

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date</b>	October 27, 2008
	<b>Agenda Item No.</b> <b>59</b> <b>Roll Call No.</b> <b><u>08-</u></b> <b>Communication No.</b> <b><u>08-650</u></b> <b>Submitted by: Larry Hulse, Director</b> <b>Community Development Department</b>	

**AGENDA HEADING:**

Resolutions regarding support for Low-Income Housing Tax Credit applications for nine (9) housing projects within the City of Des Moines. Resolutions of Preliminary Financial Support from HOME or Tax Increment Finance (TIF) funding sources for five (5) of the applications.

**SYNOPSIS:**

There are a total of nine (9) applications for the 2009 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 has reinstated awarding points for City Council approval of a project, and asks local governments if they support the project, have a preference for one project over others or if they oppose the project. All projects will utilize tax abatement for the local contributing effort. Of the projects, five (5) are asking for a preliminary financial commitment of HOME/CDBG Housing Funds, Tax Increment Financing Funds, or Enterprise Zone commitment approval. The attached roll calls take action on each project.

**FISCAL IMPACT:**

Amount:

- ML King Brickstone - \$250,000 of HOME Funds requested.
- Fort Des Moines Senior Living - \$300,000 of HOME Funds requested.
- Oak Point Apartments - \$250,000 of HOME Funds requested.
- Crane Artists' Lofts - \$500,000 of Tax Increment Financing Funds or HOME/CDBG funds requested.
- Metro Lofts - \$660,000 TIF already spent on purchase of land, additional commitment of \$840,000 TIF.
- Willow Bend I Apartments – none.
- Homes of Oakridge – none.
- Rumely Building – none.
- Melbourne Apartments – none.

Funding Source:

Development Opportunities – Fund CP065, Organization CMO90000, Project URR099 (p. 5 of FY07-08 Capital Improvements Program, Plan Year 2010-11) Project URR092 \$500,000 adopted 2007-2008, \$250,000 in 2008-2009 and \$250,000 in 2009-2010  
Special Revenue Funds Home Grants – SP036 CDD049900HOME Funds. \$500,000 will be from the 2009 allocation from the U.S. Housing and Urban Development Department which has not yet been received and \$250,000 from the 2008 allocation

**ADDITIONAL INFORMATION:**

The Iowa Finance Authority (IFA) has made substantial changes to the applications for the 2009 round of Low Income Housing Tax Credits (LIHTC). The LIHTC is a major financing tool to encourage developers to build and renovate low-income rental housing. IFA allocates credits to developers and those credits are sold to syndicators to raise equity for financing the low income rental project.

The Heartland Disaster Tax Relief Act of 2008 and Housing and Recovery Act of 2008 dramatically increased funding to Iowa's per capita allocation of Low Income Housing Tax Credits. IFA estimates it will have approximately \$16.2 million in LIHTC to allocate by the end of December 2008 and an additional \$27 million to award before the end of calendar year 2009. As a result, the IFA board passed multiple changes to the application process in order to stream line and use the credits effectively. Projects must still serve persons and families below 60% of the median income, meet strict underwriting and show a market demand for their proposed housing, but many of the scoring and set aside categories are no longer required.

The largest obstacle for developers is not the IFA competition but the ability of developers to sell the credits to an underwriter at a decent credit pricing. Two years ago credits sold around 92 cents on the dollar but dropped into the 80 to 85 cent level in last year's round. It is expected the credit value will drop again this year. When the increased tax credits were proposed by Congress the market was still strong and Iowa's congressional delegation expected the credit increases to help with replacement affordable housing. Fewer syndicators are currently buying credits because of the financial market and those projects for which credits are purchased may expect a return lower than previously received.

Syndicators reportedly are asking for "plain vanilla projects" which have as few deviations as possible. For example, local and out-of-state developers are reporting it will be extremely difficult to sell credits with mixed-income units. They also would like to minimize any housing set aside for units at 40% of median income because of the additional difficulties in syndicating.

Although the application round for LIHTC opens on October 31, 2008, IFA has instituted an open door policy. Developers may submit projects any time throughout the year. There are nine (9) projects that were submitted to staff in August and September that are being considered at this City Council meeting. Submitting as early as possible is important to developers so they are early in the queue to be reviewed by IFA, allocated their credits quickly, and continue to work with syndicators on funding commitments and credit pricing.

IFA has reinstated awarding 10 points to the project if the city council provides a current letter of support and preference for the project among projects under consideration. When there are competing projects for Federal low income housing tax credits from a city, it is valuable for the Iowa Finance Authority (IFA) to know which projects the city both supports and prefers over other similar tax credit applicants. IFA does not require the project have a letter of support to receive funding, but particularly wants to know if a city or county has a preference or objects to the project.

