



# Council Communication

Office of the City Manager

Date

March 8, 2010

Agenda Item No. 29  
Roll Call No. 10-  
Communication No. 10-128  
Submitted by: Larry Hulse, Director  
Community Development Department

## AGENDA HEADING:

Resolution of support for five (5) applications to the Iowa Finance Authority requesting low income housing tax credits (LIHTC) for the rehabilitation of existing Low Income Housing units and new construction of Low Income Housing units.

## 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 full text of the City Council's adopted criteria is included on Page 4 and 5 of the Communication.

## FISCAL IMPACT: NONE

Amount: N/A

Funding Source: N/A

## ADDITIONAL INFORMATION:

The deadline for applications for 2010 Low Income Housing Tax Credits is March 15, 2010. From staff's knowledge of the Low Income Housing Tax Credit 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

### Southridge Apartments 1264 Cummins Road

Developer –Dominium Development & Acquisition, LLC Principals David Brierton, Armand Brachman, Paul Sween and Jack Safar, 2355 Polaris Lane North, Suite 100, Plymouth MN 55447. Dominion was formed in 1999 and is one of the largest apartment development and management companies in the Midwest. They own over 17,000 apartment units in 16 states.

Project – Rehabilitation of 60 units of existing low income rental housing

Number of Units –60 Total Units. All units are 2 bedrooms

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

Commitment to Affordability – 15 years

Management Company – Dominion Management Services, LLC Jon R. Segner, CEO Dominion University has an in-house “university” in which 25 classes are taught in the Schools of Management, Marketing and Maintenance. Every employee receives training for competency for their job and career advancement. In addition, Dominion’s intranet provides site staff with immediate access to all policies, procedures and forms.

Tax Abatement - Dominion will not apply for tax abatement from the City of Des Moines. Because LIHTC projects are assessed on income rather than replacement value, Dominion does not anticipate that the improvements will increase the value of the property for property tax purposes.

Enterprise Zone Tax Credit Value - NA

Enterprise Zone Sales Tax Rebate- NA

Funding Request – None

Neighborhood Review - The South Park Neighborhood Association sent a letter of support for the improvement project and rehabilitation in June of 2009 and has renewed that support in an e-mail to Dominion and staff. The Association has requested that Dominion as the management company, work with the Neighborhood Based Service Delivery Program and coordinate with Des Moines Police on the Multi Family Crime Free Housing Program.

### **Lancaster Place Apartments 2201 E. Park Avenue**

Developer –Dominium Development & Acquisition, LLC Principals David Brierton, Jack Safar, Armand Brachman, and Paul Sween, 2355 Polaris Lane North, Suite 100, Plymouth MN 55447. Dominion was formed in 1999 and is one of the largest apartment development and management companies in the Midwest.

Project – Rehabilitation of 72 units of existing low income rental housing

Number of Units –72 Total Units. All units are 2 bedrooms

Area Median Gross Income (AMGI) to be served – 72 units at 60% AMGI

Commitment to Affordability – 15 years

Management Company – Dominion Management Services, LLC Jon R. Segner Dominion University is a in-house “university in which 25 classes are taught in the Schools of Management, Marketing and Maintenance. Every employee receives training for competency for their job and career advancement. In addition, Dominion’s intranet provides site staff with immediate access to all policies, procedures and forms.

Tax Abatement - Dominion will not apply for tax abatement from the City of Des Moines. Because LIHTC projects are assessed on income rather than replacement value, Dominion does not anticipate that the improvements will increase the value of the property for property tax purposes.

Enterprise Zone Tax Credit Value - NA

Enterprise Zone Sales Tax Rebate- NA

Funding Request – None

Neighborhood Review - Lancaster Place Apartments is not located within a recognized neighborhood boundary.

### **Sargent Park Apartments, 3600 E. Douglas**

Developer –Dominium Development & Acquisition, LLC Principals David Brierton, Armand Brachman, Paul Sween, and Jack Safar, 2355 Polaris Lane North, Suite 100, Plymouth MN 55447. Dominion was formed in 1999 and is one of the largest apartment development and management companies in the Midwest. They own over 17,000 apartment units in 16 states.

Project – Rehabilitation of 96 units of existing low income rental housing

Number of Units –96 Total Units. 12 are 1-bedroom, 72 are 2-bedroom, and 12 are 3-bedroom

Area Median Gross Income (AMGI) to be served – 96 units at 60% AMGI

Commitment to Affordability – 15 years

Management Company – Dominion Management Services, LLC Jon R. Segner Dominion has a ten-year history of Management with Sargent Park Apartments. Dominion University is an in-house “university in which 25 classes are taught in the Schools of Management, Marketing and Maintenance. Every employee receives training for competency for their job and career advancement. In addition, Dominion’s intranet provides site staff with immediate access to all policies, procedures and forms.

Tax Abatement - Dominion will not apply for tax abatement from the City of Des Moines. Because LIHTC projects are assessed on income rather than replacement value, Dominion does not anticipate that the improvements will increase the value of the property for property tax purposes.

Enterprise Zone Tax Credit Value - NA

Enterprise Zone Sales Tax Rebate- NA

Funding Request – None

Neighborhood Review - Lancaster Place Apartments are not located within a recognized neighborhood boundary.

### **Fenway Manor Apartments, 1640 Hull Avenue**

Developer –Dominium Development & Acquisition, LLC Principals David Brierton, Armand Brachman, Paul Sween, and Jack Safar, 2355 Polaris Lane North, Suite 100, Plymouth MN 55447. Dominion was formed in 1999 and is one of the largest apartment development and management companies in the Midwest. They own over 17,000 apartment units in 16 states.

Project – Rehabilitation of 120 units of existing low income rental housing

Number of Units –120 Total Units. 5 are 1-bedroom, 100 are 2-bedroom, and 15 are 3-bedroom

Area Median Gross Income (AMGI) to be served – 120 units at 60% AMGI

Commitment to Affordability – 15 years

Management Company – Dominion Management Services, LLC Jon R. Segner Dominion has a ten-year history of Management with Fenway Manor Apartments. Dominion University is a in-house “university in which 25 classes are taught in the Schools of Management, Marketing and Maintenance. Every employee receives training for competency for their job and career advancement. In addition, Dominion’s intranet provides site staff with immediate access to all policies, procedures and forms.

Tax Abatement - Dominion will not apply for tax abatement from the City of Des Moines. Because LIHTC projects are assessed on income rather than replacement value, Dominion does not anticipate that the improvements will increase the value of the property for property tax purposes.

Enterprise Zone Tax Credit Value - NA

Enterprise Zone Sales Tax Rebate- NA

Funding Request – None

Neighborhood Review - Fenway Manor Received a letter of support from the Highland Park Community Action Association. They asked for the property manager to participate in the Des Moines Crime-Free Multifamily Housing Program. They also expressed a concern about the location of the playground due its proximity to parking areas and driveways. They would hope it could be moved to a safe location, hopefully toward the back of the property.

### **Staff Recommendation for Four Dominion Projects:**

The developer proposes to provide approximately \$25,000 a unit in rehabilitation for each of the projects. The scope includes: new hardi-plank siding, re-roof with 30 year dimensional shingles, new windows, improve the parking lot, redo the common areas including new carpet, paint & energy-efficient light fixtures, replace boilers with high efficiency units, new kitchen cabinets and countertops, new Energy Star Appliances. These are substantial improvements which should make a difference to the families living in the units and to the neighborhood appeal.

**ML King Brickstone Phase II– Between 18<sup>th</sup> and 19<sup>th</sup> Street, north of freeway, south of Atkins**

Developer –MLK Brickstone II, L.P. Jack Hatch and Ryan Galloway, 1312 Locust Street, Des Moines, IA 50309

Project – New Construction

Number of Units – 34 Total Units, 34 Affordable Units (Phase I has 18 affordable units)

Area Median Gross Income to be served (AMGI) – 34 at 60% AMGI,

Commitment to Affordability – 30 years

Management Company –Perennial Properties, 696 18<sup>th</sup> Street, Des Moines, IA, Sonja Roberts, President

Neighborhood Action– No neighborhood organization

Funding Request – None for Phase II (Phase I received \$250,000 of HOME funds)

Enterprise Zone Tax Credit Value - The project is located within an Enterprise Tax Credit zone and the developer estimates the value of the credit to be \$45,000.

Tax Abatement – The project is located within a ten-year tax abatement area.

### **Staff Recommendation**

A letter of city support should be sent to IFA for this project because the developer has assembled and proposed to redevelop an infill parcel in the central part of the City. Phase I of the project received Low Income Housing Tax Credits in 2009 and will begin construction in March. The schedule states it will be completed by the end of the year. The developer has completed several successful projects in the city and goes above and beyond to ensure the design of the property is complementary to the neighborhood. The project is 100% assisted but will bring quality development to the site and has strong physical connections to the neighborhood.

### **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.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: October 26, 2009

Roll Call Number: 09-1929

Action: HOME contract documents with MLK Brickstone, L.P. for \$250,000 loan for new construction of 18 units of low-income rental housing at 1045 19<sup>th</sup> Street. (Council Communication No. 09-738) Moved by Vlassis to adopt. Motion Carried 7-0.

Date: July 13, 2009

Roll Call Number: 09-1227 and 09-1228

Action: Application to the Iowa Finance Authority requesting Low Income Housing Tax Credits for the rehabilitation of existing low-income housing for the following: (Council Communication No. 09-482)

(A) 1264 Cummins Road (Southridge Apartments) – 60 units. Moved by Hensley to adopt. Motion Carried 7-0.

(B) 2201 E Park Avenue (Lancaster Place Apartments) – 72 units. 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: October 27, 2008

Roll Call Number: 08-1908

Action:

Support MLK Brickstone, LLC for new construction of 54 units of housing between 19<sup>th</sup> and 18<sup>th</sup> Streets, Atkins and the Freeway. Moved by Kiernan to adopt. Motion Carried 7-0.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

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

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