

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	December 21, 2009
	Agenda Item No. 24 Roll Call No. <u>09-</u> Communication No. <u>09-888</u> Submitted by: Larry Hulse, Director Community Development	

AGENDA HEADING:

Resolutions regarding support for five Low-Income Housing Tax Credit (LIHTC) applications and regarding support for the preliminary commitment of HOME funds for such projects.

SYNOPSIS:

For the first 2010 application deadline for LIHTC, there are a total of five applications that will be submitted by developers to the Iowa Finance Authority (IFA). Each of these projects is also asking for a preliminary funding commitment of HOME funds from the City of Des Moines. Each of the projects shows a valid need for the HOME dollars to be combined with other layers of funding to make a project financially feasible. However, there are only enough City HOME funds to provide a lesser amount than requested for each project.

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. City Council can support the project without providing a financial commitment. All projects can utilize tax abatement for the Local Contributing Effort. The attached roll calls take an action on support for each project.

FISCAL IMPACT:

Amount: \$500,000

Funding Source: Fiscal Year 2009 and 2010 Operating Budgets, Special Revenue Funds HOME Grants – SP036 CDD049900, HOME Funds, page 72.

ADDITIONAL INFORMATION:

The first deadline for applications to the IFA for LITHC projects is January 15, 2010. Applications for HOME funds administered by the Iowa Department of Economic Development (IDED) are also due January 15, 2010. Of the LIHTC funds this year, 25% are in a set-aside category for properties meeting requirements to be awarded HOME funds by the IDED in a joint review process between IFA and IDED. All other fund sources, including City HOME funds, must be at least preliminarily secured by the developer before the applications are submitted to IFA and IDED.

Staff has spoken with one additional developer, Andrea Novak at Common Bond in Minneapolis, for rehabilitation of Stewart Square Apartments and Des Moines Street Village, who are also requesting City

assistance. Additional projects may be included for support on the next Council agenda in January; however, this commits the extent of the City's HOME funds.

City HOME funding limitations

Only the HOME program can provide financing for new construction of housing. New construction is an ineligible activity for Community Development Block Grant (CDBG) funds.

Des Moines currently has a total of \$500,000 of HOME funds that can be awarded to 2010 projects:

- By Roll Call No. 09-1332 on July 27, 2009, the City of Des Moines reserved \$250,000 of its 2009 HOME funds for one or more LIHTC projects.
- An additional \$250,000 was preliminarily approved by City Council from the HOME 2010 funds as part of the Community Development, Neighborhood Conservation Services budget. This will return to City Council for additional action when Des Moines receives its 2010 HOME allocation probably in May of 2010.
- Existing commitment of future HOME funds - By Roll Call No. 08-882 on May 19, 2008, approximately \$213,333 (CDBG) and \$106,000 (HOME) per year for 2009, 2010 and 2011 for a total City contribution of \$957,999 has been committed to the Polk County Health Department's Healthy Home Grant to provide match for lead base paint funds.
- Existing commitment of future HOME funds - By Roll Call No. 09-1165 on June 30, 2009, the City Council signed an agreement to accept CDBG-R funds for construction of 13 new houses by Habitat for Humanity. An additional \$260,000 of HOME funds have also been reserved for these 13 Habitat Homes projects, as well, additional funding for building 20 Habitat Homes on Maury Street, the site of the former baseball field.
- Potential commitment of future HOME funds: Rental rehabilitation for existing low income rental projects has also shown a large demand. It is important that nonprofit projects providing affordable housing but with rehabilitation needs have a funding stream available.

Any project must receive a commitment of IDED HOME funds and a tax credit award by May 1, 2010 or the City's HOME fund preliminary commitment will expire. This is important because the City only has two years to commit HOME funds and five years to expend. There is a demand for the funds from other projects.

Description of Projects:

Each of the five projects has requested \$250,000 of HOME funds to make the projects financially feasible. City staff has recommended \$100,000 for each project. If one or more projects are not funded by IDED and IFA, the Council will strongly consider increasing the amount of HOME funds to a funded project based on the sources and uses proforma.

