



CITY COUNCIL WORK SESSION MEMO

DEPARTMENT	PRESENTED BY	DATE
Community Development	Bill Almquist - Community Development Director Andrew Michaelson – Artspace	January 21, 2025

AGENDA ITEM

1st & D Apartments Space to Create Update

BACKGROUND

Artspace, along with their architects Cushing Terrell and general contractor MW Golden, have been working diligently on the design development phase of the 1st & D Apartments project since this past summer when Council approved the final concept design. The concept includes 19 permanently affordable housing units and a flexible creative space that is anticipated to be programmed by the City and the project's residents. Artspace holds an option to lease the property (which legally must be used for affordable housing) and build the project, and they are the entity primarily responsible for raising the project funds. In 2024, the City received a \$500,000 grant through DOLA that is intended to be used for construction purposes (and which requires a match of \$250,000 from the City). The City has also budgeted an additional \$250,000 from the affordable housing fund to help with filling potential funding gaps for the project.

A cost estimate was recently provided which puts the overall cost of construction of the 1st & D Apartments at a little over \$10 million, and an overall project cost of approximately \$13 million, including contingencies. While these estimates are intended to be conservative, they do reflect recent real increases in costs within the construction industry and other factors, which represent a 30% - 40% increase over initial estimates from a year ago. While there may be some room for value engineering that could potentially save tens or even hundreds of thousands of dollars, the vast majority of the costs are attributable to the “meat and bones” of the project (lumber, foundation work, utilities, mechanical equipment, etc.). Any more significant savings (say, even \$2 to \$3 million) would likely require scrapping the current design and starting from scratch. Such a process would add considerable time, potentially years, and would likely result in a very different and lower quality end product providing significantly fewer units (and likely would not blend into the rest of the historic downtown, which has been identified as a community priority).

With these cost estimates, Artspace can begin applying for grants and other financing once they become available. Andrew Michaelson will provide an update on the funding sources that Artspace is currently targeting and the timeline for applying for those funds.



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REQUESTED DIRECTION FROM COUNCIL

Staff and Artspace would like direction from Council regarding use of the \$500,000 construction grant from DOLA (plus the committed \$250,000 match from the City). These funds must be expensed by April per the contract with DOLA, otherwise that funding will be lost (and no extensions are anticipated). At this time, staff and the development team feels confident that the funds could be used to purchase materials and equipment that can either be stored until construction (e.g. doors and windows, foundation rebar, etc.) or possibly installed on-site (e.g. electrical transformer and pad), plus other fees that may be eligible expenses. The transformer itself is anticipated to have a long lead-time (6-12 months), regardless, and there may be fiscal advantages to purchasing it ahead of any future tariffs that may be implemented.

Given the circumstances, is Council comfortable with spending the grant funds (and corresponding match) towards the project?

Attachment:

Conceptual designs of 1st & D Apartments Space to Create Project