

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-371

SYNOPSIS -

AGENDA:

AUGUST 7, 2000

To support a low-income housing tax-credit application from Bernie Van Til for rehabilitation of 60 units of housing at 112-11th Street, the Harger Blish Building.

SUBJECT:

FISCAL IMPACT -

SUPPORT OF TAX
CREDIT
APPLICATION FOR
60 UNITS OF
HOUSING AT 112-
11TH STREET

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 -

SUBMITTED BY:

JAMES M. GRANT
COMMUNITY
DEVELOPMENT
DIRECTOR

The Tax Reform Act of 1986 created the Low Income Housing Tax Credit (LIHTC) as an incentive 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.

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 support 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 60 units of affordable housing at 112-11th Street,

commonly known as the Harger Blish Building. 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, Harger Blish Community Partners L.P. Limited, 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 five two-bedroom units and 55 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 into housing. The creation of affordable housing at the Harger Blish 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 60 units of affordable housing in the Harger Blish 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). 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. Mr. Van Til intends to build off the character of the historic building; however, he does not intend to use Historic Tax Credits for the building. Historic Tax Credits would prohibit placing balconies off the sides of the building, similar to the ones on Brown-Camp lofts.

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. At least 24 units of storage will be provided in the basement of the building. He is currently looking at providing parking on the first floor of the structure. If that is not feasible, additional units of storage will be placed in the basement.

Staff has reviewed the property for zoning and found the property to be zoned C3. There are no parking requirements in C3. 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