Of the five, four have also requested funding from the Polk County Housing Trust Fund (PCHTF). Only Olive Street Brickstone has not made a request. The PCHTF has not made any decisions on the commitment of funds at this time.

Each of the projects is requesting HOME funds for essentially the same reasons. The prices received for low-income housing tax credits during the past year in the Midwest have been as low as \$.51 and typically not higher than \$.70. This drops the amount of tax credit equity available for the project by several hundred thousand dollars. This past year, the primary source of financing that filled the gap created by these low tax credit prices was 1602 funds and Tax Credit Assistance Program funds provided through the American Reinvestment and Recovery Act (ARRA). These funds will probably not be

available in the coming year, making the layering of State HOME funds, City HOME funds and dollars from the PCHTF important for any project. Fewer syndicators are currently buying credits because the financial market is making it very difficult for an inexperienced developer to succeed.

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, IA 50320

Project – New Construction of Affordable Senior Housing

Number of Units – 30 Total Units, 30 Affordable Units (Phase I of a 63 unit total project)

Area Median Gross Income (AMGI) to be served– 19 at 60% AMGI, 8 at 40% AMGI, 3 at 30% AMGI

Commitment to Affordability – 30 years

Management Company – T & L Properties, LC, Ted Oswald, Granger, IA

Neighborhood Action– A letter of support was received in October 2009 from both the South Park

Neighborhood Association and the Somerset Neighborhood Association

Funding Request – \$250,000 of HOME funds

This project is different than last year in that it is now a phased project. It will be 63 units when both phases are completed. The underground parking has been eliminated. The developer has also made substantial cuts to his profits. Mr. Akers has deferred some of his developer fee, and in addition, is taking a land contract on the cost of the land for approximately one half of its appraised value.

Staff Recommendation – Funding support for \$100,000 of HOME funds, based on preliminary proforma that is submitted and the availability of City HOME funds. The Enterprise Zone designation will provide additional State credits and a reduction on sales tax. The site is located in a five year tax abatement area.

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.

Concern - 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.

Eastern Mounds Senior Twin homes – Block of East 40th Street and Dubuque Avenue

Developer – Eastern Mounds Housing, LLLP, Tom Wilson, 1144 36th Street, Unit 5, Des Moines, IA 50311

Project – New Construction of Affordable Senior Housing

Number of Units – 38 Total Units, 38 Affordable Units (This is Phase I of a phased project)

AMGI to be served– 27 at 60% AMGI, 7 at 40% AMGI, 4 at 30% AMGI

Commitment to Affordability – 30 years

Management Company – T & L Properties, LC, Ted Oswald, Granger, IA

Neighborhood Action– No neighborhood group

Funding Request – \$250,000 of HOME funds

The Eastern Mounds Senior Twin homes are a new design concept for Des Moines. The units are ranch duplex units, all have two bedrooms, consist of 1,040 square feet and each will have a computer, a small private garden area and an attached garage.

Staff Recommendation – Funding support for \$100,000 of HOME funds based on preliminary proforma that is submitted and the availability of City HOME funds.

A letter of support should be sent for the project because this type of housing has been well received in other states. It is more expensive to develop because of extensive site costs and development costs. All units will be handicapped accessible, with an attached garage and each unit will be 1,040 square feet.

In addition, this site has proven difficult to develop because of utility and road conditions. Additional financing can help defray those costs to provide good development for the City of Des Moines.

Concern - City staff has not previously worked with Developer Tom Wilson. He has developed 54 units at the NE corner of 128th and Douglas in Urbandale (Timberline). These are detached townhomes for seniors, but not a tax credit project. Mr. Wilson was involved in all aspects of this project, including management, building and development. The project was completed in 2005. He has also done development in Rhode Island.

Staff will research Mr. Wilson's record with other projects prior to returning to City Council for any final commitment.