The developers for the nine projects on this agenda are each asking for such a letter of support and preference. There is no cap on the number of units that a city can support because of the amount of credits that are available. Staff expects several more projects to be submitted in the next few weeks and months. While staff recommends that each of these nine projects be supported, no additional projects should be reviewed or supported by City Council until such time as Council has reestablished criteria for support of the projects.

IFA still requires projects to provide a letter of contributing effort to a project for underwriting purposes and a letter of correct zoning to be provided by local officials. IFA still requires a proposed development to receive 150 points from the IFA scoring section but those points can be for a wide variety of items relating to location, building characteristic, resident profile and impact on the environment. A project does not have a better chance of IFA funding if it receives 200 points versus 150.

**HOME Funds** – Three LIHTC projects have requested local HOME funds. The City will receive approximately \$900,000 in HOME funds for 2009. Staff will bring a proposal for use of the HOME funds to the City Council in the spring after the Congress passes final authorization. The HOME dollars annually generally support one or two LIHTC projects, single family new construction and Lead based paint hazard correction in owner-occupied housing. By Roll Call 06-569 on March 20, 2006, the City Council passed a general policy that no individual LIHTC project should receive over than \$250,000 and that LIHTC projects should not receive more than 40% of the total HOME funds for the year. The attached project funding recommendations include a commitment of \$750,000 of HOME funds because there are some remaining HOME funds from 2008 that can be committed to one of the projects.

The policy also states that all HOME funds are a loan with a minimum of an interest only payment collected annually. The minimum interest rate in the policy is 1%. The Housing and Economic Recovery Act of 2008 amends and clarifies that HOME loans for LIHTC do not require a basis reduction regardless of their interest rate. The City does not have to charge an interest rate as we would have in the past LIHTC projects, but staff believes it is necessary to generate program income for the HOME program over the life of these loans and wants to continue this practice.

Any commitment of funds must be preliminary as the pro-forma of projects will change as the pricing for the tax credits is finalized. The project may need more or less funding depending on a number of factors. A commitment of additional funds to a LIHTC project will result in other programs funded with HOME dollars to be cut back. Because HOME funds have to be committed within 2 years of their award, staff will place a time frame on the use of HOME funds to ensure a project having difficulty obtaining a syndicator is not holding up the use of HOME funds for another project needing funds and presenting itself at a later date.

The NRB did briefly review the proposed projects at its meeting of September 8, 2008. Members supported the projects but wanted to assure that strict standards of development were maintained and that adequate parking was provided for all the projects, particularly those in downtown.

## **PROJECTS**

### **ML King Brickstone– Between 18<sup>th</sup> and 19<sup>th</sup> Street, north of freeway, south of Atkins**

Developer –MLK Brickstone, L.L.C., Jack Hatch and Ryan Galloway, 1312 Locust Street, Des Moines, IA 50309

Project – New Construction

Number of Units – 54 Total Units, 54 Affordable Units

Area Median Gross Income to be served (AMGI) – 52 at 60% AMGI, 2 at 40% AMGI

Commitment to Affordability – 30 years

Management Company –Perennial Properties, 696 18<sup>th</sup> Street, Des Moines, IA, Sonja Roberts, President

Neighborhood Action– No neighborhood organization

Funding Request – \$250,000 of HOME funds

Staff Recommendation – Funding support for \$250,000 of HOME funds based on preliminary proforma submitted. This property also has two city liens against two of the lots because of the demolition of two public nuisance properties. The costs for those demolitions are:

1045 19:	Decree 5/8/03 \$10,310.89 Demolished on 4/23/04	1051 19:	Decree 9/11/04 \$16,003.93 Demolished on 1/5/05
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Staff recommends that these costs be waived at such time as the developer enters into a HOME contract with the city if the developer is successful in obtaining a LIHTC project. This development company purchased the land after demolition of the properties; two of the lots which were obtained through tax sale certificates. If the final subsidy layering and pro forma show that less city funding is needed for the project, city staff will lower the amount of HOME funds to be provided to the project. The project will also receive 10 year tax abatement. The Enterprise Zone designation (if approved) will provide additional state credits and a reduction on sales tax. There is one tenant that remains on this site in the duplex at 1039 19<sup>th</sup> Street. Any relocation costs will need to come from the developer fee or land cost.

A letter of city support should be sent to IFA for this project because the developer has assembled and proposed to redevelop an infill parcel in the central part of the City. The developer has completed several successful projects in the city and goes above and beyond to ensure the design of the property is complementary to the neighborhood.

