



Council Communication

Office of the City Manager

Date

March 8, 2010

Agenda Item No. 29F
Roll Call No. 10-
Communication No. 10-117
Submitted by: Larry Hulse, Director
Community Development Department

AGENDA HEADING:

Resolution of support for an application to the Iowa Finance Authority (IFA) submitted by SA Metro Lofts, LP requesting low income housing tax credits (LIHTC) for the construction of 111 units of mixed income housing at 255 Vine Street.

SYNOPSIS:

Recommend support of the application to the IFA for a LIHTC allocation for 100 of the 111 units. This project was supported by City Council for 2009 tax credits, the only change is in the number of assisted units. In 2009, 62 of the units were to be assisted, in 2010, 100 of the 111 units will be assisted. An amended Urban Renewal Development Agreement with Metro Lofts LLC for the project to be located north of Vine Street between 2nd and 3rd Streets was approved at the City Council meeting on January 25, 2010, by Roll Call No. 10-152.

FISCAL IMPACT: NONE

Amount: N/A

Funding Source: N/A

ADDITIONAL INFORMATION:

Metro Lofts – 255 Vine Street

Developer – Sherman Associates Development, LLC, George Sherman, 233 Park Ave S., Minneapolis, MN

Project – New Construction of Mixed Income Housing

Number of Units – 111 Total Units, 100 Affordable Units, 11 market rate units

Area Median Gross Income (AMGI) to be served – 100 at 60% AMGI

Commitment to Affordability – 30 years

Management Company – Sherman Associates Property Management

Neighborhood Action – A letter of support was submitted from the Downtown Neighborhood Association last year and the developer has asked for an updated letter.

Funding Request – No Additional Request. \$1.5 million of Tax Increment Funding was previously committed to this project. Of the \$1.5 Million, \$500,000 has already been expended during purchase of the land. The additional commitment is \$1,000,000. The amended contract approved on January 25, 2010 by Roll Call No. 10-152 authorizes \$500,000 upon close of financing.

History of Project - The original 70-80 unit condominium project became economically infeasible due to escalating construction costs, but the developer worked to analyze alternatives to make the project successful. The most reasonable alternative was to pursue a mixed income apartment project as a way to contribute needed housing to the downtown market and utilize a key infill development site. The revised concept was presented to Council in 2006, where approval was given to proceed with amending the original development agreement. Subsequently in late 2006, Council approval was also provided for application to the IFA for LIHTC funds to create the 60% affordable, 40% market rate mix of housing for the Metro Lofts project. The project was not awarded credits in 2007 or 2008, but reapplied, again with City Council support, in 2009 and was awarded an allocation of credits.

The developer will not be able to utilize the 2009 tax credits under the IFA deadlines so will make application for 2010 credits. The biggest change in the credit application is that the project will now be 100 affordable units out of 111 units, or 90% of the units will be affordable.

Initially, the remaining 11 units will be listed at market rate, but offered at the same rent levels as the affordable units. Initial rents for all of the units will be \$674 for the 35 one-bedroom units and \$813 for the two-bedroom units.

The project amenities and security features will include laundry facilities on each floor, surveillance cameras, a community room/lounge, exercise room, computer room, limited access entry and an on-site manager.

Each unit will have central air conditioning, blinds, carpet, a refrigerator, stove/oven, dishwasher, microwave, washer/dryer, coat closet and high-speed Internet connection. Additionally, all of the one-bedroom units and select two-bedroom units will have a walk-in closet. Select two bedroom units will also have an interior storage closet.

The deadline for applications for 2010 LIHTC is March 15, 2010. From staff's knowledge of the LIHTC Market, credits are selling for around 65 cents, and it is extremely hard to market the credits to an investor.

Income Limits for 60% of Area Median Gross Income

- 1 person household - \$28,560
- 2 person household - \$32,640
- 3 person household - \$36,720
- 4 person household - \$40,250

Staff Recommendation: Approval of application, as City Council has entered into a development agreement for the project. In addition, although the property has 90% assisted units, it is located near market rate rental and is owner-occupied, so it should not create a concentration of assisted units. City Council should be aware, however, that assisted units are also being put in the Rumley Building, which is only one block to the west, and may not want to approve additional assisted units in this immediate two block area.

**Criteria and Process for Review and Support of LIHTC applications
Adopted by Roll Call No. 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 and 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 a 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: land contribution, Tax Increment Fund dollars or Federal allocation dollars.
- Support projects that are certified by Leadership in Energy and Environmental Design (LEED) or other 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 surrounding 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.

PREVIOUS COUNCIL ACTION(S):

Date: January 25, 2010

Roll Call Number: 10-152

Action: Urban Renewal Development Agreement with Metro Lofts LLC for construction of an apartment building north of Vine Street between 2nd Avenue and 3rd Streets, and

approving proposed Conceptual Development Plan. (Council Communication No. 10-036)
Moved by Hensley to adopt. Motion Carried 7-0.

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: December 27, 2008

Roll Call Number: 08-1904

Action: SA Metro Lofts, Limited Partnership for new construction of mixed income housing at 255 Vine Street. Moved by Kiernan to adopt. Motion Carried 7-0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

None, unless an amendment to the financial assistance is requested from the City of Des Moines.

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