



# Council Communication

Office of the City Manager

<b>Date</b>	December 8, 2008
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<b>Agenda Item No.</b>	22
<b>Roll Call No.</b>	<u>08-</u>
<b>Communication No.</b>	<u>08-719</u>
<b>Submitted by:</b>	Larry Hulse, Community Development Director

## AGENDA HEADING:

Support a Low Income Housing Tax Credit Project for the rehabilitation of 150 units of low income family housing located near 1236 Oakridge Drive, referred to as the Homes of Oakridge Phase I, and authorizes staff to negotiate a HOME loan of up to \$250,000.

## SYNOPSIS:

Allows staff to negotiate with ONS Ventures, Inc. (Robert Rafferty, President, Homes of Oakridge Associates, L.P., an Iowa limited liability partnership, ONS Ventures, Inc. its general partner,) with offices at 1236 Oakridge Drive, Des Moines, for a HOME loan of up to \$250,000 to fill a financing gap on a 150-unit rehabilitation project that has applied for an allocation of Low Income Housing Tax Credits from the Iowa Finance Authority (IFA). City Council had approved a preliminary commitment of \$225,000 in HOME funds on October 22, 2007.

## FISCAL IMPACT:

Amount: \$250,000

Funding Source: Special Revenue Funds HOME Grants – SP036 CDD049900HOME Funds

## ADDITIONAL INFORMATION:

In the 2008 round of Low Income Housing Tax Credits (LIHTC), the Homes of Oakridge was allocated tax credits for rehabilitation of 150 units of existing low income housing. By Roll Call 07-2077 on October 22, 2007, the Des Moines City Council preliminarily approved a HOME loan of \$225,000 to the Oakridge Neighborhood Associates, L.P. for rehabilitation of 150 units of low income family housing. The applicant requested a loan of \$250,000 at that time, but the City only had \$225,000 of HOME funds available.

Unfortunately, after signing a preliminary agreement with the National Equity Fund (NEF) for tax credit syndication, NEF was not able to buy the tax credits. Oakridge has subsequently submitted a new application to IFA for a larger amount of tax credits under the new rules as established in 2008. NEF has indicated that it plans to buy the credits if additional credits are awarded but at a lower price range.

The general partner that has been formed for the LIHTC project purpose is now ONS Ventures, Inc. but the board of the corporation is still the same as the board of the Homes of Oakridge. Robert Rafferty, as the Chair of the Homes of Oakridge Board, is the president of ONS Ventures, Inc. and will be the signatory on the agreements. The Developer is Newberry Development Company, Frank Levy,

President, 3408 Woodland Avenue, West Des Moines. IFA now requires that an experienced developer manage the development of the LIHTC project and Newberry has experience with projects both in Polk County and other areas of the state.

After a preliminary subsidy layering review, as required by the HOME regulations, it appears the rehabilitation project requires an additional \$25,000 of HOME funding to meet required Debt Coverage Ratios. The City has available an additional \$25,000 that can be provided to the project which would increase the City preliminary commitment of HOME funds to \$250,000. The loan amount of \$250,000 is in compliance with a City Council policy adopted March 20, 2006 by Roll Call 06-569 that states up to \$250,000 of funding can be provided to a LIHTC project with all the money repaid to the City at a minimum 1% interest rate.

The developer has also submitted an application for \$900,000 of HOME funds to the Iowa Department of Economic Development. In the past, City and State Home funds awarded to projects have often been administered through the City of Des Moines. This saves some duplication for the developer and allows the City to receive the payments for both the State and City HOME funds for use in future affordable housing projects. It also allows the City and State to coordinate awards so that the minimum amount of funds is committed to the project.

The current pro-forma shows a \$1.3 million developer fee which is the first place staff looks before negotiating for HOME funds. This developer fee is \$500,000 less than the \$1.8 million dollar maximum fee that is allowed under the tax credit program. In addition, the national syndicators are insisting LIHTC projects budget for a substantial developer fee because it is the only true contingency the developer can use for problems with the project. Generally, a developer fee is reduced throughout the project as unanticipated issues arise. Of the fee, \$44,000 is being deferred at this time.

Lastly, the developer fee will be split between Newberry Development and the ONS Ventures, Inc. ONS will utilize the developer fee it receives for operating programs at the Homes of Oakridge and investing in the development and residents of the development. The Development Services Agreement is also in the process of being negotiated between the two entities.

The buildings of the Homes of Oakridge are 38 years old and in need of rehabilitation and updating. Occupying the 300 units of the entire complex are 982 residents and 488 children.

The architects for the projects are attempting to return to the best parts of the original design and also incorporate needed upgrades to the buildings. When constructed, three building types were erected with interior courts connecting the structures. The architects are proposing rehabilitation ideas that range in complexity. Some simple ideas are proposed that should make a big difference in appearance such as ensuring the gutters and downspouts match the color of the roof and introducing warmer residential colors for trim. Other ideas are larger and will involve correcting drainage issues, replacing railroad tie retaining walls with stone, and reopening some paths between buildings. Many of the concrete stoops and wooden patios will be replaced. Safety issues are also a concern including replacing door jams, a trim that contains lead paint and repairing any ceilings or walls that contain asbestos.

Finally, accessibility issues will be addressed at Oakridge. For example, the existing laundry facilities are being converted to units, added on to and converted to four and five bedroom accessible units with two baths. Door jams etc. are being adjusted for accessibility in some of the ground floor units in existing structures.

NCS staff believes this is an excellent opportunity to maintain affordable housing near downtown. The improvements should increase the overall function of the buildings while improving their appearance for the general public and residents.

**PREVIOUS COUNCIL ACTION(S):**

Date: October 22, 2007

Roll Call Number: 07-2077

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.

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

Date: October 1, 2008

Board: Neighborhood Revitalization Board

Action: Approve \$250,000 HOME loan for Homes of Oakridge Phase I Rehabilitation

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Approval of Loan documents with Iowa Department of Economic Development and ONS Ventures, Inc.

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