



## PLANNING AND DEVELOPMENT

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### Memorandum

**To:** Community Development Committee

**From:** Staff

**Date:** 10/1/18

**File ID:** 18-1379

**Re:** Approval to amend the 6<sup>th</sup> St Developers Agreement

The Developer, Spies Construction, agreed to develop a project on parcels 17-30128-70, 17-30128-40, 17-30128-20 that is to include two twin-homes (4 units of housing) and one single family home for a total of five (5) units of housing. The Developer is requesting to amend the agreement to develop one twin-home unit and two single family homes for a total of four (4) units of housing. The Developer is also requesting to amend the architectural plans and the maximum allowed sales price on the twin-homes that have been completed. The reason for this request is that they have not been able to sell either of the twinhomes. However, they have had many requests for a single-family home.

This will be the third time the Developer has asked for an amendment. The first was to allow the twin-home plans the Developer presented in the RFP to be constructed vs. the plans the Architect produced. The second amendment was to the construction schedule.

**Full Background:** Neighborhood outreach was conducted before releasing the RFP and they strongly voiced that they needed new housing stock; both owner occupied housing and housing that people could age in place. A representative from Washburn Neighborhood Association attended all of the meetings preceding the selection of the developer and voiced their support and desire to have twin-homes either owner occupied or rental. Staff released the RFP with these considerations in mind, allowing 49% of the units to be rental. Additionally, 6 homes were tore down, so the replacement of 6 homes with 5 residential units (2 twinhomes and one single family) (instead of 4 single family) would have achieved more tax-base and housing for the City.

October 27, 2016 Staff released an RFP for the development of twin or town homes on the 800 block of 6<sup>th</sup> St. Staff received a total of three proposals; one proposal for twin homes from Spies Construction, LLC and two proposals for single family homes (one from Spies and a second from Impact 7/Cinnaire). The Housing Rehabilitation Committee (HRC) voted to "Refer the item for 60 days, obtain architectural concept plans with the Staff's direction, consult with Spies as necessary and conduct a new RFP including the new concept plans." March 2017, Staff advised the Committee that they conducted more outreach to attract more proposals. Due to lack of interest from other firms in constructing twin or town homes, Staff recommended to proceed with Spies Construction, LLC as the Developer.

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The final parcel of the development was acquired on June 29, 2017 and the Tenants were relocated in July. The process to ready the site for redevelopment and obtain a CUP started. On August 8, 2017 (#17-1034), Staff presented Architectural concept designs created by the Architect and asked the CDC if they would like to release a new RFP with the changes (combination of twin and single family homes). The CDC opted not to. A Resolution was made selecting Spies Construction, LLC as the Developer with the condition that they work with Staff and an Architect on the design. The City would pay for the costs associated with the architectural plans.

Staff, the Developer and the Architect had two in person meetings; August 15 and September 18 as well as informal change requests after the meetings. After the in person meeting on September 25<sup>th</sup>, the Developer advised Staff that they were dissatisfied with the twin-home plans presented at the second meeting and requested to build the twin-home that they presented in their RFP. The Developer advised that they were dissatisfied with the exterior and the finished sq. ft. was too large. Staff advised these were concerns that were voiced to the Architect at the meeting. Staff contacted the Architect to convey the importance of these changes.

October 6<sup>th</sup>, the Architect delivered the final concept plans. The Developer still did not approve of the exterior elevations and desired to have less square footage. The Developer put in a formal request to build the plan that they presented in their RFP. The request was granted by the CDC. Staff had several meetings with the Developer to finalize their concept plans. The property was transferred to the Developer on November 13, 2017.

In April of 2018 the Developer inquired about the possibility of building a single family home instead of twin-home #2. Staff advised the Developer that a request would not be taken to the Committee until after the construction was completed on twin-home #1 and was listed on the MLS for a period of at least 60 days. Construction completion was on August 16, 2018. The 60 day list period will expire on October 16, 2018. If the amendment is approved, the Developer would like to start on the single family home immediately.

June 12, 2018, the Developer requested an amendment to the construction schedule. Amending:

- Completion of Twin-home #1 from June 30, 2018 to August 30, 2018,
- Completion of Single family from November 30, 2018 to December 30, 2018,
- Start of Twin-home #2 from November 1, 2018 to March 1, 2019, and
- Completion of Twin-home #2 from May 31, 2019 to November 13, 2019.

October 2, 2018, the Developer is requesting an amendment to the architectural plans to allow a two car garage for each twin-home unit. The CUP for the twin-homes was approved with a single car garage and a parking pad. Due to the added costs of constructing a two car garage, the Developer would like to increase the maximum sales price from \$195,000 to \$201,000 for unit 807 and \$203,000 for unit 811.

**Options for amendment to plans and price:** The CDC was granted authorization to make changes to the plans presented in the CUP application. Construction of the garages has already commenced. If the amendment is not granted, the Developer may have to remove the garages. It is Staff's recommendation to approve the two car garage and; either

1. Enforce the maximum sales price of \$195,000 per unit, or
2. Forfeit a portion of their performance deposit for failure to meet the obligations of the Developer's Agreement

**Options for amendment to allow construction of single family home:** Twin-homes are an important part of the development as it would replace five out of the nine housing units (six homes) and allow two units to be retained as rental units. More units of housing increase the assessed value of the overall development and assists in the City's return on investment. The loss of a twin-home means a decrease in tax base of about

\$153,300 or an annual tax loss for all taxing jurisdictions of \$4,400 annually. Additionally, the Developer would also not be able to rent out two units anymore in the development, they only would be allowed a rental option for one unit.

Staff recommendations for options (attached petition is the developer's request which differs from staff options presented here):

1. Enforce the Developer's agreement; the Developer is obligated to construct two (2) twin-home units and one single family unit of housing.
  - a. An amendment of the construction schedule was granted; delaying the construction of the twin-homes until May 31, 2019.
  - b. Twin-homes plans can be the same as Developer constructed on the first site or the plan developed by the architect.
  - c. In May, if the Developer does not desire to build the twin-home they can exercise the right for the City to repurchase the property.
2. Exercise the City's right to repurchase the property. Upon transfer of the property to the City, Staff will list the property on the MLS for the construction of a twin-home with the option to build the twin-home plans created by the Architect.
  - a. The parcel is zoned WR and a CUP has been granted to construct twin-homes on this parcel. The CUP does not have an expiration date. The CUP was approved, granting Staff and the CDC the authority to modify the design. There are no other necessary approvals needed.
3. Allow the Developer to construct a single family home on the final lot however the Developer will forfeit one third (\$6,667.00) of their performance deposit for failure to meet the obligations of the Developer's Agreement.
  - a. The RFP allowed the Developer to retain or sell two units of housing for rental property. Funding requires that 51% of the development remains owner occupied so the agreement will also need to be amended to allow 1 unit of housing as rental property.
  - b. House plans and a construction commencement and completion deadline shall be established. The minimum construction costs and maximum sales price in the Agreement shall apply to this property.