

MEMORANDUM

TO: Mayor and City Council

FROM: Jake Boone, Assistant City Manager

SUBJECT: HOUSING DEVELOPMENT COST ASSISTANCE PROGRAM
REVIEW

DATE: October 18, 2023

Background

In January 2020, the Council passed Resolution 2001 (attached), which created the Housing Development Cost Assistance Program. In that resolution, Council included a clause requiring the review of the program after three years.

This program was designed to incentivize the creation of affordable housing in Cottage Grove by covering portions of the permitting and SDC costs for qualifying projects.

Since its inception, the program has been used to successfully offset SDC and permit fees for the Legion Homes veterans' tiny homes project at Ash Avenue and I Street in 2020, the NEDCO project on Arthur Avenue in 2020, and SquareOne Villages' tiny homes project on Monroe Avenue in 2022.

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|----------------------------|---------------|-------------------|-------------------|-------------------|-------------------|
| REVENUE | | | | | |
| From General Fund | \$ 90,000 | \$ 75,000 | \$ 75,000 | \$ - | \$ - |
| From Building Insp. Fund | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ - | \$ - |
| Interest | \$ 219 | \$ 282 | \$ 669 | \$ 1,915 | \$ 2,000 |
| EXPENSE | | | | | |
| SDC Assistance | \$ 90,000 | \$ - | \$ - | \$ 3,360 | \$ - |
| Building Permit Assistance | \$ 25,000 | \$ - | \$ - | \$ 2,185 | \$ - |
| Ending Balance | \$ 219 | \$ 100,501 | \$ 201,169 | \$ 197,539 | \$ 199,539 |

Between 2020 and now, a total of \$315,000 has been allocated to the program. In that time, \$120,545 has been expended. Currently, the trust fund for this program has a balance of \$197,539.14, which means the fund is effectively "full" under the restrictions imposed by Resolution 2001, and thus is ready to serve as a resource for future affordable housing projects.

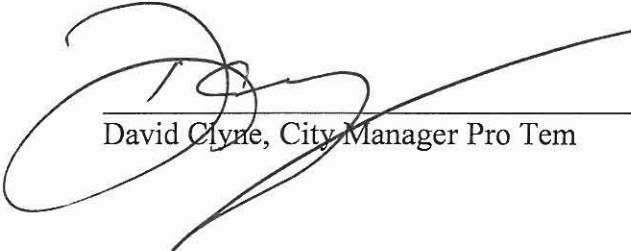
Staff anticipates additional applications for this program, especially as the development of the Cleveland Street property moves forward.

Recommendation

Information only; no action required.

Cost

No cost.



David Clyne, City Manager Pro Tem



Jake Boone, Assistant City Manager

RESOLUTION NO. 2001

A RESOLUTION ESTABLISHING A HOUSING DEVELOPMENT COST ASSISTANCE PROGRAM FOR NON-PROFIT DEVELOPMENTS AND SETTING A THREE YEAR REVIEW

WHEREAS, the 2018 Housing Needs Analysis recognized a severe shortage of multi-unit housing; and

WHEREAS, the 2018 Housing Needs Analysis recommended that the City Council should adopt policies to support development of needed housing; and

WHEREAS, the City Council has recognized the need and adopted Ordinance No. 3117 that creates a Multi-Unit Property Tax Exemption (MUPTE) Program pursuant to State Law; and

WHEREAS, the MUPTE Program provides assistance to organizations that would be subject to property taxes; and

WHEREAS, the City Council desires to establish a program to assist organizations that would not be subject to property taxes; and

WHEREAS, the City Council desires to have a process that will help them make assistance available to the organizations throughout the year in a fair manner.

NOW, THEREFORE, BE IT RESOLVED that the City Council establish a Housing Development Cost Assistance Program as follows:

Housing Development Cost Assistance Program:

Purpose:

The purpose of the Housing Development Cost Assistance Program is to provide the City Council resources to assist non-profit or government agency sponsored housing projects that will help the City meet a broad array of housing needs, (types, size, income levels, etc) within the City of Cottage Grove by paying a portion of the Building Permit Fees and System Development Charges for the projects.

General Program Description:

Housing projects could request assistance from the City Council to help cover Building Fees and System Development Charge costs for their specific project. The program would be funded from the Housing Development Cost Assistance Program Trust Fund that will be created in the 2020-21 City of Cottage Grove Budget. (During the 2019-20 Budget the funding would come from the General and Building Inspection Program Funds.) The trust fund will have two areas of funding – one for assistance on Building Permit and Inspection costs and the other for System Development Charges costs. Any contribution from the Building Inspection Program fund could only be used for assistance with Building Permit or Inspection fees. Transfers from other funding sources could be used to provide assistance for either costs. The program is not created to fully cover all the costs but to assist in bringing the costs down for projects and to encourage multiple projects and provide a variety of housing opportunities.

