

**CITY COUNCIL  
COMMUNICATION:**

**03-559**

**AGENDA:**

NOVEMBER 21, 2003

**SUBJECT:**

AFFORDABLE  
HOUSING POLICY  
FOR REVIEWING  
FEDERALLY  
ASSISTED RENTAL  
HOUSING PROJECTS

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**SUBMITTED BY:**

RICHARD CLARK  
DEPUTY CITY  
MANAGER

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

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

**SYNOPSIS —**

Summary and recommendation for the City Council's criteria to review Low-Income Housing Tax Credit (LIHTC) applications administered through the Iowa Finance Authority (IFA).

**FISCAL IMPACT —**

N/A

**RECOMMENDATION —**

**Continue to use the existing policy and practices for review of LIHTC applications, but include additional criteria for 2004 applications:**

- **Support of downtown housing that results in a mixture of affordable and market rate rental units, and that may include owner-occupied units of varying prices.**
- **Support of projects for which City Council has entered into development agreements or has authorized staff to begin negotiations, including sale of land or commitment of funding.**
- **Support of the goals of a neighborhood plan.**
- **Support of additional phases of projects that allow full buildout and use of infill parcels.**
- **Support projects for LIHTC that total approximately 144 units. The IFA may impose an allocation cap of 144 units for the Des Moines Metropolitan Statistical Area (MSA). The IFA set aside category of assisted living does not count toward this cap according to the IFA Qualified Action Plan.**

**BACKGROUND —**

On the City Council agenda of November 21, 2003, are applications for 12 projects to the IFA requesting LIHTC. The LIHTC is one tool to encourage developers to build and renovate low-income rental housing. It has become an extremely competitive process in Des Moines and Iowa because it offers access to capitol and equity funds for housing development. Persons and families served by the

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program are those below 60 percent of the median income, although additional points are rewarded for those housing projects that serve lower income households. There are also restrictions on the amount of rent that can be charged.

**IFA Limit for Des Moines MSA**

IFA reserves the right to limit the reservation of tax credits to 144 units in the Des Moines MSA (Warren, Polk, Guthrie, Madison, and Dallas Counties). This year the projects from the City of Des Moines alone total 549 affordable units. There are additional projects within the Des Moines MSA that will make that total even higher. Before IFA staff reviews all the projects and the accompanying market studies, they will give no indication as to whether the cap will be increased. IFA has waived the cap in certain instances in other MSA's in the past, but it is not common practice. The cap was imposed in Des Moines last year.

**City's Role in Review of Applications**

The IFA scores the LIHTC applications on a point basis. The developer receives ten points if the project receives a resolution of support from the City. If the Council chooses not to support the project, the project receives no points in that category. For the City to have the most influence on the selection process, it is important that the Council limits its support to projects that total approximately 144 units, plus a development for assisted living. If Council wants to support more projects, because the developer has done exceptional work in the past and/or for other reasons, staff would still recommend limiting support to only one or two projects over the cap limit.

**In the past three years, IFA has only exceeded the cap once. In the year 2002, the City of Des Moines received 169 of the units allocated by IFA and the Des Moines MSA received 218 units.**

Based on its total score, an application may receive tax credits even if the City does not support the project. There have been several projects within the City of Des Moines that have received a tax credit allocation without receiving a resolution of support from the City Council.

The IFA application process also requires the developer to ask the City for proof of zoning, proof of utilities, and proof of any local government contribution such as tax abatement or a commitment of HOME dollars. Staff provides that information to City Council as a part of the review packet on the Council agenda.

**Recommended Criteria for Review**

When evaluating the applications in the 2004 round, staff recommends that the City Council consider support of tax applications that support Council stated goals in addition to that review criteria included in the Affordable Housing Policy. This criteria includes:

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- Support of downtown housing that result in a mixture of affordable and market rate rental units, as well as owner-occupied units of varying prices. Of the approximately 40 projects (over 1,300 units) that have been awarded tax credits in the City of Des Moines, only three are located in Census Tract 51: Hawthorne Hill, Vine Street Lofts, and Tenth and Cherry. The downtown is clearly an area that has been overlooked when using this form of financing. It is a needed financing mechanism to build mixed income housing. Council has clearly wanted to support mixed income projects in the downtown to support commercial efforts and bring life to the downtown after 5:00 p.m. The variety of incomes will provide housing for all levels of workers in the downtown.
- Support of projects for which City Council has entered into development agreements or has authorized staff to begin negotiations including sale of land or commitment of funding. Council should support all projects to which it may support through land contribution, tax increment fund dollars, or federal allocation dollars.
- Support of a neighborhood plan's goals. A low-income housing development can be a vital piece in implementing redevelopment strategies within a neighborhood. If a project is in a key location for a neighborhood, it should be supported.
- Support of additional phases of projects that allow full buildout and use of infill parcels. There are some existing LIHTC projects around the City of Des Moines that have added additional affordable housing and provided valuable services to low-income families. Completion of these projects and compact development on existing land should be supported as a smart growth strategy.

**Affordable Housing Policy included in Comprehensive Plan**

In 1994, the City Council amended the City's Comprehensive Plan to institute guidelines for reviewing LIHTC Projects or any other programs that provide new construction money for rental housing designed for persons under 80 percent of the median income. The overall goal for affordable housing is that it be spread equally throughout the community and not concentrated in any one area of the city. City staff has always provided information on the income of the census tract in which the project is located, and Council has attempted to support projects that are located in non-low- to moderate-income census tracts. However, in the year 2000, the number of low- to moderate-income census tracts has increased and it is difficult to apply this as a way to distinguish projects. Only the Deer Ridge IV project at 6009 SW Creston and the Meadows Apartments at 2000 Meadow Court are located in census tracts that do not meet the low to moderate criteria.

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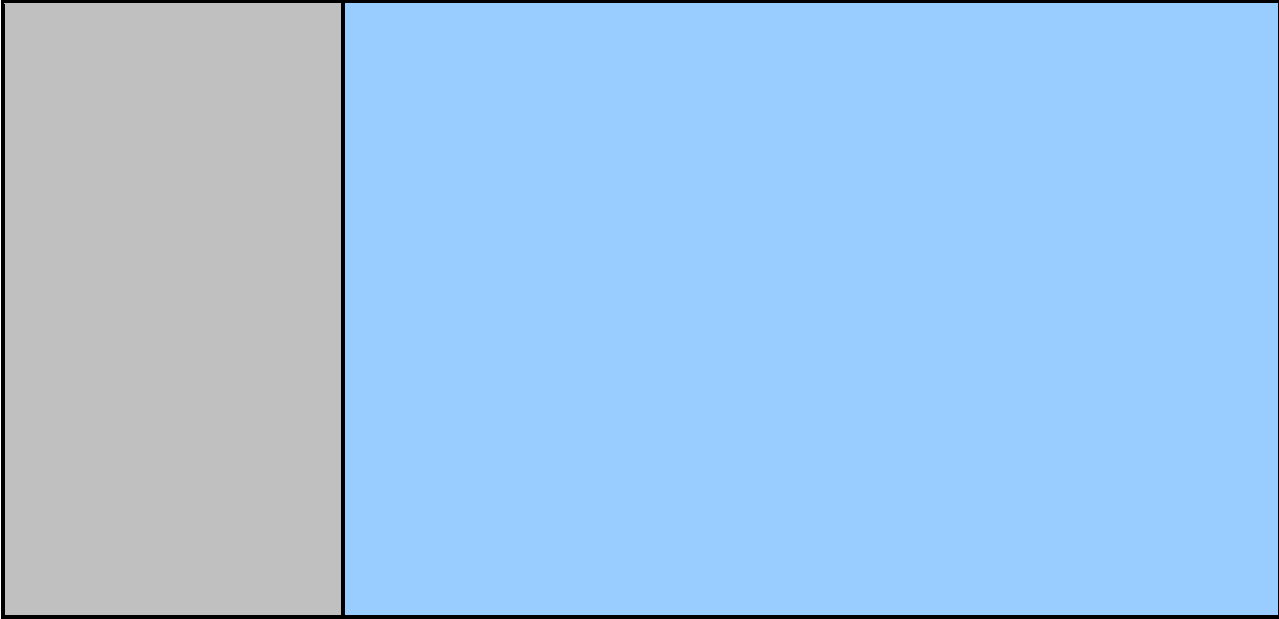
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The comprehensive plan also includes the following criteria with which to evaluate proposals:

- The development's design should be sensitive to and compatible with the character of the surrounding neighborhood;
- The management services must be adequate and responsive to the needs of low-income tenants;
- Appropriate amenities, including storage facilities for toys and other large items, are provided; and
- A recognized neighborhood organization has been given the opportunity to comment on the project's design, management services, and amenities.

