

Moab City Council Agenda Item

Meeting Date: January 11, 2022

Title: Walnut Lane Overview & Options Forward

Disposition: Discussion and possible action

Staff Presenter: Kaitlin Myers, Senior Projects Manager

Attachments:

- Exhibit A: Walnut Lane Master Planning Documents from Architectural Squared
- Exhibit B: Council Prioritization for Walnut Lane Apartments
- Exhibit C: Walnut Lane Pro Forma

Possible Motion(s):

"I motion to return the Sales Tax Revenue Bond in the amount of \$6,500,000 back to Zions Public Finance."

"I motion to recommend staff to proceed with Option [1 or 2] to continue with the Walnut Lane Apartments redevelopment project."

Background/Summary:

The purpose of this agenda item is to provide the Council an overview of the Walnut Lane Apartments redevelopment, including the project's history, current status, and options to proceed forward. Much of the project background is provided to give additional context to the new Councilmembers and Mayor to aid their decision-making process.

Project Background

Project Information

- Location: 250 & 280 Walnut Lane; the property is divided into two parcels
- Size: 2.91 acres
- Zoning: R-4, with PAD approval
- Use: Manufactured home park
 - 37 trailers on site at time of purchase
 - 26 occupied trailers currently; 8 demolished, 3 vacant and slated for demolition
- Proposed use: 80 units, composed of apartments, duplexes, and townhomes

Project Timeline

The following project timeline primarily focuses on redevelopment efforts. Staff will provide additional information about property management, financing, and indieDwell later in the document.

- October 2018: City purchases Walnut Lane trailer park.
- September 2019: Kaitlin Myers was hired to replace Tracy Dutson as Senior Projects Manager.
- January 2020: Property was rezoned from split zone R-2 and R-4 to a contiguous R-4 zoning; the property was previously zoned R-2 in the northern half of the property.
- March 2020: The City hired Architectural Squared (A^2) to provide master planning services. A^2 worked with City staff to develop a cohesive redevelopment plan for the project, including developing a master plan, phasing plan, economic pro forma, proposed redevelopment timeline, schematic renderings, and public engagement materials. We hosted a neighborhood meeting with current

tenants and neighbors to discuss architectural style and materials and site amenity preferences. Materials created with A^2 are provided in Exhibit A.

- May 2020: The City terminated its contract with Moab Property Management to provide property management services to the site. Since this date, City staff has managed the property internally. Staff will provide further commentary on property management later in this document and is grateful for the immense amount of work and collaboration provided by others on staff to manage the property.
- July 2020: Council participated in a prioritization exercise for the redevelopment, which staff has referenced over time to ensure actions are meeting Council goals (Exhibit B). In general, the Council prioritized housing over open space and parking for site plan composition, indicating the desire to maximize density as much as possible to provide ample units to current tenants and future Moab residents and to ensure financial feasibility. Council also indicated the funding priorities for the project should be focused on maintaining affordability and sustainability over providing site amenities.
- November 2020: The City issued an Invitation for Bids (IFB) for manufactured/modular home units. Initially, the IFB was issued because A^2 and staff projected it would take at least two years to redevelop the site, and staff had a better understanding of the extremely poor living conditions at the site. The Council approved issuance of the IFB with the intention to evaluate opportunities to either purchase manufactured units as a temporary, emergency measure to provide safe units or to purchase modular units to initiate the first phase of the redevelopment.
- December 2020: Council approves a contract with indieDwell in the amount of \$1,080,300 to develop four duplex buildings, as proposed for phase one of the redevelopment.
- Dec 2020 – Feb 2021: Staff signs contracts with SET Engineering, Rocky Mountain Power, Trautner, and DHM Design to begin final plan documents for phase one. SET Engineering and DHM Design were on the A^2 master planning project team.
- February 2021: Council approved the preliminary PAD site plan application for the Walnut Lane Apartments, which will provide 80 units of affordable, sustainable multifamily housing, including 66 income-restricted units.
- April 2021: The City acquires a \$6.5MM Sales Tax Revenue Bond (STRB) from Zions Public Finance to fund the first two phases of redevelopment.
- May 2021: indieDwell notifies the City they cannot meet the Performance Bond requirement in the Contract for Services.
- July 1, 2021: City sends Notice to Cure to indieDwell.
- September 2, 2021: The City determines indieDwell did not cure, and the Contract for Services agreement is terminated.
- November 2021: The City receives pre-award notification to receive \$613,061 in ARPA Local Assistance Matching Grant funding to provide gap financing for phase one of the project.

