


<h1>Council</h1> <h1>Communication</h1> <p>Office of the City Manager</p> 	<b>Date</b>	July 10, 2006
	<b>Agenda Item No.</b> 43 <b>Roll Call No.</b> <u>06-</u> <b>Communication No.</b> <u>06-421</u>	<b>Submitted by: Larry Hulse, Community Development Director</b>

**AGENDA HEADING:**

Resolution approving second amendment to the Development Agreement for the East Village Square Apartments, L.P.

**SYNOPSIS:**

Approves a second amendment to the Development Agreement with East Village Square Apartments, L.P. to: 1) increase the number of affordable HOME units in East Village Square from 16 units to 18 units, 2) change number of bedrooms for the HOME units, and 3) provide an additional \$50,000 in city HOME funds as a deferred repayment loan. The general partner of East Village Square Apartments, L.P. is the Neighborhood Investment Corporation (NIC). NIC has offices at 1620 Pleasant and Robert Mickle is the president.

**FISCAL IMPACT:**

Amount: \$50,000 - City HOME Program Loan

Funding Source: Home Investment Partnership (HOME) funds—New Construction (SP036 CDD49900 HOME 2005003 page 356).

If the amendment is approved, the total HOME Program loan would be \$1,100,000 to be repaid in a single installment after 40 years:

- City HOME funds - \$300,000
- The remainder is funded by Iowa Department of Economic Development (IDED).

**ADDITIONAL INFORMATION:**

East Village Square Apartments is a 115-unit, five-story, development composed of six (6) studio, 84 one-bedroom, and 25 two-bedroom units. The project is currently 70% complete. The apartments on the first floor are “live-work” and incorporate commercial and residential space. The development is geared toward a mixture of incomes and has utilized Low-Income Housing Tax Credits (LIHTC) administered through the Iowa Finance Authority for fifty-one of the units in the development. The LIHTC are to be affordable to persons below 60% of the areawide median income.

To further affordable housing in the East Village, the HOME Program Loan provides an additional construction subsidy in order to provide units with a lower monthly rent that reach households at a lower income level. In the Master Home Agreement approved by Roll Call 05-612 on March 7, 2005, the City Council approved \$1,050,000 of City and State HOME funds to assist with 16 one-bedroom units affordable to households below 50% of the median income for a twenty year time period.

The NIC has now requested an additional \$50,000 of HOME Program funds in order to add two HOME units to the project, bringing the total number of HOME units to eighteen. The bedroom mixture will also be changed from all one-bedroom to six (6) studio apartments and 12 one-bedroom apartments. The additional HOME funds will also assist with interest rate increases in the construction loan not budgeted for the project.

Staff has reviewed the request for the additional funds and change in income groups and determined it is eligible for HOME funding under Home Investment Partnerships Program Final Rule. City staff has also contacted the Iowa Department of Economic Development (IDED) and received their approval for the amendments. City staff also contacted the Iowa Finance Authority and the other lenders on the project to inform them of the proposed amendments to ensure that each agency/lender had no objection to the amendments.

The amendment will increase the variety of affordable HOME units affordable to low income households and provide a better mixture of bedroom units for the development. Designating the six (6) studio apartments as HOME units will ensure that very low cost housing is available for persons working in the downtown area. The one-bedroom apartments will provide housing for the same income group, but can house a couple or parent and child working downtown.

By Roll Call No. 06-569 on March 20, 2006, City Council approved new policies and procedures for the distribution of HOME dollars, particularly in regards to projects utilizing Low Income Housing Tax Credit financing. The policy recommends that a Low Income Housing Tax Credit project be limited to a maximum of \$250,000 in City HOME funds and that the funds be paid back at minimum of 1% interest rate. Staff recommends that the policy be adjusted for East Village Square because of: 1) the increase in the number of HOME units and 2) the need for housing affordable to households below 50% of median income in the downtown.

By Roll Call No 04-2661 on December 6, 2004, City Council approved the original Urban Renewal Development Agreement with East Village Square Apartments L.P. by which the City provided the following economic incentives:

- Economic Development Loan of \$2,555,795 funded through Tax Increment Financing (TIF)
- HOME Loan \$1,050,000 (\$250,000 from City of Des Moines, \$800,000 from IDED)
- Ten-Year 100% tax abatement on incremental value of apartments.

By Roll Call No 05-1684 on March 7, 2005, City Council approved the first amendment to the Urban Renewal Development Agreement with East Village Square Apartments L.P. by which the City:

- Changed the conditions for release of the proceeds of the Economic Development Loan and HOME Program Loan;
- Changed the provisions regarding the repayment and security for Economic Development Loan and HOME Program Loan;
- Entered into the East Village Square Apartments Master Subordination Agreement and Estoppel Certificate addressing the priority of the liens and interests of all the various parties providing funding for the project.

**PREVIOUS COUNCIL ACTION(S):**

Date: March 20, 2006

Roll Call Number: 06-569

Action: [Adoption](#) of new policies and procedures for administration of the HOME Investment Partnership Act (HOME PROGRAM). ([Council Communication No. 06-140](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: July 18, 2005

Roll Call Number: 05-1684

Action: First Amendment to Urban Renewal Development Agreement with East Village Square Apartments, L.P. ([Council Communication No. 05-371](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: March 7, 2005

Roll Call Number: 05-612

Action: Items regarding the East Village Square Apartments, southwest corner of E. 4<sup>th</sup> and Grand: ([Council Communication No. 05-103](#)) Home Program Loan and Documents. Moved by Brooks to adopt. Motion Carried 5-1-1. Nays: Coleman. Pass: Mahaffey.

**BOARD/COMMISSION ACTION(S): NONE**

Date:

Roll Call Number:

Action:

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**