



MEMORANDUM

DATE: July 6, 2021
FROM: Drew Nelson, City Administrator
TO: Mayor PT Wood and Salida City Council
SUBJECT: Affordable Housing Financial Contributions – Jane’s Place

Background

The Salida City Council approved the Jane’s Place Planned Development at the Council’s regular meeting held on June 1st, 2021, allowing for a 17-unit mixed-use development to be constructed at the southwest corner of State Highway 291 and West 3rd Street. The City has been approached by the project’s developers – the Chaffee County Community Foundation (CCCF) and the Chaffee Housing Authority (CHA) for matching funds to close the fiscal gap in financing the project. Attached is a formal request from the CCCF that further explains the funding stacks for the project.

Analysis

As noted in the CCCF letter, total projected construction costs are \$3.6M, with approximately 65% of the funding to be procured as debt for the project. Currently, fundraising has garnered \$310,000 from individuals in the community towards total costs. CCCF has requested matching funds in the amount of \$350,000 from the City to be broken into two silos - \$50,000 for immediate pre-development costs, and \$300,000 for construction costs to be invested later in 2021. In discussions with CCCF and the CHA, there appears to be an opportunity to challenge the community to match a total City investment of \$350,000 by encouraging further charitable giving of at least \$40,000 by individuals.

Overall, the investment of \$350,000 in a 17-unit project focused on the Salida workforce appears to be a wise investment. While rent rates are not capped by a percentage of Area Median Income, the project will utilize incomes to determine rent rates and to cap those at no more than 30% of a tenant’s income. This approach provides a considerable amount of flexibility to both the renters and CCCF/CHA that does not rely on federal or state formulas that may not fit Salida’s needs. At a cost of \$20,600 per unit to the City for this project, it appears that such an investment would match the City Council’s commitment to affordable and workforce housing.

Recommendation

Staff recommends that the City Council provide feedback on the parameters identified in the attached letter as well as preferences for funding options. In addition, there will be a separate specific request for City Council action during the regular meeting to provide \$50,000 in funding for pre-development costs. Staff would suggest that any remaining contribution be identified in the upcoming Development Agreement for Jane’s Place.



Jane's Place Investment Request

July, 2021

Mr. Mayor, City Councilmembers, and City Administrator Nelson,

I am honored to once again elevate Jane's Place to you for your consideration – your leadership, values, and actions have propelled this project forward, and now I look forward to discussing with you how you can leverage a financial investment to ensure this vital project comes to fruition.

As you know, CCCF and the Chaffee Housing Authority recognize the importance of funding sources in ensuring a project's flexibility to truly serve its community and the needs of a diverse population. This concept is at the foundation of the capital stack for Jane's Place. Whereas tax credit projects and many other state and federal housing funding sources impose strict income and lease length limits on developments, Jane's Place will use traditional debt mixed with philanthropy and community support – enabling the resulting housing units to serve those who need it the most while maintaining affordability by capping rents at 30% of tenant income.

While construction prices are fluctuating an incredible amount, we anticipate the project costs to be \$3,600,000, and in order to keep terms and debt service at optimal levels, we're seeking no more than 65% of project costs in the form of debt. As you can see, we're seeking various other philanthropic forms of support from grant funders, local employers, and the community directly.

We know you have a deep commitment to addressing the housing crisis – your leadership on this issue is clear county-wide. We ask for you to continue this leadership with a matching commitment to Jane's Place – matching every dollar raised from individuals with a dollar from the City – up to \$350,000. The community support has already been substantial, with individuals giving over \$310,000 to date, so we are very close to our goal and a commitment from the City will help us close the final \$40,000 gap.

While we do not need the majority of this investment until we are ready to file for permits (mid-to-late September), we ask you to consider paying \$50,000 of this total commitment immediately to CCCF to help us ensure we can cover the project pre-development costs.

I look forward to discussing this with you in person on Tuesday, and until then, be well. Thank you.

Joseph Teipel

