

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: July 26, 2010
	Agenda Item No. 32 Roll Call No. [Roll Call] Communication No. <u>10-459</u> Submitted by: Philip Delafield, Director Community Development

AGENDA HEADING:

Resolutions withdrawing preliminary commitment of HOME funds for 2010 Low Income Housing Tax Credit (LIHTC) Projects.

SYNOPSIS:

On December 21, 2009 by Roll Calls 09-2283, 09-2284, 09-2285 and Roll Call 09-2287, the Des Moines City Council approved preliminary commitments of \$100,000 of HOME funding for each of four projects applying for Low Income Housing Tax Credits. In May, 2010 each project received funding with an allocation of LIHTC from the Iowa Finance Authority, Community Development Block Grant Disaster Relief (CDBG-DR) funds from the State of Iowa and HOME funds from the State of Iowa. The City staff has reviewed the final underwriting of the four projects and recommends withdrawing the City’s HOME commitment because it is not needed to make the project proceed.

FISCAL IMPACT:

Amount: \$400,000

Funding Source: Special Revenue Funds HOME Grants – SP036 CDD049900HOME Funds

ADDITIONAL INFORMATION:

Approximately ten days before the deadline for LIHTC applications, the Iowa Department of Economic Development made available CDBG-DR funds for the projects. The CDBG-DR funds are intended to provide gap funding because of the general state of tax credit prices during the past year. The infusion of these funds raises questions concerning the need for the City HOME funds.

In October of 2009, City staff notified potential Low Income Housing Tax Credit Developers of City time deadlines to receive HOME funds for help in development of potential LIHTC projects. Four projects submitted a sources and uses and pro forma, each projecting the need for \$250,000 of City HOME funds. Each of the projects showed a valid need for the HOME dollars to be combined with other layers of funding to make a project financially feasible. However, the City did not have adequate HOME funds so committed \$100,000 to each of the projects by Roll Calls 09-2283, 09-2284, 09-2285 and Roll Call 09-2287.

The commitment of funds to each of the projects was preliminary and based on the financial information currently available. Each Roll Call included the following language: ”NOW THEREFORE, BE IT

RESOLVED, by the City Council of the City of Des Moines, Iowa, that financial support in the form of \$100,000 of HOME funds is approved subject to final underwriting, compliance with HOME regulations, compliance with City ordinances, which includes the Zoning and Site Plan Ordinances, and the building permit process. This resolution is effective until May 1, 2010. In the event that any of the characteristics mentioned above should change prior to the issuance of a building permit, this resolution is null and void.”

Each of these is a good project which will bring affordable housing units to Des Moines on sites that will complement neighborhoods and commercial corridors. The only concern is whether the projects show a need for City HOME funds.

Upon reviewing the final underwriting for the projects, staff recommends that the commitment of city HOME funds be withdrawn from each of the projects for the following reasons:

- The expenditure of all federal funding must prove that “but for the commitment of these funds, the project will not proceed”. HOME funds require a Subsidy Layering Analysis to be included in the file that shows how the HOME funds fill a gap for the project. Currently, only one of the projects shows any conventional debt and each has a sufficient debt to income ratio.
- City HOME funds could be replaced by a conventional bank loan, a request for additional tax credits from the Iowa Finance Agency, or a reduction in the developer fee.
- The City is still making a commitment to the project through tax abatement and Enterprise Zone credits.
- The commitment of federal funds brings a number of construction and long term affordability monitoring requirements effecting city staff time. A few of these include compliance with the Uniform Relocation Act, Environmental Review, Section 106 and Archaeological Clearances and Davis Bacon and Section 3 monitoring.

A spreadsheet showing the sources of each of the projects is attached.

Description of Each Projects:

Fort Des Moines Senior Living– 500-600 Block of Southwest Army Post Road

Developer – Akers Holding, L.L.C., Tom Akers President, 129 Marlow Parkway, Des Moines 50320

Project – New Construction of Affordable Senior Housing

Number of Units – 60 Total Units, 30 Affordable Units

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

Commitment to Affordability – 30 years

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

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

Christ the King Senior Housing – 5711 SW 9th Street

Developer – Christ the King LLC, Chris Aldinger, Business Manager, Christ the King Parish

Project – New Construction of Affordable Senior Housing

Number of Units – 28 Total Units, 28 Affordable Units

Area Median Gross Income to be served (AMGI) – 17 at 60% AMGI, 8 at 40% AMGI, 3 at 30%
 Commitment to Affordability – 30 years
 Management Company – Anawim Housing
 Neighborhood Action– A letter of support was received in from the South Park Neighborhood Association.

Southview Senior Apartments Phase II – 1900 SE 6th

Developer – Curly Top, LLC, Tim Mauro, 2611 Ingersoll Avenue, Des Moines
 Project – New Construction of Affordable Senior Housing
 Number of Units – 40 Total Units, 40 Affordable Units
 Area Median Gross Income to be served (AMGI) – 24 at 60% AMGI, 12 at 50%, 3 at 40% AMGI,
 1 at 30%

Commitment to Affordability – 30 years
 Management Company – Seldin Company. Firm manages approximately 5,700 apartments throughout 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

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 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
 Area Median Gross Income to be served (AMGI) – 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
 Neighborhood Action– A letter of support was received from the Sherman Hill Neighborhood Association.

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.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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