



Council Communication

Office of the City Manager

Date

September 25, 2006

Agenda Item No. 26

Roll Call No. 06-

Communication No. 06-598

Submitted by: Larry Hulse, Community
Development Director

AGENDA HEADING:

Accepting \$800,000 of State HOME Funds for a housing development by Anawim/Mercy Housing (Pioneer Woods, L.L.C.) and authorization to publish “Notice of Intent to Request Release of Funds.”

SYNOPSIS:

Recommend approval to accept an Iowa Department of Economic Development (IDED) HOME grant award to be combined with City HOME funds for use by Pioneer Woods, L.L.C. to rehabilitate housing located in the vicinity of SE 17th Street and Kirkwood. The housing development is thirty-four structures (67 units) owned by the Des Moines Municipal Housing Agency that the Governing Board of the Des Moines Municipal Housing Agency has authorized for negotiated sale to Anawim/Mercy Housing (Pioneer Woods, L.L.C., Anawim Housing, Managing Partner, President Stella Neill, RSM, 921 Sixth Avenue, Suite B, Des Moines, Iowa 50309). Pioneer Woods, L.L.C. has an allocation of \$800,000 of HOME funds from IDED for use in rehabilitation of the structures. The City Council also approved a \$150,000 allocation of HOME funds as part of the support for a Low Income Housing Tax Credit application for Anawim/Mercy Housing.

FISCAL IMPACT:

Amount: \$950,000 to be advanced as construction work is completed.

Funding Source:

- \$800,000 – IDED HOME Grant to be administered through the City.
- \$150,000 – City HOME Loan funded through Fiscal Year 2006-07 Home Investment Partnership (HOME) funds—Investor Owner (SP036 CDD49900 HOME 2005002, page 356).

ADDITIONAL INFORMATION:

The project is located in the vicinity of SE 17th and Kirkwood. It consists of 33 duplex properties and one single family unit for a total of 67 units. On July 25, 2005, the City of Des Moines Municipal Housing Agency Governing Board approved a resolution to negotiate the sale of these properties to Mercy Housing Inc. and Anawim Housing (Now Pioneer Woods, L.L.C.). All the units will be affordable; 66 will serve households at 50% of area median income and will be assisted with HOME dollars for rehabilitation.

On November 7, 2005, the City Council supported an application for Low Income Housing Tax Credits. A request for \$800,000 of State HOME funds was a part of the Low Income Housing Tax Credit application. The Council also preliminarily committed \$150,000 of City HOME

funds for the renovation of the housing if the applicant was successful in obtaining the Tax Credits and State HOME funds.

The HOME program has a number of complicated procedures which must be met before contracts can be executed, during the construction phase, and during the period of affordability after construction has been completed. In order to facilitate the required environmental reviews, monitoring of Davis Bacon and Section 3 Labor requirements, and low-income occupancy requirement monitoring, the State of Iowa will grant the HOME funding directly to the City of Des Moines rather than Pioneer Woods, L.L.C. The City will combine the State funds with the City HOME funds and administer the funds as one loan package.

By accepting the transfer of funds, the City will assume responsibility for compliance and monitoring associated with the State HOME funds. The Community Development Department and Housing Services Department will increase administrative and inspection work load by accepting the additional funds because additional environmental reviews are required and additional units must be monitored during and after construction. However, this is work City staff is trained to perform and it can be accomplished in an efficient manner. The transfer will also facilitate the sale of the City's Municipal Housing units and their rehabilitation. The City will receive the income from the repayment of interest and principal on both the State and City HOME funds. The full amount of the payment has not yet been determined and is currently under negotiation. Any funds repaid will be used for more affordable housing projects in the future.

IDED has transferred State HOME funds to the City of Des Moines in three past projects including: Vine Street Lofts, East Village Apartments, and the Rose of Des Moines. The process has worked well and has met the needs of the developer and IDED. It has facilitated the development of projects in the City of Des Moines.

The Pioneer Woods, L.L.C. Project is financed with multiple funding sources including Low Income Housing Tax Credits, Federal Home Loan Bank Funds, State HOME Funds, City HOME funds, and Polk County Housing Trust Fund monies. The units to be rehabilitated are being sold by the Des Moines Municipal Housing Agency.

To satisfy the environmental requirements of the both the City and IDED HOME program, an Environmental Review Record (ERR) must be prepared before federal funds can be released for the use of construction or rehabilitation projects. The Neighborhood Development Division of Community Development is assigned the duty of preparing and maintaining the Environmental Review Record for all HOME and CDBG projects. The ERR has been completed for the units to be rehabilitated by Pioneer Woods, L.L.C. and a Finding of No Significant Environmental Impact (FONSI) to the site has been determined. The Neighborhood Development Division has also prepared a "Notice of Intent to Request Release of Funds" to be published under the Mayor's signature according to 24 CFR 58.43.

PREVIOUS COUNCIL ACTION(S):

Date: July 25, 2005

Roll Call Number: 05-1760

Action: Authorizing the Municipal Housing Agency to negotiate with Anawim Housing and Mercy

Housing for the disposition sale of 67 Public Housing Units. (Call City Clerks Office for list). ([Council Communication No. 05-407](#)) Moved by Nesbitt to adopt. Motion Carried 6-2.

Date: November 7, 2005

Roll Call Number: 05-2686

Action: Support of application by Mercy Housing, Inc. and Anawim Housing for renovation of 67 units of Family Housing in the vicinity of SE 17th and Kirkwood. Moved by Vlassis to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

1. Final Sale of 67 Housing Units by the Des Moines Municipal Housing Agency Governing Board.
2. Approval of HOME Contracts for \$800,000 with Iowa Department of Economic Development for renovation of 66 units of affordable housing.
3. Approval of HOME Agreement for \$950,000 with Pioneer Woods, L.L.C. for renovation of 66 units of affordable housing.