

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 28, 2010
	Agenda Item No. 61 Roll Call No. <u>10-1094</u> Communication No. <u>10-391</u> Submitted by: Phillip Delafield, Director, Community Development

AGENDA HEADING:

Authorizing submittal of two Multi-family New Construction applications for Community Development Block Grant Disaster Recovery (CDBG-DR) funds to the Iowa Department of Economic Development (IDED) for assistance with construction of multi-family housing.

Application in the amount of \$979,200 to help fund the development of 16 rental units in the 2200 Block of Forest Avenue.

Application in the amount of \$3,060,000 to help fund the development of 140 rental units at 713 Walnut Street (the former Younkers building).

SYNOPSIS:

This action authorizes the submittal of two applications for supplemental CDBG-DR funds for the construction of multi-family rental housing units. The 22nd and Forest project will provide 16 townhome-style units on a City-owned redevelopment site. Hubbell Realty Co. will build the units and Anawim will own and manage the units. This project will feature large 3 bedroom/2 bathroom units, partial brick façade, and a play area/courtyard. The Younkers building project will provide 140 rental units. This project will feature, first and second floor commercial space, 1 and 2 bedroom units, underground parking and will preserve the Tea Room and provide a reuse for a long-vacant building. The CDBG-DR funding will provide funding for the housing portion of the project only.

FISCAL IMPACT:

Amount: CDBG-DR: \$979, 200 for the 22nd and Forest Project and \$3,060,000 for the Younkers Building Project. Up to \$500,000* of City of Des Moines HOME Funds. Up to \$600,000 of City of Des Moines Neighborhood Stabilization Funds.

* Not to exceed \$750,000 (HOME and NSP combined)

Funding Sources: The Iowa Department of Economic Development is administering the CDBG-DR funds per a statewide allocation plan approved by Housing and Urban Development. This project will also include additional City of Des Moines HOME and NSP funds. Exact amount of funds needed will be determined by funding availability, project timing and actual construction costs.

ADDITIONAL INFORMATION:**Overview of Funding and Program Guidelines:**

The State of Iowa published an Action Plan for Disaster Recovery (Action Plan) that describes the proposed use of U.S. Department of Housing and Urban Development (HUD) CDBG funding associated with the Supplemental Appropriations Act, 2008 (Public Law 110-252, approved June 30, 2008) for disaster relief of unmet needs resulting from tornadoes and flooding in the state.

This Action Plan outlines the recovery activities that are taking place across the state such as Jumpstart Housing Assistance, Infrastructure Repair, and Small Business Assistance. One additional proposed activity is the construction of new rental housing units to replace the units lost in the floods and/or to have a positive redevelopment impact on areas hit by the natural disasters of 2008. Additionally the Action Plan outlines a strategy for allocation and/or application of funds which divides the state up into 11 eligible entities (6 Super Council of Governments or COG areas and 5 entitlement cities). Des Moines is one of those entitlement cities and is applying for funds. This application round is competitive and will be closed June 30, 2010. Des Moines may apply for more than one project because it is considered a “flood nexus.” Des Moines lost few rental units but is connected to other communities that lost housing because flood victims are moving to Des Moines from the affected areas.

Application 1: 22nd and Forest Avenue (Hubbell/Anawim)

The site for this project sits on the north side of Forest Avenue between 22nd and 23rd streets in the Drake Neighborhood. The acquisition and assembly of this site is the result of a City Council directed urban renewal planning effort that began in September 2006 with significant neighborhood stakeholder input and buy-in. The Forest Avenue Corridor Study evaluated four separate sites along Forest Avenue for redevelopment. This site was chosen by the Forest Avenue Committee due to its significant blight and environmental challenges—it was the former site of a gas station, a burned-out single family home and a vacant plumbing store. Over the next several years the Forest Avenue Committee and City staff developed the Forest Avenue Urban Renewal plan, acquired the lots and performed environmental clean-up efforts. The site is currently vacant, considered “low risk” by the Environmental Protection Agency and the Iowa Department of Natural Resources and ready to develop.

The original vision for this site was owner-occupied row houses. Interest was sought in the spring of 2009 for developers but due to the housing market, developers were not interested in building owner-occupied housing at this site. While working with the Drake Neighborhood Association on their neighborhood plan, it was suggested that high quality rental housing be pursued as part of the neighborhood’s goal to concentrate medium density rental along the major neighborhood corridors—Forest Avenue being one of them.

When disaster funds for rental projects were made available in early 2010, City staff and the neighborhood once again distributed a Request for Proposal to determine interest in the site. Anawim, in partnership with Hubbell Realty Co. submitted a proposal.

The proposed project includes two buildings facing Forest Avenue with eight 3 bedroom/2 bathroom units per building. Each unit has its own entrance and over 1600 square feet. The buildings will have a varied color scheme, partial brick façade, high quality siding and architectural shingles. The site will feature a courtyard/play area between the two buildings and thirty parking spaces (almost double the amount required by zoning). Hubbell will serve as the developer while Anawim will own and manage the units.

The unique funding sources being proposed for this project allows for a more mixed income project than other projects funded through federal and low-income tax credit funds. A few of the units will be reserved those families at 50% or 60% Area Median Income (\$36,600 to \$43,920 for a family of four). Overall, per funding rules, 49% of the units must be made available to families at or below 80% area median income (or \$58,550/year or \$28.15/hour for a family of four). Up to 7 of the units do not have to be income or rent restricted. Other funding sources or Anawim as the owner of the property may require additional units be reserved for low income.

This action will allow the City of Des Moines to submit an application to the Iowa Department of Economic Development for funds. Additionally, the City of Des Moines Community Development Department would provide up to \$750,000 from additional, existing sources through established programs. Primarily HOME and Neighborhood Stabilization (NSP) funds would be used to help fund the project. Anawim and Hubbell are also applying for Polk County Housing Trust Fund money and will be utilizing Tax Abatement and Enterprise Zone credits. Anawim will also take out a first mortgage through conventional financing to cover the cost of the project. The total development cost is estimated at \$2.7 million.

The Community Development Department received a letter of support for this project from the Drake Neighborhood Association. Hubbell Realty Co. and Anawim met with the neighborhood twice over the past several weeks to discuss the project. Area stakeholders, former members of the Forest Avenue Committee, property owners within 250 feet of the site and the leaders of the neighborhood groups within Drake Neighborhood were invited to the first meeting. Residents made several comments and suggestions. Hubbell Realty Co. and Anawim revised the project to address resident concerns of limited play space, security and parking. Anawim and Hubbell Realty Co. also attended the June Drake Neighborhood Association Board Meeting where they received the full support of the board.

Application 2: 713 Walnut Street (the former Younkers building)

This Council action will approve the submittal of an application to the Iowa Department of Economic Development for \$3 million (plus 2% administration) to convert the former Younkers building to 140 units of rental housing. Alexander Company, based out of Madison Wisconsin, is working with the current owner on this \$44 million redevelopment project.

The project will feature first and second floor commercial space, underground parking, 140 one and two bedroom units and will preserve the Tea Room. This project is being financed through a wide variety of sources including state and federal Historic Tax Credits, Enterprise Zone Credits, Polk County, conventional financing and the leveraging of other sources of equity, including a deferred development fee.

This project will result in mixed income rental units. While 72 of the units will be reserved for and affordable to individuals or families at or below 80% Area Median Income (\$41,000/year or \$19.71/hour for an individual), the remaining 68 units will have no income or rent restrictions. The period of affordability will be ten years after which no units will have income or rent restrictions.

The City of Des Moines Office of Economic Development is also processing a financial gap assistance request for the Younkers project. Full details of that request are not completed in time to correspond with the State of Iowa's CDBR-DR application deadline and will be presented for City Council consideration at an upcoming meeting.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

If the grant submissions are successful, Council action will be needed to accept the grants and negotiate terms.

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