Property Management

As stated above, the City has handled property management services internally since May 2020. This effort was deemed as necessary, but it has required a significant time and financial commitment from City staff, including numerous representatives from Planning, Public Works, Engineering, and Finance Departments. Staff is grateful to this team because they have gone above and beyond their job descriptions to perform “other work as necessary” to ensure Walnut Lane tenants are served adequately.

All the manufactured units at Walnut Lane were built before 1976, meaning they are not built to a HUD-approved standard and must eventually be demolished. Staff reasonably believes most of the units have been located at the site since the park was developed in the 1950s, and they have weathered decades of deferred maintenance.

Staff has had to renovate two vacant trailers onsite to relocate two households living in inadequate units elsewhere at the park. Public Works staff is working at the site each week, and their most common tasks include fixing leaking roofs and plumbing systems, electrical systems, and floors; weatherizing swamp coolers and furnaces; and cleaning up debris around the site. Additionally, staff has coordinated the removal of numerous sickly trees on site, the demolition of seven vacant and unsafe units, and the relocation of two trailers to other spaces in the site in preparation of phase one. Staff has a contract in place to demolish an additional three vacant trailers.

On the tenant relations side, staff has signed new lease agreements with tenants and has continuously worked through the pandemic to ensure tenants are current on their rent, but this has been a struggle for a few households. Approximately half of the tenants received some form of rent relief funding early in the pandemic.

Though there is still a significant amount of work to continue to improve the site, but the City has made significant progress to stabilize units and build trust with tenants.

indieDwell Contract

As stated in the Project Timeline, the City signed a Contract for Services with indieDwell, a modular developer based out of Pueblo, Colorado, on December 22, 2020. indieDwell was the bid selected from the IFB process because they were the highest ranked bidder by the IFB Selection Committee, the Committee and Council agreed proceeding with modular units was a more fiscally and ethically responsible decision than temporary manufactured units, and indieDwell expressed multiple times their confident ability to maintain the proposed price and timeline throughout the bid review process.

On January 15, 2021, Sommar Johnson asked indieDwell representatives to send their Proof of Insurance and Performance Bond (per the contract, they were technically required to submit an Irrevocable Letter of Credit (ILOC) to comply with the Performance Bond clause), as required upon signing the contract; this request was made in response to indieDwell submitting their first invoice for payment, which was due after contract signing. indieDwell promptly sent Proof of Insurance but said they needed time to acquire the ILOC.

Over the next four months, indieDwell attempted and failed to meet the Performance Bond requirement, telling staff they were exploring avenues, and when said avenues fell through, they were on to the next attempt. In the second week of May, indieDwell's Project Manager notified Myers and Carly Castle that indieDwell could not meet the Performance Bond requirement and needed help researching alternatives to move forward. They were also behind their contractual Schedule of Performance and expressed to staff they could no longer do the project at the agreed upon price. In fact, General Manager Ron Francis told staff, even if they could bond, he could not recommend to his board to proceed at the Agreement Sum price because it was not financially feasible for the company. Concurrently, indieDwell staff formally submitted a building permit application on May 19, 2021.

After several discussions with indieDwell, internal staff, and Council, the City determined indieDwell was out of compliance with the contract and needed to issue a Notice to Cure. Attorney Laurie Simonson issued the Notice on July 1, 2021, giving indieDwell thirty (30) days to cure the following items:

1. They did not provide the Irrevocable Letter of Credit
2. They did not comply with the Schedule of Performance
3. They indicated they cannot perform the Agreement for the Agreement Sum

To cure, indieDwell was required to perform the following within the established timeframe:

1. Deliver the Irrevocable Letter of Credit
2. Provide an updated Schedule of Performance for the remaining Scope of Work
3. Provide written assurance they could perform the Agreement for the Agreement Sum

indieDwell's counsel responded on July 29, 2021. The City Attorney, City Staff, and Council determined they did not cure, and Simonson told indieDwell's counsel on September 2, 2021, per Section 7.2 of the contract between the City and indieDwell, the contract had expired due to default of the contractor.