Christ the King Senior Housing – 5711 SW 9th Street

Developer – Christ the King LLC, Chris Aldinger, Business Manager, Christ the King Parish, 5711 SW 9th Street, Des Moines, IA 50315

Project – New Construction of Affordable Senior Housing

Number of Units – 28 Total Units, 28 Affordable Units

AMGI to be served – 17 at 60% AMGI, 8 at 40% AMGI, 3 at 30% AMGI

Commitment to Affordability – 30 years

Management Company – Anawim Housing, Sister Stella Neill

Neighborhood Action– A letter of support was received from the South Park Neighborhood Association

Funding Request – \$250,000 of HOME funds

Staff Recommendation- Funding support for \$100,000 of HOME funds based on preliminary proforma that is submitted and the availability of City HOME funds.

A letter of support should be sent to IFA because this is an infill site that will complement the church and development along SW 9th Street. The Church is working with Sister Stella Neill for development, an experienced developer, and Anawim Housing for Management.

Southview Senior Apartments Phase II – 1900 SE 6th

Developer – Curly Top, LLC, Tim Mauro, 2611 Ingersoll Avenue, Des Moines IA 50312

Project – New Construction of Affordable Senior Housing

Number of Units – 40 Total Units, 40 Affordable Units

AMGI to be served – 24 at 60% AMGI, 12 at 50% AMGI, 3 at 40% AMGI, 1 at 30% AMGI

Commitment to Affordability – 30 years

Management Company – Seldin Company. Firm manages approximately 5,700 apartments throughout the Midwest, particularly Omaha, Nebraska and Council Bluffs, Iowa.

Neighborhood Action– A letter of support has been received from the McKinley School/Columbus Park Neighborhood Organization

Funding Request – \$250,000 of HOME funds

Staff Recommendation: Funding support for \$100,000 of HOME funds based on preliminary proforma that is submitted and the availability of City HOME funds.

A letter of support should be sent for this project because development of Phase II will complete the development of an infill site. The developer is experienced and built the existing project on time, on budget and filled all 40 units within 4 months. There are currently 26 applicants on a waiting list. The tax syndication company used on Phase I, National Equity Fund, has already begun to work with Curly Top on Phase II.

Olive Street Brickstone – 18th Street and Olive Avenue near 1-235

Developer –Olive Street Brickstone, Hatch Development and Koester Construction, Paul Koester 5604 Enterprise Drive, Grimes, IA 50111 and Jack Hatch, 1312 Locust Street, Des Moines, IA 50309

Project – New Construction of Affordable Family Housing

Number of Units – 20 Total Units, 20 Affordable Units

AMGI to be served – 9 at 60% AMGI, 11 at 40% AMGI

Commitment to Affordability – 30 years

Management Company – Perennial Properties, Sonja Roberts, 1312 Locust Street, Des Moines, IA 50309

Neighborhood Action– A letter of support was received from the Sherman Hill Neighborhood Association.

Funding Request – \$250,000 of HOME funds

Staff Recommendation: Funding support for \$100,000 of HOME funds based on preliminary proforma that is submitted and the availability of City HOME funds.

A letter of response should be sent because this is an infill project that will complete a development on a vacant lot very visible from I-235. The developer is experienced and built some of the most attractive tax credit projects in Des Moines. The development will feature a clock tower that will be visible from the freeway, similar to that on Woodland Avenue Brickstone at 15th and Woodland.

PREVIOUS COUNCIL ACTION(S):

Date: July 27, 2009

Roll Call Number: 09-1332

Action: Amending 2008 Program Allocations and adopting 2009 Program Allocations for the Home Investments Partnerships Program (HOME). (Council Communication No. 09-499) Moved by Hensley to adopt. Motion Carried 7-0.

Date: June 30, 2009

Roll Call Number: 09-1165

Action: Authorizing the Mayor to sign Major Amendment #5 of the Community Development Block Grant Housing Disaster Recovery Fund Contract with Iowa Department of Economic Development (Contract Number 08-DHR-009). (Council Communication No. 09-438) Moved by Vlassis to approve. Motion Carried 5-2.

Date May 19, 2008

Roll Call Number: 08-882

Action: Support of Polk County Health Department Application to the Housing and Urban Development 2008 Lead-Based Paint Hazard Control Program Grant. (Council Communication No. 08-295) Moved by Vlassis to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

All projects will return to City Council for final approval of commitment and forms of agreement for loans.

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