



# Council Communication

Office of the City Manager

Date

November 20, 2006

Agenda Item No. 31

Roll Call No. 06-

Communication No. 06-725

Submitted by: Larry Hulse, Community  
Development Director

## AGENDA HEADING:

Authorizing Execution of HOME Contract Documents with the Iowa Department of Economic Development and Pioneer Woods, L.L.C. for renovation of low-income rental housing.

## SYNOPSIS:

This project involves the allocation of City and State HOME funds for the rehabilitation of thirty-four structures (66 units), which the Municipal Housing Governing Board has approved for sale to Pioneer Woods, L.L.C. (Anawim Housing, Managing Partner, President Stella Neill, RSM, 921 Sixth Avenue, Suite B, Des Moines, Iowa, 50309). The rehabilitation project funding combines \$800,000 of State HOME funds and \$250,000 of City HOME funds with a 2005 Low Income Housing Tax Credit allocation.

Staff recommends that Council approve HOME Contract documents for \$800,000 with the Iowa Department of Economic Development (IDED) for use by Pioneer Woods, L.L.C. in the rehabilitation of housing located in the vicinity of SE 17<sup>th</sup> Street and Kirkwood. Staff also recommends that Council approve HOME contract documents for \$1,050,000 between the City of Des Moines and Pioneer Woods, L.L.C. for renovation of the housing.

## FISCAL IMPACT:

### Amount:

- \$800,000 – IDED HOME Grant to the City of Des Moines to be advanced as construction work is completed (no fiscal impact on the City).
- \$250,000 – City HOME Loan to be advanced during construction as work is completed.

### Funding Source:

2006/07 Operating Budget, Home Grants, SP036 CDD49900 HOME 2007009, page 315

- Home Investment Partnerships (HOME) funds will cover the City HOME Loan (\$250,000).

## ADDITIONAL INFORMATION:

The project is located in the vicinity of SE 17<sup>th</sup> and Kirkwood Avenue. It consists of 33 duplex properties and one single-family unit, for a total of 67 units. On July 25, 2005 by Roll Call No. 05-1760, the Municipal Housing 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.). Of the 67 units, 66 will be available to households at 50% of the area median income; the rehabilitation of these units will be funded

with HOME dollars. One unit will be used for on-site management and its rehabilitation will not be funded with HOME dollars.

The construction subsidy provided by the HOME loan allows the developer to provide the units at a lower monthly rent than can be provided when only utilizing the Low Income Housing Tax Credits. The net rent for one-bedroom units will be \$370 or \$440. For two-bedroom units, it will be either \$492 or \$503. The net rent for three-bedroom units will be \$580 and the net rent for four-bedroom units will be \$700.

The HOME loan to Pioneer Woods, L.L.C. combines \$800,000 of IDED HOME funds with \$250,000 of City HOME funds. The \$1,050,000 will be loaned to Pioneer Woods, L.L.C. at a 1% interest rate for a twenty-year period. Annual payments will be made to the City's HOME Program dependent upon available cash. If no cash is available, no payment will be made towards the HOME loan. A process is established so that an annual financial statement is forwarded to City staff to review for determining payment. Any remaining balance will need to be refinanced or paid at the end of twenty years.

On November 7, 2005 by Roll Call No. 05-2686, the City Council supported an application for Low Income Housing Tax Credits for the project. 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.

On September 25, 2006, by Roll Call 06-1880, the City Council accepted the \$800,000 of State HOME funds for the Pioneer Woods housing. The HOME program has a number of complicated procedures that must be satisfied and it was determined that combining the State HOME funds with City HOME funds was the most efficient course of action and would lessen recording and monitoring requirements. The IDED gives the HOME funding directly to the City of Des Moines rather than Pioneer Woods, L.L.C. The City combines the State funds with the City HOME funds and administers the funds as one loan package. The HOME contract documents with IDED are on file with the City Clerk.

Over the past month, Pioneer Woods, L.L.C. has been soliciting bids on the rehabilitation of the structures. The bids came in approximately \$300,000 higher than anticipated. Pioneer Woods, L.L.C. is working with its architect to adjust rehabilitation specifications, but has requested an additional \$100,000 of HOME funds for rehabilitation; this request increases total City HOME funds to \$250,000. Staff has reviewed the bid documents and proposals and believes that the bid requirements are necessary to ensure that the units are maintained in good condition over the length of the required period of affordability. All proposed costs are eligible for HOME funds.

In addition to more HOME funds, the \$300,000 shortfall is being met in the following ways:

- 1) The developer has deferred \$124,820 of the developer fee to cover additional rehabilitation costs;
- 2) City staff and the developer have agreed that the contingency can be lowered because costs are so well defined; and
- 3) The developer hopes to work with the Minority Enterprise Council and utilize grant funds from Polk County for additional rehabilitation costs.

City HOME documents with Pioneer Woods, L.L.C. are on file in the City Clerk's office and combine \$800,000 of State HOME funds with \$250,000 of City HOME funds for a total loan package of \$1,050,000. Each unit will receive approximately \$15,909 in HOME funding. Staff recommends that Council approve documents with Pioneer Woods, L.L.C.

The Pioneer Woods, L.L.C. project is financed through multiple funding sources:

First Mortgage – Neighborhood Finance Corp.	\$ 550,000
Federal Home Loan Bank	\$ 400,000
Federal Credit L.P. Equity	\$3,293,930
Anawim Financing	\$ 821,250
Polk County Housing Trust Fund	\$ 844,750
IDED HOME	\$ 800,000
City HOME	\$ 250,000
Deferred Developer Fee	\$ 124,820
<b>TOTAL</b>	<b>\$7,084,750</b>

**PREVIOUS COUNCIL ACTION(S):**

Date: September 25, 2006

Roll Call Number: 06-1880

Action: Acceptance of \$800,000 in State HOME Funds for housing development by Anawim/Mercy Housing (Pioneer Woods LLC, SE 17<sup>th</sup> and Kirkwood) and authorization to publish “Notice of Intent to Request Release of Funds”. (Council Communication No. 06-598) Moved by Vlassis to adopt. Motion Carried 6-0.

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 17<sup>th</sup> and Kirkwood. Moved by Vlassis to adopt. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S):**

Date: July 25, 2005

Roll Call Number: 05-1760 (Municipal Housing Governing Board)

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 Clerk's Office for list). (Council Communication No. 05-407) Moved by Nesbitt to adopt. Motion Carried 6-2.

Date: October 4, 2006

Roll Call Number: N/A (Neighborhood Revitalization Board)

Action: Support of HOME funds for rehabilitation of Pioneer Woods Housing Project.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**