

Source:
William Watkins

TO: City Council
FROM: City Manager and Staff 
DATE: May 6, 2005
RE: Report concerning HOME funding for Bethel Ridge



EXECUTIVE SUMMARY:

The City has received a request from Jeffery Smith Development to renew its commitment for HOME funding for the Bethel Ridge Development in the amount of \$200,000. This development, located on the NE corner of Nifong and Bethel, would provide 72 units of housing for lower income senior citizens. In March, the City issued a request for proposals for CDBG and HOME funding for FY 2006. The HOME application cycle is an open-ended application available to all organizations that submit projects in compliance with the City's Consolidated Plan. In the fall of 2003, the City reviewed and approved an application for 2004 HOME funding from Jeffery Smith, contingent upon financing the majority of the project through Low Income Housing Tax Credits and a loan from the Missouri Housing Development Commission (MHDC). MHDC did not fund this application for 2004 funding and again turned the project down in 2005. This year's request for the Bethel Ridge project is identical to the original project reviewed by the City in the past. The applicant currently owns this property and would sell the land to a proposed partnership to develop and manage the housing units. The City has HOME funding available to help fill a financing gap for this project.

Fiscal Impact

YES
NO

Other Info.

DISCUSSION:

Jeffery Smith Companies has requested approval of \$200,000 of HOME funding for Bethel Ridge, a project to build 72 units of low income senior housing at the corner of Nifong and Bethel (See Exhibit 1). The developer previously submitted a market study showing a need for 394 new rental units in the City of Columbia, using demand estimates based on employment trends. Since that time, the City has completed a housing market analysis and Consolidated Plan. The City's Consolidated Plan indicates there is a need for 456 new rental units for elderly households at or below 50% of the median income. The Consolidated Plan estimates that 293 of these 456 elderly households are currently paying more than 50% of their income for rent. HOME and MHDC funding sources will require rents to be affordable. "Affordable" means that rent and utilities will not exceed 30% of the median income for a household earning 60% of the median income. Units in the development will average 850 sq. ft. and will include five 6-plexes and a three story building containing 42 units. The large building is expected to offer common space for support activities necessary for senior living.

The site (See Exhibit 2) is zoned R-3 and is appropriate for this development. The site is located near a grocery store, on a bus line, and is close to a variety of other services. The site is at the opposite end of town from the Hanover projects, which are similar in nature. The developer has not yet submitted a site plan for the project.

Approval by the City would be contingent upon approval of low income housing tax

credits from the Missouri Housing Development Commission. Preliminary numbers based on the 2004 application indicate that the developer fee requested is approximately 8.8% of the project cost. Tax credit equity attracted from the project is expected to be \$5,284,323. In addition to tax credits, the developer will likely request close to \$2,000,000 from MHDC fund balances. The request from the City is for a \$200,000 loan at 1% for 30 years. Preliminary numbers indicate that the return on investment and developer fee are low when compared to other developments. Jeffery Smith Companies will be earning a return on the sale of the land.

The City would budget HOME funding at the time a formal commitment for the project is made by the MHDC. Projected sources of HOME funding include the following:

2005 Unprogrammed - \$75,431

2006 HOME Funding - \$50,000

2003 Unused Rental Rehabilitation funds - \$74,569

SUGGESTED COUNCIL ACTION:

Should the Council wish to proceed with this project, Council Action suggested includes; (1) setting a public hearing at the June 6 Council meeting, and (2) holding a public hearing and considering a firm commitment of HOME funds at the June 20 Council meeting. The HOME Action Plan would be amended to include this project at the time a firm commitment of MHDC funds is approved, most likely in December of 2005 or January of 2006.

EXHIBIT 1

COMMUNITY DEVELOPMENT
APPLICATION FORM (HOUSING)

Organization: Jeffrey E. Smith Development Inc.

Funds requested: \$ 200,000.00

Please provide a two-sentence summary of the project for which your organization is seeking funds.

This Columbia project will be a 72-unit senior development. The property will serve senior residents of Columbia ages 62 and older.

Contact Person: Shane Wright

Address:

206 Peach Way

Columbia
City

MO
State

65205
Zip

Phone: 573-443-2021

Fax: 573-256-3218

E-mail: swright@jesmith.com

Federal Tax ID: to be determined

Please indicate the category that best represents your organization:

- City Department Non-Profit Other (please specify) For profit developer

What is the primary mission of your organization? JES Development's mission of a long-term commitment to serving communities is reflected in the quality, durability, and beauty of its units.

How many clients does your organization serve annually? N/A

What is the total annual budget for your organization this year? \$ 7,540,069 (for this development)

Please indicate the source of your revenue and the percentage of revenue derived from each source.

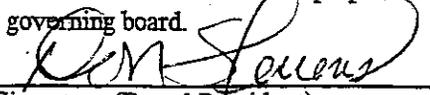
- Government (____%) Foundations (____%) Donations (____%) Fees (____%)
 Volunteers (____%) Other (____%) (please specify) refer to sources and uses page

Annual value of in-kind contributions in dollars: \$ N/A

Annual number of volunteer hours: N/A

Is your organization capable of repaying this funding assistance? YES

I have reviewed the CDBG information packet, instructions, and eligibility guidelines, and believe that our project is an eligible activity and will benefit low to moderate income persons in accordance with HUD income guidelines. I further certify that the information included in this proposal is accurate to the best of my knowledge, and that this proposal has been approved by the governing board.


