

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> September 13, 2010
	<b>Agenda Item No.</b> 24 <b>Roll Call No.</b> <u>10-1454</u> <b>Communication No.</b> <u>10-562</u> <b>Submitted by:</b> Phil Delafield, Community Development Director

**AGENDA HEADING:**

Setting Date of Public Hearing for Sale of Property and Residential Development Agreement for 2201 and 2217 Forest Avenue and 1405 23rd Street with Anawim Housing (dba ANAWIM).

**SYNOPSIS:**

On June 28, 2010 by Roll Call 10-391 the City of Des Moines submitted a grant application for \$979,200 to the Iowa Department of Economic Development for construction and permanent financing for the development of rental housing in the Forest Avenue Urban Renewal Area. The City of Des Moines received a notice of award for the project on September 7, 2010. As a part of the federal fund requirements, the proposed developer, Anawim Housing, must own the site by September 30, 2010.

This action sets the date of public hearing to authorize the sale and development agreement for City owned property located between 22<sup>nd</sup> and 23<sup>rd</sup> Streets on the north side of Forest Avenue. The 22<sup>nd</sup> and Forest project will provide 16 townhome-style units on a City-owned redevelopment site. Hubbell Realty will build the units and Anawim Housing will own and manage the units. This project will feature large 3 bedroom/2 bathroom units, partial brick façade, plentiful parking and a courtyard.

**FISCAL IMPACT:**

Amount: CDBG-DR: 22<sup>nd</sup> and Forest Project--\$979,200  
City of Des Moines HOME Funds and City of Des Moines Neighborhood Stabilization Funds—Combined total of up to \$750,000

Funding Sources: The Iowa Department of Economic Development (IDED) is administering the Community Development Block Grant Disaster Recovery Funds (CDBG-DR) per a statewide allocation plan approved by Housing and Urban Development. IDED has awarded the City of Des Moines \$979,200 for this project.

This project will also include additional City of Des Moines HOME and Neighborhood Stabilization (NSP) funds. Exact amount of funds needed will be determined by funding availability, project timing and actual construction costs. The NSP and HOME funds will total no more than \$750,000.

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

By Roll Call 05-2584 on October 24, 2005, the City Council approved the Forest Avenue Urban Renewal Plan which contained as a goal the acquisition of underutilized lots and properties for redevelopment. By Roll Call 06-1810 on September 11, 2006, the City Council amended the Forest Avenue Urban Renewal Plan to allow for the acquisition of these vacant lots and voluntary acquisition of properties for redevelopment of housing.

On June 28, 2010 by Roll Call 10-1095, the City of Des Moines approved a grant application to the Iowa Department of Economic Development (IDED) for Community Development Block Grant – Disaster Relief (CDBG-DR) funding for the construction of rental occupied units at 22<sup>nd</sup> and Forest Avenue. The grant application was in direct response to a notice of funding by IDED that it had CDBG-DR funds available to replace rental units lost in the floods of 2008 and to have a positive redevelopment impact on the areas hit by the natural disasters of 2008.

On September 7, 2010, the City of Des Moines received notice that it would receive \$979,200 for the development of sixteen units of rental housing in the Forest Avenue Urban Renewal Area. The site for this project sits on the north side of Forest Avenue between 22<sup>nd</sup> and 23<sup>rd</sup> 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. Staff set the fair market value for the three properties and acquired the lots.

The City has also performed environmental clean-up efforts. On May 4, 2010 by Roll Call 10-694 the City Council contracted to remove contaminated soil on the site of 2201 Forest, the former radiator shop. The site is currently vacant, considered “low risk” by the Environmental Protection Agency and the Iowa Department of Natural Resources and ready to develop.

**Site development**

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, no developer was 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 such corridor.

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.

All units will be reserved for families below 80% of median income (\$58,550 for a family of four) because the lots were purchased and assembled with the City's allocation of CDBG funding. The rents charged must not be above the Fair Market Rents allowed HUD. These requirements will be in place for a period of ten years. If HOME funds are utilized, some of the units will be reserved for families below 60% of median income; a twenty year period of affordability will be required for those units. If NSP funds are used, some of the units may be restricted at 50% of median income. The applicant will also apply for Polk County Housing Trust Fund monies which may make additional requirements on rent and occupancy.

The total project is estimated to cost \$2.7 million or \$168,000 per unit. The CDBG-DR funds will bring down the cost of the development to approximately \$1.7 million. The City staff will continue to negotiate with the developer on additional subsidy needed including Neighborhood Stabilization Program (NSP) or HOME funds. The maximum amount of additional City subsidy allowed will be \$750,000 and staff is hopeful this number can be reduced. The project can carry some conventional debt and Anawim will have a mortgage against the property.

The value of the .82 acre site was appraised at \$40,000. In order to reduce the cost of the development the site will be sold for \$1.00. The development will qualify for ten-year tax abatement. The units will be built as and listed as condominium units by the Polk County Assessor. This will result in less tax revenue to the City in the future but will also allow the units to be sold for owner-occupied housing after the ten year period of affordability has been completed. Owner-occupancy is a goal of the neighborhood organization.

### **Neighborhood Review**

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

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

Date: June 28, 2010

Roll Call Number: 10-1095

Action: Submittal of Multi-Family New Construction Applications for Community Development Block Grant Disaster Recovery (CDBG-DR) funds to the Iowa Department of Economic Development (IDED) for the following: ([Council Communication No. 10-391](#))

(A) [Construction](#) of 16 rental units in the 2200 block of Forest Avenue, \$979,200. Moved by Griess to approve. Motion Carried 7-0.

Date: May 4, 2010

Roll Call Number: 10-694

Action: Approving [Contract](#) and bond, and Permission to Sublet for 2201 Forest Avenue Contaminated Soil Removal, the estimated cost of which is less than the Iowa Code competitive bid threshold, Elder Corporation (Jared R. Elder II, President), \$31,450. ([Council Communication No. 10-256](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: September 11, 2006

Roll Call Number: 06-1810

Action: [On](#) Proposed Amended Forest Avenue Urban Renewal Plan. ([Council Communication No. 06-580](#)). Moved by Vlassis to adopt. Motion Carried 6-0.

Date: October 24, 2005

Roll Call Number: 05-2584

Action: Resolution closing hearing and approving the proposed Urban Renewal Plan. ([Council Communication No. 05-601](#)) Moved by Vlassis to adopt. Motion Carried 6-1. Nays: Brooks.

## **BOARD/COMMISSION ACTION(S): NONE**

## **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Council action will be needed to approve the CDBG-DR contract with IDED.

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