

Memorandum

TO: Diane Stoddard, Interim City Manager
Mayor and City Commissioners

FROM: Shannon Oury, Executive Director, Lawrence Douglas County
Housing Authority

Date: May 26, 2015

RE: LDCHA Acquisition of 1725 New Hampshire - Revised

Property Description

Address: 1725 New Hampshire, Lawrence, KS
Building Type: Multi-unit walkup
Units: 5 - One bedroom
1 - Studio
Purchase Cost: \$ 485,000
Minor Renovations: \$ 12,000 - \$ 18,000

Narrative

The Lawrence-Douglas County Housing Authority (LDCHA) is an agency of the City of Lawrence and Douglas County. Pursuant to County Resolution 00-26, City Resolution No 6240, "The LDCHA does not have the authority to acquire real estate. Additionally all real property owned by LDCHA must be titled to the City of Lawrence, Kansas". See attached Exhibit 1.

The LDCHA has the opportunity to acquire a 6 unit development located at 1725 New Hampshire St., "the Property". The Property is located adjacent to Babcock Place, a high rise elderly public housing development already owned by LDCHA. The Property has 5 one bedroom units and 1 studio unit. The location next to Dillon's and near other services would be highly beneficial for low income residents. There is also benefit to the LDCHA in the location of this Property for convenience in staffing for maintenance and storage. There is a detached building with five garages.

Minor Renovations: The physical inspection of the Property revealed electrical panel breakers with double taps present in each unit that require replacement. The Property also requires the installation of GFCI circuits in all unit bathrooms and kitchens.

A Phase I Environmental Site Assessment was prepared and submitted to the City staff. The City staff issued an Environmental Review of the project attached as Exhibit 2. If LDCHA makes any alterations that would involve hazardous materials identified by the

Phase I Assessment all work will be done in compliance with the mitigation requirement identified in the City's Environmental Review.

This Property will not receive subsidy from HUD or any other source. It will be managed with a sliding scale rent schedule based on the income of the tenant.

Draft 1725 New Hampshire Below Market Sliding Rent Schedule

	Monthly Rent
<u>Tier 1</u> Household of 1 with income at or below 30% Annual Area Median Income (AMI)	\$300
<u>Tier 2</u> Household of 1 with income between 31-34% AMI	\$350
<u>Tier 3</u> Household of 1 with income between 35-40% AMI	\$400
<u>Tier 4</u> Household of 1 with income between 41-50% AMI	\$450
<u>Tier 5</u> Household of 1 with income between 51-60% AMI	\$500
<u>Tier 6</u> Household of 1 or 2 with income between 61-80% AMI	\$600

Area Median Income (AMI) is established yearly by HUD for Lawrence and Douglas County, and the 1725 New Hampshire Sliding Rent Schedule will be applicable to the current AMI adopted by LDCHA at the time of certification or recertification of a participant.

There will be a 30-year deed restriction placed on the Property at closing, limiting occupancy to very low- and/or low-income households. Sale of the Property will be expressly subject to these Deed Restrictions, deeds of conveyance must have these Deed Restrictions appended thereto.

The purchase is contingent on approval by HUD and the City of Lawrence, Kansas. The LDCHA will apply for tax exempt status for this Property pursuant to KSA 75-201(a) *sixth*. The LDCHA will assume the current leases for the Property and work with tenants on certification according to the above outlined sliding scale.

The LDCHA is engaging in conversations with KVC Health Systems and Department for Children and Families to look at developing a program that would provide a preference for youth aging out of foster care to be offered housing at this property when units become available.

On February 23, 2015, the Board authorized the use of MTW funds from the agency's reserves and current year funding to make the acquisition and for associated renovations, closing costs, and approved the establishment of an initial \$200 per-unit reserve.

Purchase Price: The LDCHA was aware that the purchase price exceeded the Douglas County appraised value, but the seller had another competitive bidder that we matched and added \$5,000 to purchase this property. The project was evaluated based on the previous units the LDCHA built in 2007. That project, referred to as Peterson Acres II, included 8 units for a total of \$856,531. Those units were built on land the LDCHA already owned. The LDCHA evaluates the 1725 New Hampshire purchase as advantageous, and worth more than the County appraisal because: of the location adjacent to Babcock Place; the difficulty the LDCHA has had in finding land/units; and the competitive bidding. Additionally after the property inspection we found that the quality of the building is a plus factor in this situation. HUD also sets a per unit total development cost for our geographic area and this project is below that limit.

Property Management: The LDCHA will manage the Property and will charge only actual cost of administration and maintenance to the Property.

Request: The LDCHA requests that the City Commission authorize the LDCHA to purchase the Property and permit the Executive Director of the LDCHA to execute all documents required to complete this transaction.