



**BOARD OF COUNTY
COMMISSIONERS**



TOWN COUNCIL

JOINT INFORMATION MEETING AGENDA DOCUMENTATION

PREPARATION DATE: September 5, 2019

MEETING DATE: September 9, 2019

SUBMITTING DEPARTMENT: Affordable Housing

DEPARTMENT DIRECTOR: April Norton

PRESENTER: April Norton

SUBJECT: 440 West Kelly Avenue

STATEMENT/PURPOSE

The Comprehensive Plan directs the Town and County to create Town as Heart; emphasize a variety of housing types; develop Transitional Subareas; house at least 65% of the workforce locally; focus housing subsidies on full-time, year-round workers; provide housing that is consistent with Character Districts; and create workforce housing to address shortages. The Housing Action Plan directs the Town and County to strategically provide land as public subsidy and build development partnerships to get more housing for our local community built.

The 430 & 440 West Kelly Avenue project represents an incremental approach to housing development that will serve our middle- and higher-income earning working households and takes advantage of new town zoning. It is part of the spectrum of housing the Town and County that we must build to achieve and maintain our goal of being a community first and resort second.

The Board and Council have chosen a development partner who has a strong team and is ready to get started on the project. However, staff still seeks direction on how to move forward and lays forth several options in this staff report. Time is of the essence if we are to break ground on a project next year and with over 1,000 households representing almost 2,300 people on the Intake Form the demand for safe, stable housing persists for many of our working households.

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 no longer allows single-family home development (although remodels are ok – see above) and 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 Commission 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. Key issues for the RFP that were discussed during the January 29 Joint Workshop included: number of units, parking, affordability, and streetscape. The JIM directed staff to:

- Keep the 15 unit minimum in the RFP. Based on the Intake Form data that tells us 67% of the households looking for housing are one or two people and looking at the existing restricted housing stock that shows only 11% of our ownership units are one-bedroom, the JIM chose to prioritize smaller units and to keep the minimum at 15. A lower minimum number would likely result in the same size development, but with fewer units that have more bedrooms each because larger units will garner a higher sales price. By forcing a developer to build at least 15 units and meet the parking requirements, the JIM forced respondents to build smaller units and limited the public subsidy required to develop the property to only the cost of the land.
- Require that respondents meet the parking requirements set forth in the recently updated LDRs because without a larger plan for transportation and parking, lowering the minimum requirement could be detrimental for the neighborhood.
- Allow developers to choose between the Affordable restriction (income and employment restricted) and Workforce restriction (employment restricted only).
- Incorporate streetscape standards that were above what is currently in the LDRs to help with the integration into the existing neighborhood.

On February 5 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). On April 9 the HSB chose two finalists and sent each team a set of supplemental questions that they were asked to answer by April 19 along with a request for enhanced renderings. The HSB then interviewed the two teams in person on April 22. On April 26 the HSB met again and 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.

On July 30, the Board met to reconsider the July 23 vote against the 16-unit option. During that meeting Commissioners Barron and Epstein indicated support for a 12-unit option, Commissioners Newcomb and Macker supported the 16-unit option, and Commissioner Propst remained opposed to the project as currently being discussed. The motion to support 16 units was withdrawn by Commissioner Newcomb and no vote was taken. Since this meeting, at least one 15-unit private sector rental project that was slated for workforce housing in this neighborhood has been abandoned.

On August 19, Council met to discuss the project and considered seven options:

1. Stick with the 16-unit option and see if the Board makes a similar motion at the next joint meeting to support the 16-unit option. 3 councilors support this.
2. Support a 10 or 12-unit option that provides the same number of bedrooms as the 16-unit option (24 bedrooms). 2 councilors supported this, 2 councilors had a level of support but were unable to state that they would support the motion if it was made, and 1 councilor does not support this.
3. Town can purchase the County's interest in the property (\$936,880) and can then move forward with a 16-unit project. 2 councilors supported this, 1 councilor supported the purchase but not the 16 units, 2 councilors did not support.
4. Town can sell its interest to the County. No councilor supported this.
5. Council and Board can direct the Housing Authority to sell the land. Only 1 councilor supported this.
6. Council and Board can direct the Housing Authority to deed restrict the land and then sell it. Only 1 councilor supported this.
7. Council can choose an option not listed, which can include modifications to any of the options listed above. One councilor suggested simply sitting on the land if a joint agreement could not be reached. One councilor noted that Commissioner Propst had spoken to Habitat for Humanity about developing the property.