Signature (Board President)
Vice President of Operations

Don Stevens
Typed/Printed Name
Don Stevens

9/02/03
Date

Project Narrative

Project Description

The proposed project is 72 units of senior housing located at the northeast corner of Bethel and Nifong. A three-story building will contain 42 of the units and the other 30 will be comprised of five 6-plexes. The property will serve residents of Columbia ages 62 and older. The units will be approximately 850 square feet. A large community space will be located within the 3-story building to foster resident involvement in various activities. The newly constructed buildings will feature a maintenance-free exterior with masonry, hard board lap-siding, and architectural grade shingles accenting the design. The all-electric units will have full sized kitchens with disposals, self-cleaning ovens, and frost free refrigerators. Other amenities include central A/C, common laundry facilities, cable-ready connections, mini blinds, wall-to-wall carpeting, smoke detectors, and extra insulation. The Jeffrey E. Smith Companies have developed, built, and managed several other properties in Columbia and are confident that this senior development will be another one the City can be proud of.

Based upon market studies and occupancy rates at other JES properties in Columbia, the City of Columbia is in great need of more senior housing. In the market studies, the Missouri Housing Development Commission's demand analysis indicates a need for nearly 400 units. Independent market studies indicate a need for a minimum of 250 units. In addition, JES currently owns and manages three other senior properties in Columbia. These properties are Hanover Estates, Hanover Manor, and Hanover Place. All three senior properties have been 100% occupied with waiting lists since they opened. The current waiting list is for over 20 tenants. In addition, the bus service runs through Bethel on the west side of the property making shopping and travel in Columbia very accessible for the tenants. Grocery shopping is only a couple of blocks away and downtown Columbia can be reached in less than ten minutes. Based upon the current market studies, success of the other properties, and location of the site, JES has felt the need to build more senior housing in Columbia.

The City of Columbia has benefited JES Development greatly in the past with HOME funding on some of the other properties. Hanover Estates was a three phase project that would not have been possible without the help of City HOME funds. Hanover Estates has senior as well as handicap units and has remained at 100% occupancy. The City's past commitments to these projects in the form of HOME funds has helped to keep the unit rents at affordable levels.

Organizational Description

Jeffrey E. Smith Development, Inc. is an acknowledged leader in the development of affordable multi-family housing and historic rehabilitation. JES Development addresses the diverse housing needs of each of the communities it serves. The experienced

development staff builds strong relationships and works closely with city leaders and representatives of the community in assessing and meeting their specific needs. A significant number of the company's more than 100 affordable apartment communities are home to the nation's rapidly expanding senior population. With great attention to the needs of our seniors, these developments provide various special amenities. JES Development's long-term commitment to serving communities is reflected in the quality, durability and beauty of its housing units.

Fairway Construction Company, Inc. will be responsible for the building of the 72-unit senior development. FWC has been providing construction services to JES Development for nearly 20 years. Due to their reputation for consistently completing quality projects on time and within budget, FWC is now providing third-party construction and consulting services to outside developers.

Fairway Management, Inc. will be managing this development upon construction completion and has over 15 years of experience in the affordable housing market. FWM manages over 4,000 units of senior and multi-family tax credit properties. Through its experienced compliance departments, FWM provides assurance that developers, property managers, and investors understand and comply with tax credit rules and regulations.

Bethel Ridge

72 Units

Project Sources and Uses

Uses of Funds

Acquisition Costs	#1 (see explanation below)	520,000
Operating and Replacement Reserve		122,200
Hard Construction Costs	\$75/sq ft. #2 (see breakdown below)	5,145,000
Other Development Costs	#3 (see breakdown below)	949,870
Developer's Fee		647,999

8.77%

Total Uses 7,385,069

Sources of Funds

Total Tax Credit Equity		5,284,323
Limited & General Partner Equity		110
MHDC Fund Balance	0.00%	360
Columbia City HOME Money	1.00%	360
Fannie Mae	7.00%	360

Total Sources 7,385,069

1. \$520,000 was derived by taking land costs of \$2.00/ft. x 6 acres
This equals approximately \$87,000/acre. An appraisal is not necessary until funding of MHDC application is approved.

2. Hard Construction Costs

Onsite infrastructure	\$ 128,000.00
Landscaping/drainage	\$ 57,000.00
Offsite infrastructure (not applicable)	\$ -
Roads/walks	\$ 182,000.00
Grading	\$ 87,000.00
Building Construction	\$ 4,691,000.00

Totals \$ 5,145,000.00

3. Development Cost Breakdown

Architect, Soils Report, Platting, and Engineering Fees	\$ 334,736.00
Construction loan interest and fees	\$ 242,811.00
Construction period taxes and insurance	\$ 19,000.00
Environmental and Market Studies	\$ 9,000.00
Legal, Title Recording, and Cost Certification	\$ 51,500.00
Contingency	\$ 243,530.00
Tax Credit Application and Monitoring Fees	\$ 49,293.00

\$ 949,870.00

EXHIBIT 2

