



## THE CITY OF KEY WEST

Post Office Box 1409 Key West, FL 33041-1409 (305) 809-3700

### **EXECUTIVE SUMMARY**

Date: March 8, 2021

To: Mayor and City Commissioners

From: Gregory W. Veliz, City Manager

Subject: 3.2 Acre Parcel Affordable Housing — Proposal of A.H. Monroe County, Inc.

#### **Action Statement**

Pursuant to City of Key West Code of Ordinances, Sec. 2-797(4)(b), accept the Proposal from A.H. of Monroe County, Inc. and direct the City Manager and the City Attorney to negotiate an agreement as there are exceptional circumstances related to a redevelopment opportunity provided to the City of Key West associated with a tract of land known as the “3.2 acres” in Bahama Village. The Proposal from A.H. of Monroe County, Inc. offers development of workforce and affordable housing at minimal cost to the City and would therefore be in the best interests of the City. Additionally, authorize the City Manager to initiate the referendum process in the event an agreement is reached with A.H. of Monroe County, Inc.

#### **Background**

The City of Key West owns a 3.2 acre parcel of real property in Bahama Village that has not yet been redeveloped for the full benefit of the community. The City of Key West began to plan this land area for public benefit purposes when it was declared surplus by the Department of the Navy with one of the objectives being affordable housing for Key West residents. The City Commission held an Affordable Housing Workshop on January 25, 2021, during which a regional expert from the University of Florida Shimberg Center indicated that single family home prices in Key West far exceed state medians and that, “Key West’s greatest gap is affordable rental units for household(s) below 80% AMI.” The City has received a proposal from local non-profit organization A.H. of Monroe, Inc., (hereinafter “AH”) (also a panelist at the City’s recent Affordable Housing Workshop) to lease the 3.2 acre parcel to develop 80-100 affordable workforce housing units. In 2008, the Bahama Village Redevelopment Advisory Committee (BVRAC) was established. The mission and duties of BVRAC are advisory and are limited to property within the boundaries of the Bahama Village CRA. On March 4, 2021, BVRAC held its monthly meeting which included action items regarding AH’s Proposal for lease and development of the 3.2 acre parcel. BVRAC declined to approve the Proposal and expressed a desire that the City utilize the competitive procurement procedure and issue a RFP.

## **Analysis and Justification**

The City has received a proposal from the local non-profit organization A.H. of Monroe, Inc., to lease the 3.2 acre parcel to develop 80-100 affordable workforce housing units. Eighty (80) percent of the units would be rentals and 20% would be townhomes for discounted purchase; the Proposal does not include market rate housing. The basis for declaring exempt contractual services is detailed as follows:

- AH is eligible to solicit significant funding through the Florida Housing Finance Corporation (FHFC) programs including the Low-Income Housing Tax Credit and State Incentive Apartment Loan (SAIL) programs. AH is eligible to apply for funding on behalf of the project through FHFC which requires a previous minimum development of three (3) properties, one of which must be a Low-Income Housing Tax Credit (LIHTC) as of January 1, 2000. AH has developed three (3) properties since 2009, two (2) of which are LIHTC properties, and currently manages a total of five (5) properties all developed by AH. This is a critical component to the funding application. Conversely, if the City were to partner with a private developer, a percentage of on-site housing units would have to be market rate to produce the profit margins necessary to offset the cost of subsidized housing.
- The FHFC has special funding set-asides for the construction of affordable rental units in Monroe County. The application deadlines are in April on a yearly basis. The City will miss the FHFC funding deadline for 2021, and would more than likely also miss the 2022 deadline if the City completed a competitive procurement process including the drafting, issuance, ranking and approval of a Request for Proposal to identify a different development partner.
- The City is also time-burdened given the need to organize a Special Election for a Referendum to allow voters to determine whether to approve two renewable fifty (50) year leases or in the alternative, a ninety-nine (99) year lease. The leases are necessary for the 3.2 acre parcel to be eligible for the FHFC funding. The City's Charter currently authorizes only a twenty (20) year lease for this property.
- Additionally, all efforts to construct new housing units in the City of Key West are contingent on the City's capacity to issue Building Permit Allocation System (BPAS) units. The BPAS program terminates after 2023 as soon as all remaining units have been allocated and Affordable-Early Evacuation Pool BPAS units will be allocated on a first-come first served basis.
- AH is a local non-profit organization whose mission, general purpose, and nature is to establish and maintain in Monroe County, Florida, various social services with an emphasis on increasing affordable housing by acquiring, developing, and maintaining low-income housing for persons in need.

On February 18, 2021, the City Commission adopted ordinances to amend both the Comprehensive Plan and Land Development Regulations to re-zone the 3.2 acre parcel and allow up to 40 units per acre of housing. The Florida Department of Economic Opportunity issued comments on this proposed legislation in 2020, encouraging the City to solidify mechanisms to ensure it would achieve its affordable housing goals for this new zoning district.

## **Financial Considerations**

The City may miss the Florida Housing Finance Corporation's 2022 application cycle to collaborate with an eligible partner to apply for LIHTC and SAIL funding opportunities for affordable housing at the 3.2 acre site. All efforts to construct new housing units in the City of Key West are contingent on the City's capacity to issue Building Permit Allocation System (BPAS) units. The BPAS program terminates after 2023 as soon as all remaining units have been allocated and Affordable-Early Evacuation Pool BPAS units will be allocated on a first-come first served basis.

## **Recommendation**

The City Manager recommends the City Commission consider approval of a resolution to exempt the City of Key West from certain competitive bidding requirements as established in the Code of Ordinances of the City of Key West, Article VII. "Financial Matters", Division 3. "Personal Property Purchasing and Procurement", Subdivision II. "Competitive Bidding" in relation to the 3.2 acre parcel. As delineated above, staff along with the City Manager, have concluded that exceptional circumstances exist related to redevelopment opportunities for the tract known as the "3.2 acres" in Bahama Village, and that it would be in the best interests of the City of Key West to timely negotiate an agreement and bypass the competitive procurement requirement as provided in Section 2-797(4)(b) of the City of Key West Code of Ordinances.