

**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**00-361**

**SYNOPSIS -**

**AGENDA:**  
  
AUGUST 7, 2000

To support a low-income housing tax-credit application from Bernie Van Til for rehabilitation of 48 units of housing at 921 Pleasant Street, commonly known as Hawthorne Hill.

**SUBJECT:**  
  
SUPPORT OF TAX  
CREDIT  
APPLICATION FOR  
48 UNITS OF  
HOUSING AT 921  
PLEASANT STREET

**FISCAL IMPACT -**

The support of the low-income housing tax credit application should have no direct financial impact. The City's financial support is limited to tax abatement.

**RECOMMENDATION -**

**Approval.**

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**BACKGROUND -**

The Tax Reform Act of 1986 created the Low Income Housing Tax Credit (LIHTC) for project owners to invest in the development of rental housing for individuals and families with fixed or limited incomes. The tax credit, rather than a direct federal subsidy, provides a dollar for dollar reduction (or credit) to offset an owner's federal tax liability on ordinary income.

**SUBMITTED BY:**

JAMES M. GRANT  
COMMUNITY  
DEVELOPMENT  
DIRECTOR

Iowa Finance Authority (IFA) has been the tax credit allocating agency in Iowa. IFA holds one application round per year for the reservation of tax credits. The credits are highly competitive. The application process requires the developer to ask for approval from the governing body in the jurisdiction in which the project will be built, proof of zoning, proof of utilities, and proof of any local governmental contribution.

Bernie Van Til will submit an application to IFA for the rehabilitation of 48 units of affordable housing at 921 Pleasant

Street, commonly known as Hawthorne Hill. Mr. Van Til has asked for a letter of support for the project, as well as proof of zoning and evidence that the development is eligible for ten-year tax abatement. Mr. Van Til expects to have control of the property within the next 60 days. A nonprofit organization, Hawthorne Hill Community Partners L.P., is being created to take ownership of the building.

Under IFA's definitions the building will be marketed to family housing. However, the unit make-up will be four two-bedroom units and 42 one-bedroom units. In reality, the building will serve downtown workers, generally either single persons or couples with no children.

The proposal is in conformance with the City's Destination Downtown Plan. The Destination Downtown Plan calls for the creation of downtown neighborhoods and the restoration of older buildings for housing. The creation of affordable housing at the Hawthorne Hill site will replace affordable housing units lost through creation of downtown commercial projects.

The proposed project is in partial conformance with the City's Year 2000 Housing Plan. The City's Year 2000 Plan states that assisted housing should guarantee a variety of housing opportunities in all areas of the city and not be concentrated in a few areas of the city. The proposal to rehabilitate 48 units of affordable housing in the Hawthorne Hill building continues to concentrate affordable housing in the downtown that is considered to be a low- and moderate-income census tract according to the Department of Housing and Urban Development (HUD). Hawthorne Hill is located within a few blocks of the Oakridge Neighborhood that contains 300 units of very low-income housing. Mr. Van Til has stated that he would prefer to do a mixed-income building, but that he receives the maximum financial benefit from IFA by creating a building in which all the units fit the income requirements. He would need additional subsidies, possibly from the City's Tax Increment Financing (TIF) funds, if the building were to be mixed-income.

The Housing Plan also directs the review of design, management services, and appropriate amenities. Hawthorne Hill is a local landmark, and as such, all improvements will need to be reviewed by the City's Historic District Commission for conformance with the historic architectural character of the building. Mr. Van Til also intends to use Historic Tax Credits that are reviewed by the State Historic Preservation Society for

conformance with the Secretary of Interior's Standards for Rehabilitation.

Mr. Van Til has stated the building will have an on-site manager and a management company to oversee maintenance and renting apartments. The building is near several open space areas and other amenities in the downtown. He is exploring how to provide extra storage for the tenants as the building plans are being developed.

Staff has reviewed the property for zoning and found the property to be zoned C-2. Under the current zoning the building will need 72 parking spaces. Mr. Van Til has stated that at least 60 parking spaces can be provided on site; however, he will need to ask the Board of Adjustment for an exception for the additional spaces unless structured parking is feasible. Attached is a copy of IFA Exhibit 10 that provides information on zoning.

The property is eligible for ten-year tax abatement. Attached is a copy of the IFA Exhibit 37a that verifies tax abatement as a City contribution to the project.

Attachments