**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 was received last year from the Somerset Neighborhood Association and the South Side Revitalization Partnership. Mr. Akers has continued to work with the neighborhood over the past year.

Funding Request – \$300,000 of HOME funds

Staff Recommendation – Funding support for \$250,000 of HOME funds based on preliminary proforma submitted and City Council policy. The Enterprise Zone designation (if approved) will provide additional state credits and a reduction on sales tax. The site is located in a five year tax abatement area.

This site has nine existing rental units scattered among seven houses. The expenditure of HOME funds brings a requirement that the Uniform Act of Relocation be followed for any displaced renters. This will involve some costs for the developer which will need to come from the developer fee or from the cost of the land.

A letter of city support should be sent to IFA for this project because it 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 vacant parcel located near the Fort Des Moines and Army Post Road businesses.

**Oak Point Apartments– 2501 24<sup>th</sup> Street**

Developer –Oak Point, L.L.P., Joseph Waldman, 1939 Tyler Street, Hollywood, Florida 33020

Project – New Construction

Number of Units – 36 Total Units, 36 Affordable Units

Area Median Gross Income to be served (AMGI) – 36 at 60% AMGI, 2 at 40% AMGI

Commitment to Affordability – 30 years

Management Company –Perennial Properties, 696 18<sup>th</sup> Street, Des Moines, IA, Sonja Roberts, President

Neighborhood Action– No neighborhood organization

Funding Request – \$250,000 of HOME funds

Staff Recommendation – Funding support for \$250,000 of HOME funds based on preliminary proforma submitted. The Enterprise Zone designation (if approved) will provide additional state credits and a reduction on sales tax. This site is in a five year tax abatement area.

A letter of city support should be sent to IFA for this project because it demolishes a vacant and decayed building and it redevelops an infill parcel in the central part of the City. This is the first LIHTC the developer has proposed in Iowa but the company has completed LIHTC projects in other states. Mr. Waldman’s company has developed market rate housing both nationally and internationally.

#### **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 housing with preference for artists

Number of Units –34 Total Units, 34 Affordable Units

Area Median Gross Income (AMGI) to be served – 27 at 60% AMGI, 7 at 40%

Commitment to Affordability – 30 years

Management Company — T & L Properties, LC, Ted Oswald, Granger, Iowa (proposed)

Neighborhood Action – Letter of support from Downtown Neighborhood in 2007 and developer has requested an updated letter.

Funding Request – \$500,000 of TIF and or HOME/CDBG funds

Staff Recommendation – Funding Support for \$500,000 from a combination of TIF/HOME based on the preliminary proforma submitted and City Council policy. If the project is selected in the “lottery” for State Historic Tax Credits it will not need HOME/CDBG funds except as a bridge loan which can be paid at the time of permanent financing. The demand for State Historic Tax Credits is greater than the supply and projects are not guaranteed funds.

This is an historic renovation 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 artist community immediately surrounding the building to provide needed services for artists. The building will include workspaces and gallery spaces for artists living in the building.

The existing Enterprise Zone designation will provide additional state credits and a reduction on sales tax. The project is eligible ten-year tax abatement.

A letter of city support should be sent to IFA for this project because it is located on a visible portion of the ML King Parkway near other artist galleries and housing. Its development should support other housing and retail development in the immediate area. Metro Plains partnered with Gandolf Group and recently renovated Hawthorn Hill in Des Moines.

**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 submitted from the Downtown Neighborhood Association last year and the developer has asked for an updated letter.

Funding Request – \$1.5 million of Tax Increment Funding. Of the \$1.5 Million, \$660,000 has already been expended upon purchase of the land. The additional commitment is \$840,000.

Staff Recommendation – Funding support from Tax Increment Funding for additional \$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 2<sup>nd</sup> Avenue. By Roll Call 06-2237 on November 6, 2006 the City Council took an 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 projects resubmitted in 2008 and also did not receive an allocation of credits.

The existing Enterprise Zone designation will provide additional state credits and a reduction on sales tax. The project is eligible for ten-year tax abatement.

A letter of city support should be sent to IFA for this project. 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 past three years.

**Willow Bend I Apartments – 6616, 6700, 6800 SW 9<sup>th</sup> Street**

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

Project – Rehabilitation of existing market rate housing

Number of Units – 60 Affordable Units

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

Commitment to Affordability – 30 years

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

Neighborhood Action – Not included within a recognized neighborhood.

Funding Request – None

Staff Recommendation: A letter of City support should be sent to IFA for this project because it is located on a visible portion of SW 9<sup>th</sup> across from the zoo. Its rehabilitation will ensure that the building is more attractive and continue to provide housing for low income families. Mr. Conlin is an experienced tax credit developer who has built and renovated many properties throughout the City of Des Moines.

