

Moab City Council Agenda Item
Meeting Date: February 8, 2022

Title: Discussion of Walnut Lane Redevelopment Alternatives

Date Submitted: February 3, 2022

Staff Presenter: Carly Castle, Acting City Manager

Jason Glidden, Housing Development Manager, Park City Municipal

Attachment(s):

- Sample Homestake MOU, courtesy of Park City Municipal
- Sample Homestake RFQ, courtesy of Park City Municipal

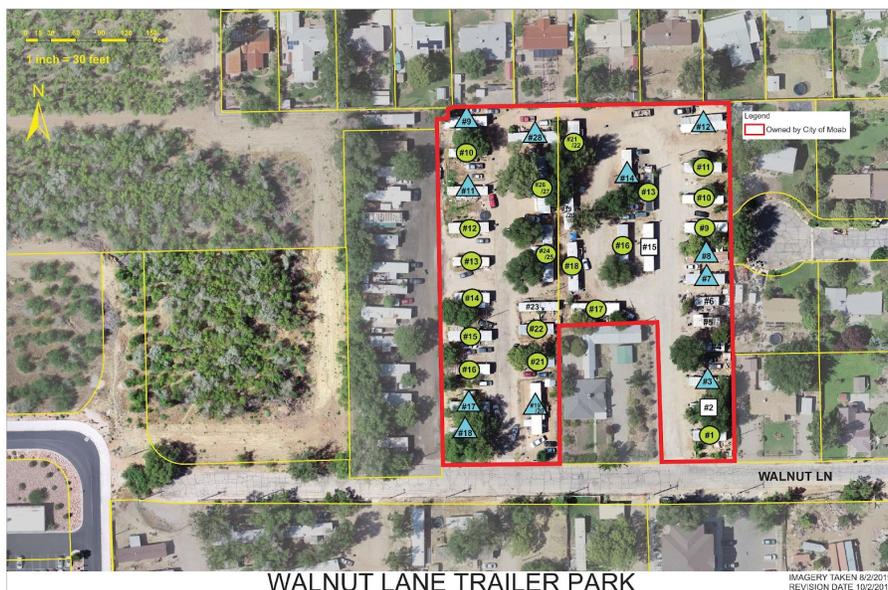
Options: Presentation, discussion, and possible action

Recommended Motion: I move to recommend that City Staff pursue Alternative (1, 2, 3, other) for the Walnut Lane redevelopment project.

Background/Summary:

The purpose of this agenda item is to provide the Council with a more in-depth overview of options to move forward with the Walnut Lane redevelopment effort. During the January 11, 2022 meeting, the City Council was presented with a few different alternatives to proceed with the development and requested additional information about a master lease/public private partnership (PPP) option. Jason Glidden, Housing Development Manager for Park City Municipal, will be present at the meeting to present to Council information about master leases/PPPs, and Park City's efforts to implement such a project.

Walnut Lane 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

- October 2018: City purchases Walnut Lane trailer park.
- 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 (A²) to provide master planning services. A² 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.
- July 2020: Council participated in a prioritization exercise for the redevelopment, which staff has referenced over time to ensure actions are meeting Council goals. 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.
- 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.
- 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.
- January 25, 2022: The City returns the \$6.5MM STRB.

Public-Private Partnership Case Study: Structure and Process in Park City

Attached to this agenda summary are a RFQ and a MOU prepared by Park City pertaining to its selected developer for the Homestake affordable housing project. These documents are provided for the City Council's consideration to understand some of the mechanisms and processes that could be used by Moab City staff if a PPP was pursued for any of the Walnut Lane development phases. A briefing of the two instruments is provided below.

With the attached RFQ, Park City was seeking responses from developers interested in working with the City to design and construct a mixed income, multi-family housing

project on the property. The project goal was primarily a residential, rental development that contains 80% or more affordable units, but the City was willing to consider an approach where residents could purchase individual housing units in the alternative. Park City received nine proposals, from both local and national firms, to develop the land for affordable housing. A RFQ selection committee, which consisted of City staff as well as private citizens, selected a developer that is experienced with affordable, multi-family residential rental projects; public/private partnerships and associated tax, grant, and regulatory matters; and the financing and operation of mixed-income housing.

