

CITY OF KEY WEST

Memorandum to the Monroe County Land Authority



TO: Christine Hurley, Executive Director
Monroe County Land Authority

FROM: Patti McLauchlin, City Manager

DATE: December 6, 2022

RE: Bahama Village 3.2 Lofts

The City of Key West ("City") requests Monroe County Land Authority ("Land Authority") funding in the amount of **\$4,028,250.00** in accordance with City of Key West Comprehensive Plan Policy 3-1.1.7. *This is letter is revised from its first issuance on October 4, 2022, to clarify the provisions of the request pursuant to discussions between City of Key West and Monroe County Land Authority staff as they relate to meeting the Land Authority Statute 380.0666(3)(a) to provide affordable housing to families whose income does not exceed 160 percent of the median family income for the area.*

BACKGROUND:

The property at 918 Fort Street, commonly referred to as 3.2 acres, is a City-owned property located within the Historic Neighborhood Commercial District – Bahama Village Truman Waterfront (HNC – 4). The subject property currently holds 126 Building Permit Allocations (BPAS), which shall be constructed for both rental and for-sale units. The proposed development plan is comprised of three buildings, which building C shall contain 28 condominium sale units consisting of 18 two-bedroom units and 10 three-bedroom units.

On July 15, 2022, the lessee executed a Declaration of Affordable Housing Restrictions in regard to building C, the Declaration states three units within Building C shall be for "very low-income" persons (earning a maximum of 60% of median), eleven units shall be designated for "low-income" persons (earning a maximum of 80% of median), and fourteen units shall be designated for "middle income persons (earning a maximum of 140% of median)" ***.

In order to assure compliance with the Land Authority Statute, the City and the Land Authority will record an Amended and Restated Declaration of Affordable Housing Restriction to ensure monitoring and compliance associated with MCLA funding is appropriately addressed in the deed restriction, the lease, and/or other appropriate legal agreements. The amended and restated deed restriction and other documents as appropriate will include:

- a prohibition on rentals
- a requirement that an owners family income may not exceed 160% AMI during the course of ownership of a unit. Owner families will have room to grow their income [as families earning between 81% - 140% of area median income can purchase], to 160%. In the event an owner's income exceeds 160% AMI, then such owner will be required to sell and/or

convey the unit to an income qualified person within twelve (12) months of becoming ineligible. AH Monroe Inc. has agreed to repurchase any units which are unable to be sold within the time frame required to sell due to ineligibility. In the case of a passing of an owner, the title may transfer only to income qualified heirs.

The resale requirements will permit a 1.5% per year increase. For example, if an owner originally purchased their unit for \$200,000.00 on January 1 of Year 0, the owner would be permitted to sell those same rights to income qualified persons under the methods prescribed herein, after six (6) full calendar years of ownership, for a maximum Purchase Option Price of \$218,000.000, as long as such sales price would not exceed another valid sale or transfer price restriction.

- ***A restatement of the for sale price of the fourteen (14) units from 6.5 times annual middle household income (adjusted for family size) down to 3.5 times annual median income (adjusted for family size) provided the City is successful in its request to transfer \$4,028,250.00 to the developer. This language shall be clarified in the 99 Year Ground Lease Agreement between The Navy Properties Local Redevelopment Authority of the City of Key West and Bahama Village on Fort, Ltd.

EXPLANATION OF FUNDING:

Number of units to be built with this funding: 28

Purpose of Funding: Funding is for construction of the home ownership units. Land Authority funding would lower the sales price of the fourteen “middle income persons” units that will otherwise be financially accessible to only prospective homeowners at the 140% AMI (Area Median Income). Land Authority funding for construction of the 28 unit building will broaden the eligibility of the higher priced for-sale units to future owners at lower income levels. Household income limits will be in compliance with both City and Land Authority limits.

Subsidy Per Unit:** The proposed Land Authority subsidy of \$4,028,250.00 would provide construction funding of \$143,866.07 per unit toward all 28 units. This will permit a sales price of the middle income units to be lowered to \$322,875 (2 bedroom) or \$358,750 (3 bedroom) which is 3.5 times the income of a family of four at the 100% AMI; this would be a reduction from City Code Sections 122-1466 and 122-1472 which allows a 2022 maximum sales price of a two-bedroom unit of \$599,625 and a three-bedroom unit at \$666,250, according to the executed lease. The sales prices of nine (9) two-bedroom units, and five (5) three-bedroom units will change compared to the language in the existing ground lease as a result of this gap funding.

On September 20, 2022, the City Commission gave approval to staff to move forward with a revision to the current multiplier for the Workforce Housing home sales prices for the Area Median Income groups for this project.

It is our understanding the Land Authority needs a Key West resolution requesting these funds. Further, we look forward to finalizing all needed amendments to the applicable Declaration of

Affordable Housing Restrictions to ensure compliance and monitoring for this project.

Once the resolution and declaration are completed, Land Authority staff will present this to the Land Authority Governing Board for consideration.

Please contact me with any questions and we thank you for your continued partnership to create deeply needed workforce housing in the City of Key West.