



Council Communication

Office of the City Manager

Date

October 9, 2006

Agenda Item No. 58

Roll Call No. 06-

Communication No. 06-652

Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Approving issuance of a Certificate of Appropriateness pursuant to the Landmark Ordinance for the planned exterior alterations to Esther Hall (a/k/a Hawthorn Hill) at 921 Pleasant Street. Approving Urban Renewal Development Agreement and Home Investment Partnerships (HOME) Agreement with Chestnut Hills Limited Partnership, and approving the Conceptual Development Plan for the planned Improvements.

SYNOPSIS:

Recommend the City Council to approve a Certificate of Appropriateness under the Landmark Ordinance to permit the exterior alterations to Esther Hall, a locally designated landmark at 921 Pleasant Street.

City Council is further asked to approve an Urban Renewal Development Agreement and Home Investment Partnerships (HOME) Agreement with Chestnut Hills Limited Partnership (Gary Stenson, President, MetroPlains, 1600 University Avenue, Suite 212, St. Paul, MN 55104) for the rehabilitation of Esther Hall. The developer has received an allocation of Low Income Housing Tax Credits from the Iowa Finance Authority for a project to feature 43 affordable housing units.

FISCAL IMPACT:

Amount: \$250,000 – Economic Development Loan, to be advanced the later of July 1, 2007 or upon issuance of a Certificate of Completion. \$249,990 – HOME Loan to be advanced during construction as work is completed.

Funding Source: Economic Development Loan – Adopted CIP FY2006-FY2011, Page 99, URR099 Development Opportunities

HOME Loan –\$249,990 total funded through Home Investment Partnership (HOME) funds—Investor Owner SP036 CDD49900 HOME 2005002 page 356.

ADDITIONAL INFORMATION:

Built circa 1922, this Proudfoot, Bird, and Rawson-designed building originally housed the Women's Home Missionary Society. The building has served multiple uses in its lifetime and has also been known as Ester Hall and Hawthorn Hill. The proposed MetroPlains project will restore the building to house a total of 43 one, two, and three bedroom units. 34 units will be rented to residents with an income less than 50% of the area median income. 9 units will be rented to residents with an income less than 40% of the area median income.

The Landmark Review Board recommended issuance of Certificate of Appropriateness for the planned improvements to the building subject to the following conditions:

- a) Provision of mortar matching existing based on mortar analysis.
- b) Submission of a salvaged tile report identifying if a sufficient amount of tiles were salvaged to completely shingle the south and west roof elevations.
- c) Review and approval of the synthetic tile by the Board to ensure that it adequately matches the design of the original slate.
- d) Review and approval of the design of the north facades of the proposed additions by the Board.

The project is financed with multiple funding sources including Federal and State Historic Tax Credits, Low Income Housing Tax Credits, State Enterprise Zone Tax Credits, City of Des Moines HOME Funds, and a City of Des Moines economic development loan. The developer is also deferring a significant portion of their developer fee. The developer fee will be paid through the project’s annual cash flow. The City HOME loan will bear interest at 1% and the developer will pay interest annually. The principal balance will be repaid after year 15. The Economic Development Loan is unsecured, interest-free and requires no annual payments. The principal balance is to be repaid in full after year 40.

Two factors led to the \$250,000 financial gap requiring the economic development loan. The parking lot included in the Acquisition line item below had to be freed of numerous liens and encumbrances. Also, the State of Iowa was unable to fund the project’s request for \$400,000 of State HOME funds.

Sources and Uses:

<u>Sources</u>		<u>Uses</u>		
First Mortgage	\$ 733,000	Acquisition	\$ 1,590,560	
Tax Credit Equity				Hard
Costs		\$ 5,438,500		
City HOME Loan	\$ 249,990	Architecture	\$ 122,810	
City TIF Loan	\$ 250,000	Soft Costs	\$ 431,008	
Fed. Hist. Credits		\$1,330,586		
Const. Financing		\$ 246,862		
Iowa Hist. Credits	\$1,300,000	Perm. Financing	\$ 105,300	
State EZ Credits	\$ 145,151	Syndication Costs	\$ 40,000	
Deferred Dev. Fee	<u>\$ 814,946</u>	Developer Fees	\$ 1,080,400	
		Reserves	<u>\$ 242,000</u>	
Total Sources	\$ 9,297,440	Total Uses	\$ 9,297,440	

The HOME Program Agreement will provide a construction subsidy for ten of the one-bedroom units within the project. This construction subsidy for ten one-bedroom units allows the developer to provide those units at a lower monthly rent than can be provided when only utilizing the Low Income Housing Tax Credits. The HOME unit rents are projected to be \$495 per month whereas the unassisted rents will be \$575 per month. The lower rents will be in place for a period of ten years and will be monitored for compliance by City staff during that time period.

100% of the project’s cash flow for the first 15 years will be used to pay the deferred developer fee.

The \$250,000 economic development loan calculates to approximately \$5,800 per unit or 2.7% of the total project cost. The \$249,990 HOME loan calculates to \$24,999 for ten of the one-bedroom units or 2.7% of the total project cost.

It is recommended that the City Council issue a Certificate of Appropriateness for the planned improvements, subject to compliance with an approved Conceptual Development Plan.

It is further recommended that the City Council approve the proposed Urban Renewal Development Agreement and the HOME Loan Agreement, and approve the proposed Conceptual Development Plan for the planned Improvements subject to the requirements as stated above.

PREVIOUS COUNCIL ACTION(S):

Date: October 24, 2005

Roll Call Number: 05-2558

Action: The Chestnut Hills, LP, Hawthorn Hill Building, 921 Pleasant Street, application for enterprise zone benefits for a project in the Des Moines Gateway Enterprise Zone. (Council Communication No. 05-607) Moved by Vlassis to approve. Motion Carried 7-0.

Date: November 7, 2005

Roll Call Number: 05-2683

Action: Support of application by Chestnut Hills Limited Partnership for rehabilitation of 43 units of Family Housing at 921 Pleasant (Hawthorne Hill Building). Moved by Vlassis to adopt. Motion Carried 7-0.

Date: June 7, 2004

Roll Call Number: 04-1117

Action: Approving the recommendation of the Landmark Review Board, to issue a Certificate of Appropriateness for alterations to Esther Hall, 921 Pleasant Street. (Council Communication No. 04-271) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: August 15, 2006

Roll Call Number: NA

Action: The Urban Design Review Board recommended approval of the tax increment financing assistance for Hawthorn Hill

Date: August 15, 2006

Roll Call Number: NA

Action: Landmark Review Board voted 11-0-1 in support of a motion to recommend issuance of a Certificate of Appropriateness for the proposed exterior alterations to the building, subject to the conditions identified in the Additional Information section above.

Date: September 6, 2006

Roll Call Number: NA

Action: The Neighborhood Revitalization Board reviewed the HOME loan for the Hawthorn Hill project located at 921 Pleasant Street.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE