



Council Communication

Office of the City Manager

Date | October 22, 2008

Agenda Item No.
Roll Call No. 07-
Communication No. 07- 642
Submitted by: **Richard A. Clark, City Manager**

AGENDA HEADING:

Resolutions regarding Low-Income Housing Tax Credit applications for eight (8) housing projects within the City of Des Moines: approving financial support for seven (7) applications and resolution denying financial support for 1 (one) application.

SYNOPSIS:

Approving a preliminary financial commitment of HOME/CDBG housing funds, Tax Increment Financing Funds, or Enterprise Zone approval for seven applications for Low-Income Housing Tax Credits. There are a total of twelve (12) applications for the 2008 round of Low Income Housing Tax Credits that will be submitted by developers to the Iowa Finance Authority (IFA) for proposed development within the City of Des Moines. IFA no longer awards points for City Council approval of a project; however, all projects require the city government complete a Zoning form and a Local Contributing Effort form for the developer's threshold application. All projects will utilize tax abatement for the Local Contributing Effort.

FISCAL IMPACT:

Amount: \$2,162,500

- Up to \$1,212,500 – Tax Increment Financing Funds
 - \$937,500 requested for Randolph Hotel redevelopment
 - \$275,000 requested for Crane Artist Lofts
- \$950,000 of Home Funds

Funding Source(s): Fiscal Years 2007-08/2012-13 Capital Improvement Program, Development Opportunities, Fund CP065, Organization CMO90000, Project URR099, Economic Development Improvements – Page 5.

Fiscal Year 2007-08 Operating Budget, Home Grants – SP036 CDD049900, HOME Funds.

- \$850,000 will be from the 2008 allocation from the U.S. Housing and Urban Development Department which has not yet been received.
- \$100,000 will be from program income on the HOME funds.

TOTAL - \$950,000

ADDITIONAL INFORMATION:

The Low Income Housing Tax Credit (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 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 also restrictions on the amount of rent that can be charged.

Changes to Iowa Finance Authority Scoring and Allocation Process

The Iowa Finance Authority (IFA) has made substantial changes to the applications for the 2008 round of Low Income Housing Tax Credits (LIHTC). The application no longer awards 10 points for a project if it has a resolution of support from the local governing body. In order to meet threshold, however, each application requires two forms from the local government: one concerning zoning and the other concerning the government's contribution to the project. The Zoning Forms, including information about zoning, setback, parking etc., are administrative and are being prepared by the City's Zoning Officer.

The IFA Board does have some discretion on projects regarding a local government's preference for a project. If a project is not preferred by other Governmental Entities, IFA may consider not funding the project. IFA may also consider City Council resolutions in their deliberations. Lastly, IFA may also consider whether funding commitments by other Governmental Entities have been received by a project.

Request for Local Funds

The Local Contributing Effort Form provided by IFA requires the Applicant to document a financial contribution by a public or private agency with a value of at least one percent (1%) of the Hard Construction Costs. The Local Contributing Effort may be contingent upon the receipt of a Tax Credit Reservation. Of the projects from Des Moines to be submitted for consideration to IFA, six (6) will utilize tax abatement as the 1% match. Although information on these projects is included in the blue letter, there is no City Council resolution required since this is an administrative action.

There are eight (8) projects which have requested some type of financial commitment from the City beyond tax abatement. City staff did the following in preparing a recommendation about funding for City Council:

1. Staff met with the applicants on the projects and evaluated the preliminary financial information provided by each applicant. An important step in this review is determining if the City's contribution is necessary to the success of the project and if other funding sources are being requested. This year, the timing of the IFA deadline did not allow adequate time for staff to make a final recommendation regarding City financial assistance. Detailed negotiation, clarification of building costs, and underwriting of all the financial information will occur in the coming months. City Council will be asked to review and approve final terms of agreement after IFA awards are announced in March 2008.
2. Staff reviewed budgets and revenue projections in order to determine how much TIF and HOME monies are available for rental housing projects in 2008. All projects received less HOME money than requested because of the lack of HOME funds.
3. Staff used the City's Affordable Housing Policy and criteria (adopted by Roll Call No. 03-2654 at the November 21, 2003, City Council meeting) for review of Low-Income Housing Tax Credit applications:
 - 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 is recommending that the City Council commit \$850,000 from 2008 HOME funding plus \$100,000 that the City is projected to receive in program income from the HOME funding to the Low Income Housing Tax Credit Projects. The City Council has not yet received, committed, or approved a budget from any 2008 HOME funds. If all LIHTC projects recommended are funded, all the HOME funds for 2008 will be committed except for those HOME funds that are required to be used for the Community Housing Development Corporation (CHDC). Historically, however, Des Moines has received credit allocations for less than one half the projects submitted. Polk County still has a cap of 144 units which IFA can choose to use. Therefore, it is very unlikely that all 549 units supported financially by the City will receive funding.

If all the projects that staff recommended to receive HOME funding received a tax credit allocation from IFA, the Home owner or Home buyer rehabilitation, including the Lead Based Paint Remediation Effort, will be funded only from Community Development Block Grant funds. Fewer units would be completed for homeowners and homebuyers; however, the rental properties will be creating or maintaining lead free housing units for very low and very low income renters. The City's funding for single family infill programs operated by non profits such as Habitat for Humanity, Home, Inc. and private developers might not be funded for 2008.

By Roll Call No. 07-1170 on June 18, 2007, the City Council approved an allocation of its annual funding for the Home Investments Partnerships Program (HOME) operated by the Community Development Department. At its September Planning meeting, The Community Development staff recommended to the NRB that the HOME program in 2008 continue with the same balanced program which was previously approved by the City Council in 2007. The Neighborhood Revitalization Board (NRB) did make this recommendation to the City Council at the October 8, 2007, meeting as a part of their recommendation on the 2008 HUD Consolidated Plan. Of the HOME funds recommended, 40% or \$387,000 of the funds were reserved to assist Low Income Housing Tax Credit Projects. Other HOME funds are reserved for Home Buyer New Construction and Rehabilitation and Home Owner Rehabilitation. The use of virtually all of the 2008 HOME funds has not been reviewed by the Neighborhood Revitalization Board. Staff will schedule an item on the 2008 HOME allocation and LIHTC projects for the NRB's November 7, 2007, meeting. Staff was unable to complete this due to the shortened time frame created by IFA. The NCS administrative procedures require that these projects be reviewed by the NRB as part of the final Contract negotiation.

All those submitting applications for funding are developers of affordable housing either locally or throughout the Midwest. Each application contained adequate information to illustrate that the development teams are capable of developing new or renovating historic structures into affordable housing. Each project has merit and would benefit a segment of affordable housing in the City of Des Moines. However, the City is limited in the amount of funds that can be contributed to each project.

SUMMARY OF PROJECTS

Homes of Oakridge– Western half of project, closest to 15th Street

Developer – Homes of Oakridge, Teree Caldwell-Johnson/Newbury Development as Consultant, Frank Levy, Principal

Project – Rehabilitation of Existing Very Low Income units

Number of Units – 150 Total Units, 150 Affordable Units

This projects provides rehabilitation for ½ of the existing units, there are 300 total units at the Homes of Oakridge Development

Area Median Gross Income (AMGI) to be served – 90 at 60% AMGI, 60 at 40% AMGI (In reality this will serve a much lower income clientele because of HUD contracts with Homes of Oakridge).

Commitment to Affordability – 30 years

Management Company – Oakridge Neighborhood Services, Teree Caldwell-Johnson, Executive Director
Neighborhood Action – Not included within a recognized neighborhood.

Funding Request – \$250,000 of HOME

Staff Recommendation – Funding Support of \$225,000 from HOME dollars.

The project initiates a major rehabilitation of the buildings and site at the Homes of Oakridge. It is important to the City to continue to maintain existing low income rental housing in very good condition, particularly in this key location near the Sherman Hill Neighborhood and the downtown. The Homes of Oakridge provides housing for large families and will invest in handicapped accessible units, both of which are goals of the Consolidated Plan. The development team is deferring some of the developer fee in order to provide more services for the tenants. They are also requesting an additional \$800,000 from the Iowa Department of Economic Development to match the city's commitment and working closely with the U.S. Department of Housing and Urban Development on a loan to provide additional rehabilitation funds.

YMCA Men's Supportive Housing – 2715 Dean Avenue

Developer – Greater YMCA of Des Moines, 101 Locust, Des Moines, Consultant Conlin Properties

Project – New Construction of 150 single room units. The project may also include a family village with units to assist families as well as a commercial building to include local health clinic and fitness equipment.

Number of Units –150 Affordable Units

Area Median Gross Income (AMGI) to be served – 90 at 60% AMGI, 60 at 40% AMGI

Commitment to Affordability – 30 years

Management Company – YMCA, 101 Locust, Des Moines

Neighborhood Action – The Fairground Neighborhood Organization has reviewed the project but not taken a formal action at this time.

Funding Request – \$250,000 of HOME funds

Staff Recommendation – Funding Support of \$225,000 from HOME dollars.

The addition of \$225,000 in City HOME funds allows this project to meet IFA's required Debt Coverage Ratio of 1.15. This project did not originally request City Home funds but on Monday, October 15, 2007, IFA made 15 changes to its application, including formula changes. These changes required the need for additional funding.

This is a complicated development that combines health services for the neighborhood as well as the development. At this point, no developer fee is being deferred because of the development's complexity. IFA staff has indicated that the project will require "scrupulous" oversight. The developer fee is set aside to address the personnel to oversee the two-year development from start to finish. This will also provide for record-keeping to IFA to issue 8609s at the end of the development, as well as closing the

financing and syndication for the tax credits, especially with two different types of units and clients within the same site.

Preservation Rose – Scattered Site, 14 Single Family Renovation For sale after 15 yrs. to a homeowner. Addresses and neighborhoods include:

Cheatom Park neighborhood: 1160 9th Street

King-Irving Neighborhood: 1338 Clark Street, 1246 10th Street, 1400 10th Street, 1404 10th Street,

Mondamin Presidential Neighborhood: 1511 18th Street, 1539 18th Street, 1709 Gillette

Drake Neighborhood: 1158 MLK Pkwy, 1061 21st Street, 1809 22nd Street

River Bend Neighborhood: 1809 9th St., 1463 5th Street

No Neighborhood: 1163 MLK Pkwy

Developer – Preservation Rose, LLLP, National Affordable Housing Foundation, Kate Ridge, President, 12289 Stratford Drive, Clive, IA 50329

Project – Purchase and rehabilitate single family units from Des Moines Municipal Housing Agency.

The units will use IFA's Renter to Ownership Savings Equity (ROSE) for rental for 15 years but will then be sold for homeownership.

Number of Units – 14

Area Median Gross Income (AMGI) to be served – 6 at 60% of AMGI; 5 at 50% of AMGI, 3 at 40% of AMGI

Commitment to Affordability – 15 years

Management Company – RPM Services, a state-wide Property Management Firm with experience in the ROSE program and Tax Credit Programs. Deb Chambers, Director

Neighborhood Action – The applicant is in the process of requesting neighborhood comment. Staff has not received information from the neighborhoods.

Funding Request – \$120,000 of HOME funds

Staff Recommendation – Funding support for \$75,000 of HOME funds

At its September 24, 2007, meeting by Roll Call No. 07-1808, the Des Moines Municipal Housing Agency Governing Board approved an action to continue negotiation with Preservation Rose, LLLP for the Disposition of 14 single family units. The proposal from Preservation Rose is to operate a Renter to Ownership Savings Equity (ROSE) program through the LIHTC Program. Housing is rented for 15 years and a portion of the rent is escrowed for the eventual homeowner. Residents may stay in the units for a number of years or may move into homeownership more quickly by finding another home. The resident will be able to use the money escrowed toward a down-payment on the home of their choice. All the units will be sold at the end of fifteen years to homeowners.

The National Affordable Housing Foundation will work with clients to help them escrow savings, clean up credit and learn practical homeownership skills to help them become a homeowner. National Affordable Housing Foundation will provide homeownership counseling and help in the selection of clients for the program. Another local nonprofit, yet to be determined, will help provide the physical skills necessary to obtain and maintain homeownership. Before final commitment, staff would require much more information about management of the structures and client supportive services.

Kate Ridge, President of the National Housing Foundation, is currently working with a nonprofit organization operating a successful rent-to-own program in Davenport and has worked for many years with the John Lewis Community Shelter in Davenport.

Fort Des Moines Senior Living– 500-600 Block of Southwest Army Post Road

Developer – Akers Holding, L.L.C., Tom Akers President, 129 Marlou Parkway, Des Moines 50320

Project – New Construction of Affordable Senior Housing
 Number of Units – 57 Total Units, 57 Affordable Units
 Area Median Gross Income to be served (AMGI) – 46 at 60% AMGI, 11 at 40% AMGI
 Commitment to Affordability – 30 years
 Management Company – T & L Properties, LC, Ted Oswald, Granger, Iowa
 Neighborhood Action– A letter of support has been received from the Somerset Neighborhood Association and the South Side Revitalization Partnership.
 Funding Request – \$300,000 of HOME funds
 Staff Recommendation – Funding support for \$200,000 of HOME funds

This is a project that has support from the Neighborhood Association and Revitalization Partnership along Army Post Road. It will provide needed housing for Low Income Seniors on the south side and reuse a parcel located near the Fort Des Moines. The developer is meeting with the Iowa Department of Economic Development for additional HOME funds and is adjusting the project to meet the IFA required Debt Coverage Ratios. The developer also has a proposed developer fee of \$744,000. A portion of the developer fee will need to be deferred as a condition of the HOME commitment.

Crane Artists Lofts - 1440 Walnut

Developer –MDI Limited Partnership #86, Metro Plains Partners, LLC., St. Paul, Minnesota, Rob McCready, Co-President
 Project – Renovation of historic building to mixed-income housing for artists
 Number of Units –30 Total Units, 24 Affordable Units
 Area Median Gross Income (AMGI) to be served – 12 at 60% AMGI, 6 at 50% AMGI, 6 at 40%
 Commitment to Affordability – 30 years
 Management Company — T & L Properties, LC, Ted Oswald, Granger, Iowa
 Neighborhood Action – Letter of support from the Downtown Neighborhood Association
 Funding Request – \$525,000 of TIF and or HOME/CDBG funds
 Staff Recommendation – Funding Support for \$500,000 from a combination of TIF/HOME

This is a mixed income development of an historic building which City Council has supported for Low Income Housing Tax Credit Projects in the past. The developer has been in discussions with the artist galleries and community immediately surrounding the building to provide needed services. The entire first floor of common space will be available for building residents and outside arts groups, there will also be space available for lease to artists groups. The first floor will include art production spaces for visual arts and pottery, performance space, gallery space, building office and a fitness center. The outdoor plaza area will include a large landscaped sculpture garden and performance area.

Because of the manner in which State Historic Tax Credits have been distributed in the past, IFA requires that the project be underwritten without the use of the State Credits. The information submitted does not include a deferred developer fee because of the underwriting problems with the State Historic Credit.

Hawthorn Hill II – 10th and Chestnut (North of the Historic Hawthorn Hill)

Developer – Chestnut Hills, LLC, Gandolf Group/ MetroPlains 5453 Parkdale Drive, Suite 350, St. Louis Park, MN 55416, Bruce Larson
 Project – New Construction of Affordable Family Housing,
 Number of Units – 44 Total Units, 44 Affordable Units
 Area Median Gross Income (AMGI) to be served– 17 at 60% of AMGI ; 27 at 40% AMGI; 11 units for persons/families with disabilities.

Commitment to Affordability – 30 years
Management Company – T & L Properties, LC, Ted Oswald, Granger, Iowa
Neighborhood Action – Letter of support from the Downtown Neighborhood Association.
Funding Request – \$250,000 of HOME and \$250,000 of TIF
Staff Recommendation – No support financially beyond tax abatement

This is an interesting project that would provide needed housing. The developer has been working with Easter Seals and Mainstream on services to be provided to the occupants of the building. City staff has been observing good work on the renovation of Hawthorn Hill which is being completed by the same companies. The pro-forma shows that the developer would request \$800,000 of Iowa Department of Economic Development (IDED) funds to complement the city funds and has deferred approximately one half of the allowed developer fee.

Staff does not recommend funding because the project does not provide mixed income housing in the downtown as Council has required in the past. In addition, the project continues to concentrate low income housing in the northwest portion of the downtown. Lastly, there are not enough HOME and TIF funds to provide funding for the project if other projects are to be supported.

Metro Lofts – 255 Vine Street

Developer – Sherman Associates Development, LLC, George Sherman, 233 Park Ave S., Minneapolis, MN

Project – New Construction of Mixed Income Housing

Number of Units – 111 Total Units, 49 Market Rate, 62 Affordable Units

Area Median Gross Income (AMGI) to be served – 62 at 60% AMGI

Commitment to Affordability – 30 years

Management Company – Sherman Associates Property Management

Neighborhood Action – A letter of support has been received from the Downtown Neighborhood Association and the developer has asked for an updated letter.

Funding Request – \$1.5 million of Tax Increment Funding (of the \$1.5 Million, \$500,000 has already been expended upon purchase of the land).

Staff Recommendation – Reaffirm support from Tax Increment Funding for \$1,000,000.

By Roll Call 06-910 on May 8, 2006, the City Council approved a request from Sherman Associates to amend the Urban Renewal Development Agreement for Metro Lofts to building apartments with underground parking similar to the Vine Street Lofts at 101 2nd Avenue. By Roll Call No. 06-2237, on November 6, 2006, the City Council took action to support this project to IFA for a 2007 LIHTC project and utilize \$1.5 million dollars of TIF for funding. Unfortunately, the project did not receive an allocation of credits in the 2007 round.

The project initiates a new mixed income development on a key infill site in the downtown near other features including the Science Center and Vine Street lofts. The City has been working on the development of this site with Sherman Associates over the last year.

Randolph Hotel and Associated Buildings– 202 4th Street, 407-409 Court Avenue, 206-208 4th Street

Developer – BH Companies, Equities, LLC, Harry Bookey President, 400 Locust Street, Suite 790

Project – Rehabilitation of three Historic Buildings

Number of Units – 48 Total Units

Area Median Gross Income (AMGI) – 48 at 60% of AMGI,

Commitment to Affordability – 30 years

Management Company – BH Companies, Equities L.L.C., Harry Bookey President

Neighborhood Action – The developer has contacted the Downtown Neighborhood and is requesting a time to on their November agenda to present the project and obtain a letter of support.

Funding Request – \$937,500 of Tax Increment Funding

Staff Recommendation – Support from Tax Increment Funding of \$937,500

This project initiates a historic rehabilitation for housing and retail on a key site in the Court Avenue Area. It supports Council goals of development on an infill site. The project does not incorporate mixed income housing into the project; however, there are a large number of market rate projects in the Court Avenue Area. The project does add retail space which will bring all income groups to the district.