The purpose of the MOU is to guide the production and negotiation of the development agreement with the selected developer. The MOU ensures that the City Council’s priorities are met by outlining the overall goals of the partnership, a proposed timeline, and general terms to ultimately inform the final development agreement. This MOU is provided to the Moab City Council to illustrate what kind of parameters the City may negotiate in a similar situation, such as Walnut Lane. Ultimately, such an agreement for Walnut Lane would depend on the City’s redevelopment interests for the property, as well as the financial feasibility of the development.

Under the Park City MOU, the developer commits to optimize the number of affordable units within the constraints of the property; create mixed-income housing made up of a minimum of 80% affordable rental housing and attains an average Area Median Income (AMI) level of 60%; deed restrict affordable units for 50 years; design a parking plan and accessibility plan that includes walkability features, secured bike parking, and alternative modes of transportation; seek neighborhood input through community meetings and/or outreach; and provide long-term operations and maintenance of the project. The City commits to retain ownership of the parcel, negotiate in good faith a ground lease that has terms and pricing contingent upon the securing of all financing for the development and operation of the project; and provide administrative support to successfully work through the required reviews and approvals through the issuance of the certificate of occupancy for the project.

The next steps for this Homestake affordable housing are the negotiation of the development agreement and signing of the lease.

Moving Forward: Walnut Lane Alternatives

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| <p>Alternative 1—Continue as Planned</p> <ul style="list-style-type: none"> • Pursue a design-bid-build process to develop Phase I internally, using existing ARPA funds and the WAHO. • Pursue a bid process to develop Phases II and III internally, likely acquiring bonds to finance the project. | <p>Pros</p> <ul style="list-style-type: none"> • This option does not lock the City into a future scenario with Phases II and III. The City can pursue a hybrid alternative (Alternative 3) once Phase I is complete if desired. • The City retains the control and ensures the integrity of the project before, during, and after redevelopment. |
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| | <ul style="list-style-type: none"> • The City benefits from the revenue generated from the project over time. • The City would certainly be able to utilize restricted ARPA and WAHO funds to develop. <p>Cons</p> <ul style="list-style-type: none"> • Property management continues to be a challenge • Project does not “pencil” until Phase III. • City must invest substantially more resources over time, which presents financial risk. • Project would likely be on hold until a Senior Projects Manager can be hired. • This option is higher risk, which is born completely by the City. |
| <p>Alternative 2—Public-Private Partnership</p> <ul style="list-style-type: none"> • Solicit a master developer for the entire project (Phases I, II, and III). The City would publish an RFP or RFQ for a development team with the experience needed to manage, complete, and operate the project. City would sell or long-term lease the property to developer. | <p>Pros</p> <ul style="list-style-type: none"> • Significantly reduces the amount of time and money necessary for the project. • More staff time and funding can be dedicated to other housing initiatives. • Reduces/eliminates property management burden. • This option presents the least financial risk to the City. <p>Cons</p> <ul style="list-style-type: none"> • This option will commit the City to this path for all three phases. • City loses a certain level of control over the project • City must ensure they trust the vision of the development team and the contractual agreements are legally sound (logistical/legal risk). • City does not reap the financial benefits of rent revenue over time. • Whether the City can use restricted ARPA funds for this scenario is unclear. |
| <p>Alternative 3—Hybrid</p> | <p>Pros</p> |

- Pursue a design-bid-build to develop Phase I internally, using awarded ARPA funds and the City's WAHO funds.
- Pursue a public-private partnership for Phases II and III.

- Allows the City to use restricted ARPA funds for this project.
- This option does not lock the City into a future scenario with Phases II and III. The City can pursue Alternative 1 once Phase I is complete if desired.
- Significantly reduces the amount of time and money necessary for the project.
- Certain balance of control over the project vs. the flexibility of the redevelopment being developer-led in Phases II and III.
- More staff time and funding can be dedicated to other housing initiatives after Phase I.

Cons

- Property management will continue to be a challenge.
- Possibility that the redevelopment will be less attractive to a developer if it does not include the entire property.
- Project would likely be on hold until a Senior Projects Manager can be hired.
- This option poses a medium amount of financial risk to the City.
- The City will need to invest substantial resources to complete Phase I, while also devoting resources to designing a suitable PPP process.