Funds remaining in the Trust Fund at the end of the fiscal year will remain in the fund and be carried over to the next year. (Funds set aside for the program remaining in the General or Building Inspection Program Fund at the end of 2019-20 will be rolled into the Trust fund at the beginning of the 2020-21 Fiscal Year.)

The City Council shall contribute up to \$25,000 a year from the Building Inspection Program Fund into the Trust Fund specifically for assistance for Building Permit and Inspection Fees. Contributions from the Building Inspection Program Fund shall be reduced to ensure that no more than \$50,000 is available within the Trust Fund for Building Permit and Inspection Fees at the beginning of the fiscal year. This contribution currently exists within the 2019-20 Budget.

The City Council shall contribute up to \$75,000 a year from other sources other than the Building Inspection Program Fund into the Trust Fund for assistance with System Development Charges. Contributions for assistance with SDC's shall be reduced to ensure that no more than \$150,000 is available within the Trust Fund at the beginning of the fiscal year for assistance with SDC's. The \$75,000 contribution for the 2019-20 Fiscal Year will require a change to the current budget as this contribution does not exist.

Eligibility Criteria:

The program would be for non-profit or government agencies.

Requests for assistance would be taken anytime during the fiscal year and would be submitted to the City Manager's office to be taken before the City Council. The City Council would review and make the decision regarding assistance.

Projects must have all appropriate approvals from City Planning or the Planning Commission, if required, prior to requesting assistance.

Projects must be ready to begin construction or pay development fees within one year of any assistance awarded by the City Council. Projects that do not use the funds provided within one year of award will lose the funding, however they may re-apply for the funding in the subsequent year.

Projects can request assistance for either or both Building Permit and Inspection Fees and SDC's.

Assistance would only help with the Building Permit and Inspection Fees or SDC's associated with the residential portion of any mixed use development.

SDC Assistance Funding

- Projects constructing 10 or more units are eligible for assistance for up to 75% of their SDC's.
- Projects constructing more than three (3) units but less than 10 units are eligible for assistance for up to 60% of their SDC's.
- Projects constructing three (3) or less units are eligible for assistance for up to 30% of their SDC's

Any one project cannot be granted more than 75% of the total funding available for SDC assistance

in the first half of the fiscal year (July 1 through December 31).

During the second half of the fiscal year (January 1 through June 30) any one project cannot use more than 90% of the remaining balance available for SDC assistance. If the fund balance is less than \$10,000 the entire balance can be awarded.

Building Permit and Inspection Fee Assistance Funding

Projects can be awarded assistance for up to full costs associated with Building Permit and Inspection fees but the assistance cannot exceed more than 50% of the balance of available Building Permit and Inspection fee assistance available in the Trust Fund. If the fund balance available is \$5,000 or less, the entire balance can be awarded.

City Council Request Evaluation Factors to Consider:

- Number of dwelling units provided;
- Income levels low, middle, moderate accommodated;
- Housing type provided with a focus on creating a broad range of housing types throughout the community to meet community needs;
- Public benefits associated with the development; or
- Or other similar evaluation points as used in evaluating MUPTTE applications.

Discontinuing the Housing Development Cost Assistance Program


Upon the discontinuation of the Housing Development Cost Assistance Program funds remaining in the Housing Development Cost Assistance Program Trust Fund shall be returned:

- To the Building Inspection Program for funds in the Trust Fund that were contributed from the Building Inspection Program.
- To the General Fund for all funds contributed by other sources.

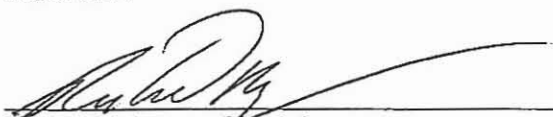
BE IT FURTHER RESOLVED that the City Council shall review the effectiveness of the Housing Development Cost Assistance Program in 3 (three) years from the date of the adoption of this resolution and determine whether the program should be continued.

BE IT FURTHER RESOLVED that this resolution shall take effect immediately upon its passage.

PASSED BY THE COUNCIL AND APPROVED BY THE MAYOR THIS 13TH DAY OF JANUARY, 2020.


Jeffrey D. Gowing, Mayor
Dated: January 13, 2020

ATTEST:


Richard Meyers, City Manager
Dated: January 13, 2020