The following projects will also submit an application to IFA but does not request City Council funds or require Council action:

Deer Ridge VI Apartments – 6000 Creston Avenue, Buildings D & E

Developer – Deer Ridge VI, LP, James C. Conlin, President, Conlin Properties, 319 7th St., Suite 500 Des Moines

Project – New Construction of Affordable Family Housing

Number of Units – 40 Affordable Units

Area Median Gross Income (AMGI) to be served – 32 at 60% AMGI, 8 at 40% AMGI

Commitment to Affordability – 30 years

Management Company – Conlin Properties, Inc. James C. Conlin, President, Des Moines

Willow Bend Apartments – 6116, 6700, 6800 SW 9th Street

Developer – Willow Bend I, L.P., James C. Conlin, President, Conlin Properties, 319 7th St., Suite 500 Des Moines

Project – Rehabilitation of existing market rate housing

Number of Units – 60 Affordable Units

Area Median Gross Income (AMGI) – 48 at 60% AMGI, 12 at 40% AMGI

Commitment to Affordability – 30 years

Management Company – Conlin Properties, Inc. James C. Conlin, President, Des Moines

Willow Bend Apartments – 6500 SW 9th Street

Developer – Willow Bend II, L.P., James C. Conlin, President, Conlin Properties, 319 7th St., Suite 500 Des Moines

Project – Rehabilitation of existing market rate housing

Number of Units – 24 Affordable Units

Area Median Gross Income (AMGI) to be served – 19 at 60% AMGI, 5 at 40% AMGI

Commitment to Affordability – 30 years

Management Company – Conlin Properties, Inc. James C. Conlin, President, Des Moines

Southern Hills Apartments – 7201 SE 14th Street

Developer – Garrison L. Hassenflu, President, Garrison Development Company, 416 E. 3rd Street, Kansas City, MO

Project – New Construction of Mixed Income Project

Number of Units – 52 Total Units; 45 Affordable Units, 25% of the units will be for the disabled.

Area Median Gross Income (AMGI) to be served – 34 at 60% AMGI, 11 at 40% AMGI

Commitment to Affordability – 30 years

Management Company – Garrison Management Company, Garrison Hassenful, President, 416 E. 3rd Street, Kansas City, MO

PREVIOUS COUNCIL ACTION(S):

Date: September 24, 2007

Roll Call Number: 07-1808

Action: [Approving](#) amending the authorization to negotiate with Preservation Rose, LLLP for the disposition sale of 1338 Clark St., 1511 18th Street, 1539 18th Street, 1463 5th Street, 1709 Gillette Street, 1158 MLK Pkwy., 1163 MLK Pkwy., 1160 9th Street, 1809 9th Street, 1246 10th Street, 1400 10th Street, 1404 10th Street, 1061 21st Street and 1809 22nd Street. ([Board Communication No. 07-590](#)) Moved by Vlassis to approve. Motion Carried 7-1.

Date: June 18, 2007

Roll Call Number: 07-1170

Action: Allocations for the HOME Investments Partnerships Program (HOME). ([Council Communication No. 07-364](#)) Moved by Hensley to adopt. Motion Carried 6-1.

Date: November 6, 2006

Roll Call Number: 06-2237

Action: [Support](#) of application by Sherman Associates Development, LLC for construction of mixed income housing at 255 Vine Street. Moved by Hensley to adopt. Motion Carried 6-0.

Date: May 8, 2006

Roll Call Number:06-910

Action: [From](#) Sherman & Associates requesting City consideration of an amendment to the Metro Lofts project (100 2nd Avenue) to change development from approximately 70-80 condominiums with underground parking, to an estimated 105 unit apartment with underground parking similar to the Vine Street Lofts at 101 2nd Avenue. ([Council Communication No. 06-270](#)) Moved by Hensley to receive and file, and to authorize the City Manager to negotiate with Sherman & Associates for an amendment to the Urban Renewal Development Agreement for Metro Lofts consistent with the Council Communication, for further consideration by the City Council. Motion Carried 6-1.

Date: November 8, 2004

Roll Call Number: 04-2395

Action: Support for low-income housing tax credit application to Iowa Housing Finance Authority by Mid Limited Partnership #86 for rehabilitation of 31 units of mixed-income housing that includes 16

units of family housing at 1440 Walnut (Crane Building). Moved by Hensley to adopt. Motion Carried 7-0.

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:

All preliminary funding commitments will require additional Council actions if the project receives an allocation of Low Income Housing Tax Credits.