All of the projects submitted in this round appear to meet the City's basic affordable housing policy (attached). The only exception is that the project sponsored by Anawim Housing does not have a letter of support from the River Bend Neighborhood Association.

Attachment



# Amendment to Year 2000 Comprehensive Housing Plan

## HOUSING OPPORTUNITIES

### **GOAL: INCREASE THE HOUSING ALTERNATIVES FOR LOW-AND MODERATE-INCOME HOUSEHOLDS**

**Objective 3: Locations for assisted housing should guarantee a variety of housing opportunities in all areas and not overly concentrate assisted housing in a few locations.**

### **Policies**

*The term “assisted housing” is defined for the purposes of this objective as that rental family housing that is wholly or partially financed with funds that require occupation by persons under 80% of median income for over five (5) years or longer. This definition is limited to new construction and includes any municipal housing projects as well as low-income housing tax credit projects and Iowa Finance Authority programs. This definition excludes elderly projects.*

Prior to City Council action on a project that involves new construction of assisted rental housing, a developer shall submit to the City documentation demonstrating how the development meets the following criteria:

- The development’s design is sensitive to and compatible with the character of the surrounding neighborhood;
- Management services are adequate and responsive to the needs of low-income tenants;
- The appropriate amenities, including storage of large items such as bicycles and children’s riding toys, are provided; and
- A general neighborhood meeting was held in the effected neighborhood. If the neighborhood has a recognized neighborhood organization, the organization should have the opportunity to comment on the project’s ability to address design, management services, and amenities. A ten-day notice of the time and place of the meeting should be provided to the Community Development Department, neighborhood organization, and property owners adjoining the proposed site prior to the meeting.

All locations shall be evaluated on the basis of the availability of public facilities and services necessary to serve the residents of the proposed projects. This shall include such things as availability of utilities, adequacy of the size of the site, the slope, and soil

conditions. In addition, accessibility to schools, shopping, jobs, parks, medical facilities, and public transit should be reviewed.

### **Projects in Low Density Neighborhoods**

Multiple duplexes or single-family units concentrated in a low-density area can have more impact on a neighborhood than a larger project in a high-density area. Therefore, in addition to the previous criteria, when a development involves the construction of new housing units in an area developed predominately with single-family or two family dwellings the locations of existing assisted housing projects should be reviewed and the following requirements generally satisfied. If additional management or design efforts are made, the City Council could consider varying from these standards after review and recommendations on the project by both the Neighborhood Advisory Board (NAB) and the Plan and Zoning Commission.

- Assisted housing cannot exceed 20% of all units on both sides of the respective block face or assisted housing cannot exceed 20% of all the units in the immediate area. (Immediate area is defined as units on the entire block and the three closest adjacent blocks.)
- Assisted one and two family units placed in a continuous cluster or row on a platted street shall not exceed 12 units (i.e., six (6) duplexes).
- In those census tracts where the median income is below 50% of Polk County median, the City Council may vary the policy regarding the percentage of assisted units on a block or in the immediate area to 10% after consultation with the neighborhood organization.
- If the land near the proposed assisted unit(s) is undeveloped, the assumption shall be that the undeveloped area can be developed to the maximum number of units under current zoning. If an adjacent block is a commercial or industrial zoning classification, the assumption shall be that it could be developed at an R-3 Zoning Classification density.

In areas where there are substantial numbers of vacant lots, plans for a balanced approach to infill development, that includes both assisted and market-rate units, should be developed and reviewed by the neighborhood organization prior to construction of more than a nominal number of assisted units.

**Adopted by Des Moines City Council – Roll Call No. 94-838 on March 7, 1994**