,580
7	\$66,900
8	\$71,220

50% of Ames, Iowa MSA (Very Low Income)	
Family Size	Gross Income Cannot Exceed
1	\$31,500
2	\$36,000
3	\$40,500
4	\$44,950
5	\$48,550
6	\$52,150
7	\$55,750
8	\$59,350

30% of Ames, Iowa MSA (Extremely Low Income)	
Family Size	Gross Income Cannot Exceed
1	\$18,900
2	\$21,600
3	\$24,300
4	\$26,950
5	\$29,150
6	\$31,300
7	\$33,450
8	\$35,600

Effective July 1, 2021