



Agenda Item:

46A-G

COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 11/7/05

Communication No.: 05-626

Agenda Item Type: Resolution of support for five (5) projects
Resolution denying support for two (2) projects

Roll Call Nos.:

Submitted by: Richard Clark, City Manager

SUBJECT—

Recommendations regarding Low-income Housing Tax Credit (LIHTC) applications for seven (7) housing projects within the City of Des Moines

SYNOPSIS—

Council to support or deny support for seven (7) low-income housing tax credit applications to be submitted to the Iowa Finance Authority (IFA). The Council resolution is needed for a complete application to the IFA. A Council resolution of support gives the project an additional 10 points.

FISCAL IMPACT—

The City's financial support includes preliminary approval of assistance for two of the projects:

- Rehabilitation of Hawthorne Hill – 921 Pleasant Street – Metroplains Plains and Gandolf Group - \$425,000 (Tax Increment Financing and HOME). An additional \$250,000 in TIF funds is also pledged to backstop the project's State HOME request. Should the project be successful with their request for State HOME funds, the City will not expend these funds.
- Rehabilitation of Des Moines Municipal Housing Agency Disposition Units– Vicinity of SE 17th and SE Kirkwood – Mercy Housing Inc. and Anawim Housing – \$150,000 (HOME) and \$844,750 forgivable second mortgage on purchase price from Des Moines Municipal Housing Agency.

All projects will receive either five- or ten-year tax abatement based on their location within the city.

RECOMMENDATION—

APPROVAL OF SUPPORT FOR THE FOLLOWING PROJECTS: (191 Units)

- Southview Senior Apartments, 1720 SW 1st Street, New Construction
- Hawthorne Hill, 921 Pleasant Street, Rehabilitation
- Deer Ridge V Apartments, 6000 Creston Avenue, New Construction
- Harrington Apartments, 677 16th Street, Rehabilitation
- Des Moines Municipal Housing Agency Disposition Units, Mercy Housing Inc./Anawim Housing, Vicinity of SE 17th Court and SE Kirkwood, Rehabilitation (Does not count toward IFA cap)

DENY SUPPORT FOR THE FOLLOWING PROJECTS: (98 Units)

- Cherry Lane, 4500 block of Hubbell Avenue, New construction
- Hawkeye Transfer Building, 340 SW 5th Street, Rehabilitation

BACKGROUND—

Number of units/projects submitted

For 2006, there are seven projects to be submitted to Iowa Finance Authority that total 356 units. The Iowa Finance Authority reserves the right to limit its allocation of new 2006 LIHTC units in Polk County to 144. In past years the City Council has generally supported only those projects that best meet City Council goals and only minimally exceeded the 144-unit number. The Iowa Finance Authority did invoke a cap of 144 units in funding year 2004. A cap was not invoked in funding year 2005.

Staff recommendation is to support five projects that total 191 units. Although this is over the 144-unit allocation cap, staff believes each of the recommended projects supports additional City Council goals. In addition, the projects are spread throughout the city in strategic points and balance renovation and new construction.

The proposed Mercy Housing/Anawim project for renovation of Des Moines Municipal Housing Agency Disposition Units does not count toward the 144-unit cap. These are existing project based units so do not increase the amount of low-income units in Polk County. All other projects count toward the 144-unit cap, however, the preservation projects are in a set aside that are funded first even if their total score is lower than a new construction project with a for profit developer.

Conformance with existing Housing Policy

All those submitting applications are developers of affordable housing either locally or throughout the Midwest. Each project appears to be feasible but two of the projects, Hawthorne Hill Historic Renovation, and Mercy Housing/Anawim Rehabilitation of Des Moines Municipal Housing Agency Disposition Units, require gap financing from State HOME and City HOME/TIF funds.

Each application contained adequate information to illustrate that the development teams are capable of developing new or renovating historic structures into affordable housing. Each management company at least minimally appears to be able to manage LIHTC projects; however, some developers and proposed management companies are new to the Des Moines market.

All developers submitted sketches, design specifications and site plans of the proposed buildings that appeared to be compatible with surrounding neighborhoods. The increase in IFA design requirements has assured that the developments include brick and well-constructed doors, windows, and roofs. Each development's financial information contained adequate project reserves and maintenance information.

