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City Council

Mercy Housing Request for Housing Plan at State and Columbia Streets

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Agenda Item:

Mercy Housing Request for Housing Plan at State and Columbia Streets

Issue:

Whether the Council will consider sale of a City owned .33-acre site located at the southeast corner of State Avenue and Columbia Street to Mercy Housing Northwest, to build a 52-unit affordable senior housing proposal. Also, as part of the phased project assessment, the Council will be asked to consider other aspects of the proposal including environmental testing, acceptance of environmental liability, replacement of "old senior center" parking, and possible use of Community Development Block Grant (CDBG) funds for the project.

Committee Recommendation:

Not referred to a committee.

City Manager's Recommendation:

Consider adopting a phased due diligence approach that extends over the next several months that could lead to a Council decision on the use of this site before the end of 2013. Decide whether to invest City funds in a Phase II environmental analysis for the site.

Staff Contact:

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Presenter(s):

Steven R. Hall, City Manager

Bill Rumph, President, Mercy Housing Northwest

Background and Analysis:

In 2009, following the annual Community Development Block Grant (CDBG) Request for Proposals (RFP), the City awarded Mercy Housing Northwest (MHNW) \$250,000 to initiate an affordable downtown senior housing project. After exploring several opportunity sites, Mercy Housing's focus turned to city-owned parcels fronting Columbia Street and State Avenue (see attached Parcel Map). Due to funding availability and market conditions, MHNW postponed their effort and released the CDBG award back to the City. The City Council subsequently awarded the 2009 CDBG funds to other eligible CDBG programs.

MHNW contacted the City in late 2012 proposing terms to construct a five-story 52-unit senior housing project containing ground floor retail and parking at the State Avenue and Columbia Street site (see Attachments 1. Correspondence; 2. "Proposal"; and, 3. Aerial Photo). MHNW has developed senior housing properties around Washington State. They have owned and managed apartments in Olympia for nearly twenty years with a total of 154 apartments. MHNW recently renovated the Evergreen Vista Apartments located off Fern Street in west Olympia in 2011. MHNW is a component of Mercy Housing, a nationally-recognized nonprofit housing provider that operates more than 16,000 affordable apartments around the country (See Attachments 4. Profile and 5. Statement of Interest).

The project timeline is rushed due to a decision by the State of Washington to identify fundable projects for the 2013-14 biennium in early 2013 as described in Attachment 1.

As discussed in Attachment 6, January 2, 2013 response, staff believes that the site has several advantages and issues that need to be explored before a Council commitment can be made as summarized below:

Strengths (see Attachment 7):

- Site is in close proximity to several amenities, among others, the Senior Center, waterfront, transportation, restaurants, grocery, shopping, and services;
- Based upon consultant recommendations, the City has previously offered the site through RFP on two occasions;
- Potential to revitalize important part of downtown that has not seen redevelopment; and
- Quality development may be catalyst for additional area redevelopment.

Issues to explore:

- Environmental Clean-up costs;
- Opportunity Costs - alternative investment that might yield higher short- and long-term public benefits (should the City conduct an open RFP for use of the site?); and
- Parking replacement costs.

Potential Action Steps:

- Preliminary Council Agreement to consider the project (February 12).
- Consider investment of City resources for Level-2 Environmental Study (February 12).
- Estimated cost \$10,000 (See Attachment 8 - estimate by PBS Engineering at request of Mercy Housing). Note: City staff expects a complete analysis will cost closer to \$30,000.
- Complete Level 2 environmental study; if favorable, further consideration (April)..
- Competitive CDBG RFP funding process (May - June). Mercy may also apply for County HOME funds.
- If favorable to MHNW proposal, negotiation of purchase and sale agreement and decision on project terms (Late September).

Neighborhood/Community Interests:

No formal outreach has been conducted at this time. If Council chooses to proceed, staff would contact adjacent owners and other interested parties such as the Olympia Downtown Association (ODA) about the proposal.

Options:

1. Consider adopting a phased due diligence approach that extends over the next several months that could lead to a Council decision on the use of this site before the end of 2013.
2. Consider a revised due diligence approach and time line that could lead to a decision on the use of this site.
3. Do not consider moving forward with MHNW at this time.

Financial Impact:

Environmental Phase II Study estimated cost of \$10,000 - NOTE: City staff experience suggests that a complete analysis of the site is more likely to cost about \$30,000; site clean-up cost unknown and development terms to be negotiated.