**Homes of Oakridge– Eastern half of project,**

Developer – Oakridge Neighborhood Associates Phase II, L.P. 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 – 150 at 60% of 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 Dir.

Neighborhood Action – Not included within a recognized neighborhood.

Funding Request – None

Staff Recommendation –

By Roll Call 07-2077 on October 25, 2007, the City Council preliminary approved a HOME Loan of \$225,000 to the Oakridge Neighborhood Associates, L.P. for rehabilitation of 150 units of housing at the Homes of Oakridge. The Phase I project was awarded both an allocation of LIHTC and State Home funds. Staff has worked with the Teree Caldwell-Johnson and Frank Levy over the past year and will be presenting final documents to Council for a \$1,050,000 HOME loan (includes both state and city HOME funds) in the next month. Because of additional tax credits and the enterprise zone designation, the developer does not believe that HOME funds are needed in order to make the second phase of the project financially feasible.

A letter of City support should be sent to IFA for this project because it will continue 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 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 Rumely Building – 104 SW 4th Street**

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

Project – Historic Rehabilitation, Ground Floor Commercial

Number of Units –66 Affordable Units

Area Median Gross Income (AMGI) to be served – 66 at 60% AMGI

Commitment to Affordability – 30 years

Management Company – Sherman Associates Property Management

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

Funding Request – None

Staff recommendation - This is an historic renovation which sits just north of the Science Center. The first floor will be commercial uses enhancing the area between the Science Center and Court Avenue for visitors and residents. Sherman Associates has just purchased the option for the building and is working/ negotiating with Jay Trevor who had previously proposed a mixed income tax credit project for the site. The project already has State Historic Tax Credits reserved so the developer does not anticipate needing any city subsidy at this time.

The existing Enterprise Zone designation will provide additional state credits and a reduction on sales tax. The project is eligible for ten-year tax abatement.

A letter of city support should be sent to IFA for this project because it is located on a visible portion of the ML King Parkway near other artist galleries and housing. Its development should support other housing and retail development in the immediate area. In addition, it preserves and reuses a building listed on the National Register of Historic Places.

**Melbourne Apartments 5409-5521 SE 14<sup>th</sup> Street**

Developer – Melbourne Apartments I, LLLP. The general partner will be Melbourne I, LLC, a wholly owned subsidiary of Hubbell Realty Company.

Project – New Construction, three buildings

Number of Units –84 Affordable Units

Area Median Gross Income (AMGI) to be served – 84 at 60% AMGI

Commitment to Affordability – 30 years

Management Company – Hubbell Management Company

Neighborhood Action – None

Funding Request – None

Staff recommendation – The project is not requesting any direct City Assistance. The Enterprise Zone designation (if approved) will provide additional state credits and a reduction on sales tax. This site is in a five year tax abatement area.

A letter of city support should be sent to IFA for this project because it develops a significant number of housing units along East 14<sup>th</sup> Street and will contribute to the revitalization of this corridor.

**PREVIOUS COUNCIL ACTION(S):**

Date: May 19, 2008

Roll Call Number: 08-881

Action: Amending 2007 Program allocations and adopting 2008 Program allocations for the Home Investments Partnerships Program (HOME). (Council Communication No. 08-303) Moved by Vlassis to adopt. Motion Carried 7-0.

Date: October 22, 2007

Roll Call Numbers: 07-2077, 07-2078, 07-2080, and 07-2082

Action:

Applications to Iowa Housing Finance Authority requesting low income housing tax credits for the following:

- (B) Oakridge Neighborhood Associates, L.P. for rehabilitation of 150 units of low-income family housing at 15<sup>th</sup> and Oakridge Drive. Moved by Coleman to adopt. Motion Carried 7-0.
- (C) MDI Limited Partnership #86 for development of 30 units of mixed-income Artist Housing, 1440 Walnut, The Crane Building. Moved by Coleman to adopt. Motion Carried 7-0.
- (E) Metro Lofts, L.P. for new construction of mixed income housing at 255 Vine Street. Moved by Coleman to adopt. Motion Carried 7-0.



- (G) Akers Holding, LLC, for new construction of 57 units of low-income senior housing, between 5<sup>th</sup> and 6<sup>th</sup> Streets on S.W. Army Post Road. Moved by Coleman to adopt. Motion Carried 7-0.

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 2<sup>nd</sup> 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 2<sup>nd</sup> 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.

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

Date: September 8, 2008

Board: Neighborhood Revitalization Board

Action: Review of Low Income Housing Tax Credit Projects, no action taken

**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.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the second floor of City Hall, 400 Robert D Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).