

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	December 22, 2008
	Agenda Item No. 25 Roll Call No. <u>08-</u> Communication No. <u>08-751</u> Submitted by: Larry Hulse, Community Development Department Director	

AGENDA HEADING:

Resolutions of support for two Low Income Housing Tax Credit Project Applications located at 309 SW 8th Street and 330 SW 7th Street.

SYNOPSIS:

The Iowa Finance Authority (IFA) has reinstated awarding points for City Council approval of a LIHTC project. By Roll Call 08-2162 on December 8, 2008, the City Council approved criteria for review and support of LIHTC applications. The projects located at 309 SW 8th Street and 330 SW 7th Street, to be developed under corporations of the Hubbell Realty Company, are substantially in compliance with the criteria adopted and should be supported.

FISCAL IMPACT: NONE

Amount: N/A

Funding Source: N/A

ADDITIONAL INFORMATION:

The full text of the City Council’s adopted criteria is included on Page 3 of the Communication.

Rocket Transfer Lofts – 702 Elm and 330 SW 7th Street

Developer –Hubbell Realty Company, James R. Weber, Chief Financial Officer, 6900 Westown Parkway, West Des Moines, IA 50266

Project – Renovation of historic warehouse building to housing

Number of Units –58 Total Units, 58 affordable units.

Area Median Gross Income (AMGI) to be served – 58 units at 60% AMGI

Commitment to Affordability – 30 years

Management Company – Hubbell Realty

Neighborhood Action – On December 4, 2008, the project was electronically presented to the association for approval. The board tentatively supports this project for downtown and will official vote to approve the project after a formal presentation in 2009.

Tax Abatement – Ten Years, Total Value \$359,963; Value for Project Pro Forma \$244,568

Enterprise Zone Tax Credit Value - \$141,087

Enterprise Zone Sales Tax Rebate- \$57,850

Funding Request – None

Evaluation of Rocket Transfer Lofts with City Council Criteria:

Concentration/Isolation of Units: The project is located within two blocks of market-rate rental and owner-occupied housing. This includes 120 SW 5th (White Line Lofts) and proposed development at 340 SW 5th. Although the units are 100% restricted to those households below 60% of median income, because of the proximity of other market rate development, they should not be isolated from other housing or concentrated as a low income development.

Needs identified in City's Consolidated Plan: There are no 3 bedroom or very low income units.

Infill Parcel with Connectivity to Neighborhood: The application involves the redevelopment of a building eligible for the National Register of Historic Places. It site is located on the southern edge of the downtown with easy access to employment and cultural opportunities. It is within walking distance to the Downtown School and Walnut Street School as well as Central Campus.

City Initiated Project: – This is not a site for which the City has entered into an urban renewal, development or funding agreement.

Energy Efficiency: – All the original exterior brick walls will be maintained but portions of the interior will be framed out to accommodate insulation of the building envelope. Energy Star rated appliances and compliant lighting will be used throughout the project. Windows will be replaced with double-pane insulating glass and all windows will be operable. Roof Insulation will be R-48 or better.

The project is in compliance with the City Council criteria and staff would recommend support of the project to enable the project to receive ten points for the application.

River Point Lofts - 309 SW 8th Street

Developer –Hubbell Realty Company, James R. Weber, Chief Financial Officer, 6900 Westown Parkway, West Des Moines, IA 50266

Project – Renovation of historic warehouse building to housing

Number of Units –91 Total Units, 91 affordable units.

Area Median Gross Income (AMGI) to be served – 91 units at 60% AMGI, 55 1-bedrooms, 36 2-bedrooms

Commitment to Affordability – 30 years

Management Company – Hubbell Realty

Neighborhood Action – On December 4, 2008, the project was electronically presented to the association for approval. The board tentatively supports this project for downtown and will official vote to approve the project after a formal presentation in 2009.

Tax Abatement – Ten Years, Total Value \$481,834; Value for Project Pro Forma \$327,371

Enterprise Zone Tax Credit Value - \$215,052

Enterprise Zone Sales Tax Rebate- \$81,800

Funding Request - None

Evaluation of River Point Lofts with City Council Criteria:

Concentration of Units: The project is located within two and a half blocks of Market rate rental and owner-occupied housing. This includes 120 SW 5th (White Line Lofts) and proposed development at 340 SW 5th. It will be across the street from the Rocket Transfer Lofts. Because the building is well connected to the rest of the downtown, staff does not believe the units will become isolated or known as an area of only low income housing even though they not within two blocks of market rate housing.

Needs identified in City's Consolidated Plan: There are no 3 bedroom or very low income units.