SUMMARY OF PROJECTS

South View Senior Apartments – 1720 SW 1st Street

Developer – Curly Top LLC, John Mauro, President, 2611 Ingersoll Avenue, Des Moines

Project – New Construction of Senior Housing

Number of Units – 40 Total Units, 40 Affordable Units

Area Median Gross Income (AMGI) – 32 60% AMGI, 8 at 40% AMGI

Commitment to Affordability – 30 years

Management Company – Curly Top LLC, John Mauro, President, 2611 Ingersoll Avenue, Des Moines

Neighborhood Support – A meeting was held with neighbors and the neighborhood organization for the rezoning for this specific project.

Funding Support – No request for city funds

IFA Set-a-side Category – None

Recommendation – Support

The project initiates a new multi-family project on a major corridor into the downtown. The parcel was recently created as a part of the improvement of Indianola Avenue and will encourage density in the central part of the city. Council is working with the developer on the sale of excess right-of-way in the vicinity. The site has also been reviewed for multi-family housing. The project will focus on elderly residents and will provide some services and program assistance.

Hawthorne Hill - 921 Pleasant Street

Developer – Chestnut Hills LLC, Gandolf Group/ MetroPlains 5453 Parkdale Drive, Suite 350, St. Louis Park, MN 55416, Bruce Larson

Project – Renovation of historic building to affordable housing

Units – 43 Affordable Units

Area Median Gross Income (AMGI) – 25 at 60% AMGI, 9 at 50% of AMGI, 9 at 40% AMGI,

Commitment to Affordability – 50 years

Management Company – T & L Properties, LLC, Granger, Iowa

Neighborhood Support – Letter of support from Downtown Neighborhood

Funding Support – Preliminary Commitment of \$425,000 from City HOME and TIF. These funds will be paid back at a 1% interest rate. An additional \$250,000 in TIF funds is also pledged to backstop the project's State HOME request. Should the project be successful with their request for State HOME funds, the City will not expend these funds.

IFA Set-a-side Category – Preservation/National Register of Historic Places Building

Recommendation - Support

This building has been an eyesore in recent years sitting near the Methodist Hospital Complex and Principal. An earlier developer had begun renovation but lost the LIHTC reservation and ultimately the building through the Sheriff's sale. The renovation of the building will introduce affordable housing into the downtown and preserve a building designated as a local landmark and listed on the National Register of Historic Places Building. The developer's market study shows a strong market for the development.

Council has generally only supported LIHTC projects in the downtown that contain both market rate and low-income units. Because this building was originally built as a dormitory, the configuration of the building requires the units to be small and limits some of the opportunities to create mixed income housing. Staff believes 100% affordable housing is acceptable in this location and recommends support for the application.

Deer Ridge V Apartments – 6000 Creston Avenue

Developer – Deer Ridge V Limited Partnership, James C. Conlin, President, Conlin Properties, Des Moines

Project – New Construction of Affordable Housing

Number of Units – 72 Affordable Units

Area Median Gross Income (AMGI) – 57 at 60% AMGI, 15 at 40% AMGI

Commitment to Affordability – 50 years

Management Company – Conlin Properties, Inc. James C. Conlin, President, Des Moines

Neighborhood Support – No Neighborhood Association in area

Funding Support – No request for City funds

IFA Set-a-side Category – None

Recommendation – Support

This is the final phase of a development at this site by Conlin Development. It is an infill site that was consistently overlooked by other developers. Mr. Conlin’s development and management of LIHTC projects has consistently been among the best in Des Moines.

Harrington Apartments – 677 16th Street

Developer –Harrington Limited Partnership, James C. Conlin, President, Conlin Properties, Des Moines

Project – Renovation of apartment building in National Register District

Number of Units –36 Total Units, 36 Affordable Units (No increase in density)

Area Median Gross Income (AMGI) – 28 at 60% AMGI, 8 at 40% AMGI,

Commitment to Affordability – 50 years

Management Company – Conlin Properties, Inc. James C. Conlin, President, Des Moines

Neighborhood Support – Letter of support from the Sherman Hill Neighborhood Association

Funding Support – No request for city funds

IFA Set-a-side Category – Preservation/National Register of Historic Places Building

Recommendation – Support

This will improve the condition and continue full occupation of a building located in the Sherman Hill Neighborhood. The building is located near the downtown and adjacent to the Hoyt Sherman Place. The developer will work closely with the neighborhood and the City’s Historic Preservation Commission must issue a certificate of appropriateness on improvements to the building and grounds to ensure they are historically appropriate. The developer has presented the proposal to the neighborhood and the Sherman Hill Association has sent a letter of support to upgrade and improve the building.

