

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date</b>	October 26, 2009
	<b>Agenda Item No.</b> 28 <b>Roll Call No.</b> <u>09-</u> <b>Communication No.</b> <u>09-739</u> <b>Submitted by:</b> Larry Hulse, Director <span style="padding-left: 100px;"><b>Community Development</b></span>	

**AGENDA HEADING:**

Authorizing execution of HOME Contract Documents with ANAWIM, dba Anawim Housing, Stella Neil, RSM, President, 921 Sixth Avenue, Suite B, Des Moines, IA 50309, for new construction of six low income rental housing units, as part of a mixed use building at 2024 Forest Avenue.

**SYNOPSIS:**

This project involves allocation of \$300,000 of City HOME funds for new construction of six units of low income housing located in a mixed-use building at 2024 Forest Avenue. Anawim Housing offices will be on the first floor, five rental units on the second floor and one handicapped accessible unit on the first floor. This is not a low income housing tax credit project.

**FISCAL IMPACT:**

Amount: \$300,000

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

**ADDITIONAL INFORMATION:**

On September 9, 2009, working in conjunction with Hubbell Realty, Anawim sponsored the construction of “Nine Homes in Nine Days” south of Forest on the east side of 21<sup>st</sup> Street. Phase II of the Anawim project will be the construction of a two story building that includes six housing units and office space for Anawim Housing. The development will be located adjacent to the nine homes on the southeast corner of 21<sup>st</sup> and Forest Avenue.

Although all labor and materials for the nine homes was donated, this second project will require a mortgage. As a part of the financing for the housing, Anawim Housing has requested \$300,000 of HOME funds to build the housing.

**Anawim Housing Project Information**

- Location – 2024 Forest Avenue
- Developer –ANAWIM, dba Anawim Housing, Stella Neill, RSM, President, 921 Sixth Avenue, Suite B, Des Moines, Iowa 50309
- Project – New Construction of six low income rental units and first floor for Anawim Housing Offices
- Commitment to Affordability – 20 years

- Management Company –Anawim Housing
- Neighborhood Action– The project has been presented to neighborhood groups on the following dates: the Drake Neighborhood Association - November 12, 2008; Carpenter Neighborhood Association - January 13, 2009; Drake Neighborhood Association Board of Directors - March 11, 2009; and Drake Neighborhood Improvement Task Force - August 19, 2009.
- Funding Request – \$300,000 of HOME funds

This is not a Low Income Housing Tax Credit Project. The construction of only six units does not justify the additional costs of applying for and operating a low income housing tax credit project.

### **NRB Review**

Many years ago this was the site of a gas station and the Reed Ice Cream Factory. This site has been vacant for approximately 15-20 years and was listed as a LUST (Leaking Underground Storage Tank) site. The site was purchased from Polk County and is included in the Forest Avenue Urban Renewal Area. It has a no further action required finding from the Iowa Department of Natural Resources (DNR).

The development should make a major impact on revitalization of the street and provide needed low income housing. The use should complement the Polk County Senior Center and add pedestrian traffic to the street. It is hoped that moving an office and additional housing units to the site will help with rebuilding this section of Forest Avenue.

The development will incorporate a brick façade on the first floor facing Forest, and Community Development is requiring the use of cement board siding on the second floor, rather than vinyl siding. This is a more expensive alternative but should have a more attractive appearance and have less impact on the environment than a petroleum product. The Plan and Zoning Commission required additional windows to be added to the east façade.

The site is well connected by sidewalk to the neighborhood. It is within three blocks of King Academy, but across two major streets. There are generally traffic guards at those streets for children traveling to school. There is no grocery store located within walking distance, the Drug Town on 42<sup>nd</sup> and University is probably the closest store. There are a number of commercial establishments on University (two blocks to the south) that provide needed neighborhood services. Adding housing density in well-developed multi-family housing is one way to encourage additional commercial development.

The building will have minimal setbacks under the Neighborhood Pedestrian Commercial (NPC) zoning. The site plan has been approved by the Plan and Zoning Commission. The second floor will have five two bedroom units. In addition to office space, the first floor will have one handicapped accessible unit.

### **Financial Feasibility**

Unlike the “Nine Homes in Nine Days,” this project will have a conventional mortgage with monthly debt. Anawim has raised funds through their capitol campaign for building the six units and the office space, but is still in need of some funds for the housing that do not require a pay back. The City’s HOME program allows grant funding to non-profit housing providers in assurance for providing affordable housing. Of the units, four will be required to be affordable to households at 60% of median income for a period of twenty years and two will be required to be affordable to households at 50% of median income for twenty years. Anawim will be required to annually certify the household income to the City.

The City’s HOME funds are only for the housing, the office space is financed in total by the Anawim Capitol Fund and Donations. The City provided no HOME funds for the “Nine Homes in Nine Days”. The office space will cost \$726,549 to construct. The six apartments will cost \$749,778 to construct, for a total construction of the building at \$1,476,327.

The six apartments will pay property taxes after the ten year abatement. The office space will not pay property taxes, as Anawim is a non-profit. Bill Lillis of Connolly, O’Malley, Lillis, Hansen, Olson, is working with the Polk County Assessor’s office on this division.

<b>USES of FUNDS</b>	Amount	%			
Land/Site Acq.	\$9,840	1%			
Construction	\$605,145	81%			
Constr. Cont.	\$51,942	7%			
3rd party repts	\$1,746	0%			
Contractor Profit	\$0	0%			
Prof. Fees	\$44,380	6%			
Construction Financing	\$5,000	1%			
Perm Finance	\$200	0%			
Soft Costs	\$31,524	4%			
<b>Total</b>	<b>\$749,778</b>	<b>100%</b>	<b>Total</b>	<b>\$749,777</b>	<b>100%</b>

<b>SOURCES of FUNDS</b>	Amount	%	<b>Unit Cost</b>	<b>\$124,963</b>
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<b>FUNDS</b>	Amount	%
PCHTF	\$64,000	9%
Conv. Debt	\$215,103	29%
City HOME	\$300,000	40%
Anawim Paid	\$11,786	2%
Anawim Equity	\$114,509	15%
Donations	\$44,380	6%

**PREVIOUS COUNCIL ACTION(S):**

Date: September 14, 2009

Roll Call Number: 09-1651

Action: Economic Development Grant to Hubbell Homes for redevelopment of 2016 and 2024 Forest Avenue with nine (9)

low-income housing units. (Council Communication No. 09-628) Moved by Vlassis to adopt. Motion Carried 7-0.

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

Date: October 7, 2009

Board: Neighborhood Revitalization Board

Action: Approval of \$300,000 of HOME funds for Anawim Housing at 2024 Forest Ave

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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