



## Legislation Text

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File #: 22-1040, Version: 1

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### **CITY COUNCIL AGENDA ITEM**

#### **ACTION REQUESTED:**

Table the resolution authorizing execution of the Affordable Senior and IDD Housing Major Business Terms between the City of Naperville and Gorman & Company, LLC to September 20, 2022

**DEPARTMENT:** Transportation, Engineering and Development

**SUBMITTED BY:** Amy Emery, AICP, TED Operations Manager

#### **BOARD/COMMISSION REVIEW:**

N/A

#### **BACKGROUND:**

On July 19, 2022, at the request of Gorman & Company, the City Council tabled Agenda Item L-2 - Adopt the resolution authorizing execution of the Affordable Senior and IDD Housing Major Business Terms between the City of Naperville and Gorman & Company, LLC (File 22-0850) to August 16, 2022 to provide additional time to review submitted bid materials.

Tabling is now requested to September 20, 2022.

#### **DISCUSSION:**

In September of 2021, the City Council issued an RFP to leverage City-owned property to address affordable housing needs in Naperville. Four responses to the RFP were received. Following evaluation in accordance with the Naperville Procurement Code, the two highest scoring teams participated in a community meeting on March 7, 2022 hosted by the Human Rights and Fair Housing Advisory Commission to present their initial concepts for public feedback. The two teams also participated in follow-up meetings hosted by the Accessible Community Task Force and the Senior Task Force to solicit additional community feedback about their concept ideas and learn more about Naperville's needs.

In accordance with RFP 21-315, as approved by City Council, both teams independently negotiated with the City to create a single Major Business Terms (MBTs) document. On June 13, 2022, staff was notified by Mercy Housing-Lakefront that though they remain strong supporters of the proposed project, they no longer wish to be considered for selection in response to RFP 21-315.

On June 21, 2022, City Council approved the form and substance of the MBTs negotiated by the City of Naperville with Gorman & Company, LLC. The MBTs highlight major financial terms and conditions for an affordable senior and IDD housing development project. The purpose of the proposed MBTs is to define the scope of the project and to establish mutual understanding related to:

1. Minimum number of units (60)

2. Tenant age and income restrictions (e.g., seniors age 62 and over; individuals with Intellectual Disabilities and/or Development Disabilities age 18 and over)
3. Expectations for site amenities and service availability, including transportation
4. Timeframes for project financing, construction, and leasing
5. Financial, legal, and reporting obligations

Required Owner's Acknowledgement and Development Agreement On July 5, 2022, Gorman & Company, LLC submitted its bid for purchase of approximately 6.1 acres of city-owned property. In accordance with the requirements of RFP 21-315, the bid includes two elements: purchase price and an affordability period.

The details of the purchase price and affordability period have been incorporated into the MBT agreement between the City of Naperville and Gorman & Company, LLC. Specifically, the MBT agreement includes the 99-year affordability period and establishes a minimum purchase price of \$100,000 (equal to approximately 5% of the market value). An exhibit is also provided calling for additional payment to the City subject to the contingencies identified by Gorman & Company, LLC. The contingencies are directly tied to entitlement and funding approvals. There is no means to accurately predict the actions required to receive the higher bid amounts.

With respect to the affordability period, the proposed 99-year timeframe provides an affordability guarantee that is an important benefit for the community. It is the longest period possible. It is also a significant increase from the initial 30-year affordability period included in written proposal submitted by Gorman & Company, LLC in December 2021.

Regarding the purchase price it is important to note that, throughout the RFP 21-315 process, each of the participating teams indicated the possibility of a land purchase bid well below market rate or even a full donation of the property. During the negotiation of the MBTs it became increasingly clear that a bid amount for the property less than market rate (even a bid of zero) was likely to direct more project funds to desired site amenities and maintain overall affordability.

### **Next Steps:**

Authorization of the MBTs will conclude the RFP process and officially select Gorman & Company, LLC as the site developer. Gorman & Company, LLC will commence with final site design, requests for zoning approval, and pursuit of funding for the project. In accordance with the MBTs, the property will not be sold and no funds will be exchanged until zoning entitlements are approved by the City of Naperville and site development funding is secured by Gorman & Company, LLC (anticipated on or before June 2024).

### **FISCAL IMPACT:**

Total fiscal impact of this project is yet to be determined as final development plans have not been prepared, entitlements have not been authorized and funding sources have not been secured. Said plans will determine the project value and taxable benefit. Fiscal impact will also be based, in part, on direct City expenditures (e.g., estimated \$2 million investment for the IL Route 59 access improvement) and direct payment received for purchase of the property, which is proposed to be at least \$100,000 and up to \$1.26 million.