Rehabilitation of Des Moines Municipal Housing Agency Disposition Units– Vicinity of SE 17th and SE Kirkwood

Developer – Mercy Housing Inc./Anawim Housing, Sister Stella Neil Executive Director, Des Moines

Project – Renovation of Des Moines Municipal Housing Agency Disposition Units

Number of Units –67 units total, 66 units of Affordable Housing (Market rate unit will be occupied by an on-site manager)

Affordable Units – 58 units at 50% of AMGI, 8 units at 35% of AMGI

Commitment to Affordability – 50 years

Management Company – Anawim Housing, 921 Sixth Avenue, Suite B Des Moines, Iowa

Neighborhood Support – No neighborhood association in area.

Funding Support – Anawim has requested \$150,000 of City HOME funds and \$650,000 of State HOME funds. These funds will be paid back at a 1% interest rate. The Des Moines Municipal Housing Agency will sell the property at 75% of value and provide a seller's note or second mortgage of \$844,750 or 25% of the value of the property. The 25% of value will be forgiven over a fifteen-year term. In addition, Polk County Housing Trust fund has dedicated \$844,750 or 25% of the purchase price of the property to the project as a forgivable loan.

IFA Set-a-side Category – Preservation and Nonprofit

Recommendation – Support

Mercy Housing, Inc. and Anawim Housing are proposing to purchase 67 units of Des Moines Municipal Housing Agency owned public housing. At its July 25, 2005 meeting by Roll Call 05-1760, the Des Moines Municipal Housing Agency Governing Board approved an action to begin negotiation of these units with Anawim Housing.

The 33 duplexes and 1 single-family housing are located in proximity to one another and the Housing Agency would like to sell them as a group to one entity. If awarded tax credits, Mercy Housing/Anawim will pay 75% of the value of the property to the city to be used as an endowment for affordable housing and the city will hold a seller's note or second mortgage for the remaining 25%. The remaining 25% or \$844,750 will be forgiven over a period of time.

The Municipal Housing Agency has been working with the nonprofit housing organizations over the past two years to sell houses to nonprofits for continuation of good- quality, affordable housing. The partnership of Mercy Housing, Inc. and Anawim is a development team that brings together a number of resources. Several agencies are involved in providing funding to support the application including the Neighborhood Finance Corporation and Polk County Housing Trust Fund.

Cherry Lane – 5 acres, 4500 block of Hubbell Avenue

Developer – Cherry Lane Company, LLLP, Jon A. Coons, Broker, Aequitas Real Estate Group, Johnston, IA

Project – New Construction of Affordable Housing

Units – 46 Affordable Units

Area Median Gross Income (AMGI) – 46 at 60% AMGI

Commitment to Affordability – 50 years

Management Company – National Management Corporation, Roger Langpaul President, Clive, Iowa

Neighborhood Support – No Neighborhood Association in area

Funding Support – No request for City funds

IFA Set-a-side Category – None

Recommendation - Deny Support

The construction of the project will provide affordable housing but does not support any the additional goals that have been adopted by City Council as criteria. The other projects recommended for support promote infill, compact development that is well connected to existing and proposed services. This project will not be within walking distance of a school or shopping for residents. In addition, support of this project will further exceed the unit cap that IFA may impose for Polk County. Staff recommends supporting those projects that promote adopted Council goals and only minimally exceed the cap of 144 units.

Hawkeye Transfer Building – 340 SW 5th Street

Developer – Des Moines Housing Partners, L.P., Garrison Development, Prairie Village, Kansas,

Garrison Hassenflu, President

Project – Renovation of historic building to affordable housing

Units – 52 Affordable Units

Area Median Gross Income (AMGI) – 42 at 50% AMGI, 10 at 40% AMGI,

Commitment to Affordability – 50 years

Management Company – Garrison Management Company

Neighborhood Support – Scheduled for neighborhood meeting November 2, 2005

Funding Support – No request for City funds

Special IFA Category – Preservation/National Register of Historic Places Building

Recommendation: Deny support

The project does not incorporate mixed-income housing into the downtown which is a Council criterion for support. The building has views of the river from its upper floors, on site parking and flexible interior building layout. Staff believes this building could easily incorporate both market rate and low-income units. In addition, the building is being developed to fund families at 50% and 40% of Area Median Gross Income, income groups generally needing substantial support services. No services are noted in the application and Garrison Management has never managed properties in Des Moines. Lastly, support for the project will exceed the 144-unit cap that may be imposed by IFA