Since the August 19 meeting, staff has worked with Roller/Tack on a possible 12-unit option that would provide 24 bedrooms in the following mix:

- 3, 1-bedroom units at 500 SF each priced at \$300,000
- 6, 2-bedroom units at 800 SF each priced at \$450,000
- 3, 3-bedroom units at 1200 SF each priced at \$600,000
- 18 parking spaces provided on-site (16.5 spaces required)

In this revised scenario, units would have a Workforce Ownership deed restriction and would be subject to annual requalification and an annual appreciation set at CPI capped at 3%.

On August 26, Commissioner Propst raised the possibility of partnering with Habitat for Humanity to develop the site. Habitat chose not to respond to the RFP and is currently developing the Grove Phase III with 16 units left to complete and an estimated date of completion on that project slated for early 2021. Keith Gingery, representing the Teton County Attorney's Office, advised the Board that they must first reject their current partner, Roller/Tack, before proceeding with a different developer.

Staff brings this project back to the Council and Board today seeking direction on a path forward. To ensure groundbreaking next year a decision will need to be made soon.

[EXISTING POLICY DIRECTION – COMPREHENSIVE PLAN, HOUSING ACTION PLAN](#)

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 Strategy:

- Provide land as a public subsidy and build development partnerships. 2B

ATTACHMENTS

None.

FISCAL IMPACT

Teton County purchased 440 W. Kelly Avenue for \$1,703,416.03 and transferred the property to the Jackson/Teton County Housing Authority. The Town of Jackson reimbursed Teton County 45% of the purchase price, or \$766,537.21. The Jackson/Teton County Housing Authority insured the property for \$940.00 and has been receiving \$2,700.00 per month in rent from the tenants. These funds are being placed back in the Housing Supply Program account at the Housing Authority.

STAFF IMPACT

This project requires significant time from the housing director. The Town planning and building staff will spend time on the review, permits, etc. Town and County legal departments will spend time drafting the development agreement, ground lease, and any other necessary documents. The housing manager will spend time ensuring the units meet the livability standards in the Housing Rules and Regulations. The housing compliance specialist will ensure enforcement of the restrictions on the units. The housing sales specialist will ensure all households purchasing the units are qualified to do so.

STAKEHOLDER ANALYSIS

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

LEGAL REVIEW

Reviewed by Lea Colasuonno, Town Attorney, and John Graham, Deputy County Attorney.

RECOMMENDATION

The Housing Supply Board recommends moving forward with the 16-unit design. This provides the greatest impact and maximizes the public investment.

Staff recommends moving forward with a revised 12-unit option that provides a mix of 1, 2, and 3-bedroom homes. This is in line with the Comprehensive Plan vision for this Transitional Neighborhood and responds to the neighbors' concerns about a development with too many units and too many cars while also providing workforce housing for single people, couples, and families, and setting the course for future reinvestment in this area. If we are unable to develop workforce housing here, then the likelihood that this neighborhood will transition to higher-end homes and lose its working-class character becomes very high (see: Gill Addition). The electeds may choose to further reduce the sales prices for these units up to three months prior to completion. However, with the Jackson/Kelly rental project in the pipeline, electeds may find that project to provide a greater opportunity to provide needed lower-income rental housing for the community.

SUGGESTED MOTION

I move to direct and authorize the Jackson/Teton County Housing Authority Board to execute a Ground Lease and Development Agreement with Roller Development and Tack Development to develop a 12-unit permanently deed restricted housing project at 430 and 440 West Kelly Avenue. The Development Agreement and Ground Lease should clearly state the timeline for the project, required approvals to build, financial obligations of the partnering entities, terms and conditions of the long-term lease, homeowners' association requirements, reporting requirements, and any other items staff deems necessary to protect the public investment at this site or that the joint boards have directed staff to include during today's meeting.