Infill Parcel with Connectivity to Neighborhood: The application involves the redevelopment of a building eligible for the National Register of Historic Places. It site is located on the southern edge of the downtown with easy access to employment and cultural opportunities. It is within walking distance to the Downtown School and Walnut Street School as well as Central Campus.

City Initiated Project: – This is not a site the City has entered into urban renewal, development or funding agreements.

Energy Efficiency: – All the original exterior brick walls will be maintained but portions of the interior will be framed out to accommodate insulation of the building envelope. Energy Star rated appliances and compliant lighting will be used throughout the project. Windows will be replaced with double-pane insulating glass and all windows will be operable. Roof Insulation will be R-48 or better.

The project is in substantial compliance with the City Council criteria and staff would recommend support of the project to enable the project to receive ten points for the application. Because it is well connected to the downtown, staff would recommend that the Council make an exception for the location within two blocks of market rate housing.

Criteria and Process for Review and Support of LIHTC applications Adopted by Roll Call 08-2162 on December 8, 2008

Review Process: Before City Council reviews the projects, the developer should attend a pre-application meeting with City staff to ensure that the zoning and physical infrastructure is adequate for the development. A general neighborhood meeting should be held with a recognized neighborhood organization with adequate information to allow the neighborhood to make comments on the project's ability to address design, management services and amenities prior to City Council action.

- Only support projects that contain 100% assisted units, if they are located near market rate rental or owner-occupied housing to avoid concentration of assisted units. Within census tract 51 (downtown) support projects where there is existing or potential for market rental or owner-occupied housing within a two block radius of the projects to avoid isolation of assisted housing projects.
- Support projects that meet the housing needs identified in the City's Consolidated Plan, including rental units for families below 50% of median income and three bedroom or larger units.
- Support projects that develop on an infill parcel with connectivity into a neighborhood including a link to schools. Infill is defined as a Brownfield site, a location that includes demolition of a non historic dilapidated building, property that has previously been developed, or centrally located site available for development because of infrastructure improvements. Projects on a commercial corridor should develop links to neighborhoods or pedestrian areas to gain City Council support.
- Support projects for which City Council has entered into development agreements or has authorized staff to begin negotiation including sale of land or commitment of funding. Council should support all projects to which it may support through land contribution, Tax Increment Fund dollars, or federal allocation dollars.

- Support projects that certified by LEEDS (Leadership in Energy and Environmental Design) or other resource sustainable program and/or utilize energy saving technology such as geothermal heating and cooling.
- For rehabilitation of existing assisted or market units, support projects that make substantial external and energy efficient improvements including the use of brick on the outside, conformance with the city's landscape standards and energy efficient heating and cooling systems.

In 1994, the City Council amended the City's Comprehensive Plan to institute guidelines for reviewing LIHTC or any other programs that provide new construction funding for rental housing designed for persons under 80% of median income. The overall goal is that affordable housing be spread equally through the community and not concentrated in any one area of the city. The comprehensive plan also includes the following criteria to evaluate proposals:

- The development's design should be sensitive to and compatible with the character of the surround 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.

Property Taxes and LIHTC projects

Both of these projects will be structured as a condominium regime and take advantage of the roll back provisions of state law. In addition, as a LIHTC the projects utilize Section 441.21 Subsection 2 of the Iowa Code which instructs the assessor to use the productive and earning capacity of the project from the actual rents received as a method of appraisal and to take into account the extent to which that use and limitation reduces the market value of the property. When the project is completed, the assessor will review the cash flow projections for the property.

The properties would net more taxes if developed as market rate owner-occupied or rental properties or if they were developed as commercial properties. However, the assisted low income rental development will net substantially more taxes after tax abatement expires than the buildings currently pay as minimally occupied warehouses.

Maximum Income Limits of 60% Area Median Income

1 person	\$22,920
2 person	\$26,160
3 person	\$29,460
4 person	\$32,700

PREVIOUS COUNCIL ACTION(S):

Date: December 8, 2008

Roll Call Number: 08-2162

Action:

Adopting criteria for City Council Review and Support of Low-Income Housing Tax Credit (LIHTC) Applications. (Council Communication No. 08-729) Moved by Vlassis to adopt. Motion Carried 7-0.

Date: October 27, 2008

Roll Call Numbers: 08-1900 through 1908

Action:

Applications to Iowa Housing Finance Authority requesting low-income housing tax credits for the following: (Council Communication No. 08-650) Moved by Kiernan to adopt Motions carried 7-0, except 1905 carried 6-0, Council Member Hensley declares a conflict of interest and abstains from voting.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

None, unless additional financial assistance is requested from the City of Des Moines

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.