



Council Communication

Office of the City Manager

Date	November 6, 2006
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Agenda Item No.	50A
Roll Call No.	<u>06-</u>
Communication No.	<u>06-702</u>
Submitted by: Richard A. Clark, City Manager	

AGENDA HEADING:

Receive and File Affordable Housing Policy and City Council Adopted Criteria for Reviewing Low-Income Housing Tax Credit Projects

SYNOPSIS:

Summary and Review of the Affordable Housing Policy and City Council Adopted Criteria for Reviewing Low-Income Housing Tax Credit Projects.

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

On the November 6, 2006 City Council agenda are twelve (12) project applications submitted to the Iowa Financing Authority (IFA) that request support for Low-Income Housing Tax Credits (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 throughout Iowa because it offers access to capital and equity funds for housing development. Persons and families served by the program are those below 60% of the median income, although additional points are rewarded for those housing projects that serve lower income households. There are restrictions on the amount of rent that can be charged.

IFA Limit for Polk County

The twelve projects for 2007 consist of 559 affordable units, of which 368 count toward the "IFA Cap" for Polk County. The IFA reserves the right to limit its allocation of 2007 LIHTC units in Polk County to 144 new units, however, some set-a-side categories, such as preservation of existing low income units or Affordable Assisted Housing, do not count toward this 144 unit cap. Of the proposed 2007 projects, units to be purchased from the Des Moines Municipal Housing Authority (DMMHA), the Southern Rose LP, and the Rose of East Des Moines do not count toward the cap.

For the past few years, the City Council has generally supported those LIHTC proposed projects that best meet City Council goals as adopted on November 21, 2003 by Roll Call No. 2654. This has allowed the Council some influence on the funding of projects by IFA. The Council's support for projects has often exceeded 144 units, although it has been a consideration for Council deliberation. The Iowa Finance Authority did invoke a cap of 144 units in funding year 2004. IFA did not invoke a cap of units for Polk County in funding year 2005 or 2006.

In 2006, only three (3) tax credit projects, which include 79 renovated units of new affordable housing and 66 units of preserved low income housing, were granted in the City of Des Moines due to IFA

scoring preferences and set-a-sides. Those projects included Hawthorn Hill (921 Pleasant), Pioneer Woods (vicinity of SE 17th and Kirkwood), and Harrington Apartments (677 16th Street).

City's Role in Review of Applications

The Iowa Finance Authority scores the LIHTC applications on a point basis. The developer receives ten (10) points if the project receives a resolution of support from the City. If the Council chooses to not support the project, the project does not receive any 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. 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 144 unit cap.

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 that have received a tax credit allocation without receiving a resolution of support from the City Council. For example, Hubbell Tower received an allocation of tax credits in 2004, but was not supported by City Council.

The IFA application process also requires the developer to ask the City for proof of zoning and proof of any local government contribution, such as tax abatement or a commitment of dollars. The DMMHA also provides a commitment to place the developments on its list of housing options. Staff provides this information to City Council as a part of the review packet on the Council agenda.

Recommended Criteria for Review

When evaluating the 2007 applications, staff recommends that the City Council consider support of tax applications that align with the stated goals of Council as adopted on November 21, 2003 in addition to the review criteria included in the Affordable Housing Policy. These criteria include:

- Support of downtown housing that results in a mixture of affordable and market rate rental units, as well as owner-occupied units of varying prices. Of the over 200 projects (over 2300 units) that have been awarded tax credits in the City of Des Moines and are built or in the process of development, only 6 have been located in Census Tract 51: Vine Street Lofts, Tenth and Cherry Apartments, Court Avenue Apartments (Spaghetti Works and 4th and Court), Hubbell Tower, East Village Square, and Hawthorn Hill. LIHTC is a financing mechanism needed to build mixed-income housing. Council has clearly wanted to support mixed-income projects in the downtown to support commercial efforts and generate use/events after work hours. Mixed income projects provide housing for diverse individuals. There are instances in renovation, however, when building does not lend itself to larger units with amenities that can encourage market rate units.
- 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 that it may assist 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 build out and use of infill parcels. There are some existing LIHTC projects around the City 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 Low Income Housing Tax Credit Projects or any other programs that provide new construction money for rental housing designed for persons under 80% 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 not located in low-moderate (low-mod) income census tracts. However, in 2000, the number of low-mod income census tracts increased and it now is difficult to apply this as a way to distinguish projects. All projects, with the exception of the Deer Ridge V project at 6000 Creston and some of the rehabilitation of municipally-owned housing, are located within census tracts that are not low-moderate income.

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.

The Amendment to Year 2000 Comprehensive Housing Plan can be found on page 5 of this Council Communication.

In reviewing the 2007 Low-Income Housing Tax Credit applications, Staff recommends that Council continue to use the Affordable Housing Policy and criteria:

- 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 build out and use of infill parcels.

Staff also recommends that Council support projects for LIHTC that total approximately 144 units. The IFA may impose an allocation cap of 144 units for Polk County.

PREVIOUS COUNCIL ACTION(S):

Date: November 7, 2005

Roll Call Number: 05-2681

Action: Receipt of communication from City Manager regarding City's Affordable Housing Policy and the adopted criteria for reviewing Low-Income Housing Tax Credit. ([Council Communication No. 05-628](#)) Moved by Vlassis to receive and file. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: November 21, 2003

Roll Call Number: 03-2654

Action: Approval of Council Policy regarding support for Low Income Housing Tax Credit projects.
[\(Council Communication No. 03-559\)](#) Moved by Coleman to adopt. Motion Carried 6-1.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

Exhibit A:**Amendment to Year 2000 Comprehensive Housing Plan**

(Adopted by Des Moines City Council – Roll Call 94-838 on March 7, 1994)

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 a 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 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.