

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	October 26, 2009
	Agenda Item No. 27 Roll Call No. <u>09-</u> Communication No. <u>09-738</u> Submitted by: Larry Hulse, Director Community Development	

AGENDA HEADING:

Authorizing execution of HOME Contract Documents with MLK Brickstone, L.P. for a \$250,000 loan for new construction of 18 low income rental housing units at 1045 19th Street.

SYNOPSIS:

This project involves allocation of \$250,000 of City HOME funds for new construction of 18 units of low income housing located in the 1000 block of 19th Street. The developer is Hatch Development Group, LLC, Jack Hatch and Ryan Galloway, Principals, 1312 Locust, Des Moines, IA 50319. HOME funds will fill a gap in financing and assure that units are affordable to low income tenants.

FISCAL IMPACT:

Amount: \$250,000

Funding Source: FY2009 Operating Budget, Special Revenue Funds HOME Grants – SP036 CDD049900 HOME Funds, page 108.

ADDITIONAL INFORMATION:

ML King Brickstone Project Information

- Location – 1000 block of 19th Street (between 18th and 19th Street, North of freeway, South of Atkins)
- Developer – MLK Brickstone, L.L.C., Hatch Development Group, Jack Hatch and Ryan Galloway, 1312 Locust Street, Des Moines, IA 50309
- Project – New Construction of 18 units
- Commitment to Affordability – 30 years
- Management Company – Perennial Properties, Sonja Roberts, President, 696 18th Street, Des Moines, IA
- Neighborhood Action – No neighborhood organization
- Funding Request – \$250,000 of HOME funds
- Gross Income to be served [Area Median Gross Income (AMGI)] – 10 at 60% AMGI, 8 at 50% AMGI
- Bedroom Mixture – Nine one bedroom, Nine two bedroom
- Approximate Cost - \$3.5 million

On October 27, 2008 by Roll Call 08-1908, the City Council reviewed the MLK Brickstone project as a part of the list of Low Income Housing Tax Credit projects that were submitted to the City Council and Iowa Finance Authority (IFA). When the project was reviewed by the City Council in 2008, the developer intended to build 59 units, covering the entire site. The developer will now be breaking the project into a Phase I and Phase II. Phase I, which will be built in 2010, will contain 18 units and occupy the most southern portion of the site. The additional units are planned to be built in 2011, depending on financing.

The number of units has dropped because of the difficulty of obtaining a syndicator for the project. Fewer syndicators are currently buying credits because of the financial market and those projects for which credits are purchased bring 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 is extremely difficult to sell credits with mixed-income units. In addition, few syndicators are willing to buy credits in a small market like Des Moines.

The project will use Low Income Housing Funds administered by IFA, Tax Credit Assistance Fund (TCAP) funds administered by IFA, State HOME funds administered by the Iowa Department of Economic Development (IDED) and City HOME funds administered by the City of Des Moines. The project will require the use of Davis-Bacon wage rates.

The current pro-forma shows a \$415,000 developer fee for the project, with no portion of the fee deferred. The national syndicators are insisting Low Income Housing Tax Credit (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.

USES of Funds	<u>Amount</u>	%	SOURCES	of Funds	<u>Amount</u>	%
Land/Site Acq.	\$95,000					
Site Work	\$64,000		IDED HF	\$600,000		17%
Legal costs	\$9,350		Conv. Debt			0%
3rd party reps	\$8,000		TCAP	\$1,106,115		33%
Construction	\$2,355,175		IFA Debt 2			0%
Prof. Fees	\$143,059		LIHTC Equity	\$1,500,000		43%
ConstrFinancing	\$141,450		Historic TC	\$0		0%
Perm Finance	\$6,500		HEZ Equity	\$40,566		0%
Soft Costs	\$115,237		Other Equity	\$0		0%
Developer Fee	\$415,000		Def'ed Dev Fee	\$0		0%
Reserves	\$144,000		City HOME	\$250,000		7%
TOTAL	\$3,496,771		TOTAL	\$3,496,771		100%
Cost/Unit	\$194,265					



Picture taken from Atkins Street on the west side of 19th St. looking southeast at the site. The house on the southern end will be removed. The rest of the site is vacant.

The new development will add to the streetscape and provide needed family housing for the area. The site is currently vacant with the exception of one house on the southern end of the development. One of the developers is working with a resident of Sherman Hill on possibly moving the house. The removal of the house is working through the 106 process with the State Historic Society of Iowa because of the potential of listing on the National Register of Historic Places.

The development should make a major impact on revitalization of the street. The development will incorporate a brick façade and clock tower on the southwest corner of the site. It will have minimal setbacks under the Neighborhood Pedestrian Commercial (NPC) zoning. It will be similar in design to the Woodland Avenue Brickstone at 1501 Woodland Avenue.

The site is well connected by sidewalk to the neighborhood and Goode Park. It will form a bookend for St. John's Basilica at 19th and University. The clock tower will be visible from the freeway and probably become a landmark for travelers.

Edmunds Elementary School is in within a quarter of a mile, but across the freeway, so the site has pluses and minuses for schools. The nearest full grocery store is Gateway Market, which is walkable but over a quarter of a mile. Adding housing density in well-developed multi-family housing is one way to encourage additional commercial development.

Hatch Development working with the Neighborhood Investment Corporation (NIC) has built three tax credit projects in Des Moines: Woodland Avenue Brickstone, East Village Apartments and Stockbridge. The principals in this project are Ryan Galloway and Jack Hatch. The NIC will not be a part of the development's ownership. Staff is confident that Hatch Development will complete the project and provide management expertise to enhance the neighborhood.

The site was rezoned from R-3 (Multiple Family Residential) to NPC on October 27, 2008, by Roll Call 08-1863. The site plan will still need to be approved by the Plan and Zoning Commission.

PREVIOUS COUNCIL ACTION(S):

Date: October 27, 2008

Roll Call Number: 08-1863

Action: To rezone property at 1045 19th Street from “R-3” (Multiple-Family Residential) to “NPC” (Neighborhood Pedestrian Commercial) to allow redevelopment of property with new multiple-family residential, subject to conditions. Moved by Vlassis that this ordinance do now pass, #14,802. Motion Carried 7-0.

Date: October 27, 2008

Roll Call Number: 08-1908

Action: MLK Brickstone, LLC for new construction of 59 units of housing between 19th and 18th Streets, Atkins and the Freeway. Moved by Kiernan to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: October 7, 2009

Board: Neighborhood Revitalization Board

Action: Approval of \$250,000 of HOME funds for MLK Brickstone, L.P. at 1145 19th Street

Date: August 21, 2008

Board: Plan and Zoning Commission

Action: Recommend rezoning for 1045 19th Street from R-3 to NPC.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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