

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: October 25, 2010
	Agenda Item No. 53C Roll Call No. [_____] Communication No. <u>10-631</u> Submitted by: Phil Delafield Community Development Director

AGENDA HEADING:

Authorizing execution of Loan Contract Documents with ANAWIM (dba Anawim Housing) for new construction of 16 units of rental housing at 2201 and 2223 Forest Avenue.

SYNOPSIS:

This action will further the goal to develop housing on vacant and blighted property in the Forest Avenue Urban Renewal area by providing funding. The City Council has purchased and demolished blighted properties on this site and held a public hearing on September 27th, 2010 to convey the site to Anawim Housing for development of rental housing. The site, to be addressed as 2201 and 2223 Forest Avenue, will provide 16 townhome-style units. 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. It will be a mixed-income site with 7 units of market rate housing and 9 units of low income housing.

FISCAL IMPACT:

Amount: CDBG-DR: \$960,000
City of Des Moines HOME Funds: \$215,710
City of Des Moines Neighborhood Stabilization Funds: \$534,290
Total of all sources - \$1,710,000

Funding Sources: The Iowa Department of Economic Development is administering the Community Development Block Grant (CDBG) Disaster Recovery Funds per a statewide allocation plan approved by the U.S. Department of Housing and Urban Development (HUD).

The Iowa Department of Economic Development is providing funding from the Federal Neighborhood Stabilization Program Fund Title III of the Housing and Economic Recovery Act of 2008 (PL 110–289).

Special Revenue Funds HOME Grants – SP036 CDD049900 HOME Funds

ADDITIONAL INFORMATION:

Need for Housing and Development

Anawim Housing and City staff have been able to assemble several different sources of funding to build a high-quality housing development on the site of formerly blighted properties. This is a major step

forward in supporting the efforts of Drake University's improvements to the stadium and Knapp Center. The development will not only complement the streetscape of Forest Avenue but will also bring a mixture of incomes to the street. The tenants will bring more eyes on to the street to lessen any undesirable activity. This site was the former site of a gas station, a burned-out single family home and a vacant plumbing store. This development will provide 16 families with 3 bedroom/2 bathroom units with over 1600 square feet.

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.

The site for this project sits on the north side of Forest Avenue between 22nd and 23rd streets in the Drake Neighborhood now addressed as 2201 and 2223 Forest Avenue. 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. This site was chosen due to its significant blight and environmental challenges. 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.

On June 8, 2009, by Roll Call 09-996, the City Council approved the Contract with the Iowa Department of Economic Development (IDED) to implement the Neighborhood Stabilization Program (NSP). Since that time the City has utilized NSP funds to assist in the redevelopment of foreclosed, vacant, and abandoned property. This project will receive approximately \$534,000 of NSP funds.

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 22nd 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. (Of the funds \$19,200 will be used for administration and \$960,000 for construction)

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 Executive Director of Anawim Housing is Russ Frazier; their offices are located at 2024 Forest, very near this particular site.

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 30 parking spaces (almost double the amount required by zoning). Hubbell will serve as the developer while Anawim will own and manage the units.

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 to 1.740,000. HOME and NSP funds will prove an additional \$750,000 of subsidy. The project will carry approximately \$1.0 million debt on a conventional mortgage.

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 period of affordability has been completed. Owner-occupancy is a goal of the neighborhood organization.

Terms of Loan and Affordability Requirements

This project is unique because of the different funding sources that are being combined. The project is for mixed-income rental housing with five units to be rented to households below 50% of median income, four units to be rented to households below 80% of median income, and seven market-rate units.

No repayments will be required for the loan as long as the developer meets all the federal requirements for long-term affordability and affirmative marketing as well as satisfying housing quality standards and Housing Code compliance. The following are the conditions for loan forgiveness over a twenty year period:

- A. HOME Units: The Developer will use HOME funds for the development of five units in the project which will be made available to households at or below 50% of median income. The units are assisted with HOME, NSP, and CDBG-DR funds and must conform to the HOME regulations. The units will be floating and will be any of the three-bedroom units in the development. The parties specifically agree that the HOME units will meet the affordability requirements of 24 C.F.R., 92.252 as set out in Exhibit "B" the Restrictive Covenants.
- B. NSP Units: The Developer agrees to use NSP funds for the development of nine of the units. Of the units utilizing NSP funding, five will be affordable to households at or below 50% of median income and utilize HOME, NSP, and CDBG-DR funds. These five units will follow the HOME affordability requirements as 24 C.F.R., 92.252 as set out in Exhibit "B" the Restrictive Covenants.

The additional four units, assisted with NSP and CDBG-DR, will be considered only NSP units and will follow the CDBG affordability requirements specifically set forth in the CDBG Program regulations found at 24 CFR 570, as amended or in the Neighborhood Stabilization Program Contract by and between CITY and IDDED.

The HOME Units and NSP Units will remain affordable rental housing for a period of 20 years from the time of project completion and provision of final demographic information and construction reports to the City.

- C. CDBG-DR Units: The remaining seven units assisted with CDBG-DR will have no affordability requirements for income or rental limits. The seven units will remain rental housing for a period of at least ten years from time of project completion and provision of final demographic information and construction reports to the City.

Neighborhood Review and Support

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: October 11, 2010

Roll Call Number: 10-1643

Action:

On vacation and conveyance of north/south alley, west of and adjoining 2201 Forest Avenue, to Anawim Housing for Forest Avenue Urban Renewal Project, \$1, (10-25-10). **Moved by Hensley to receive and file and refer to legal**

Date: September 27, 2010

Roll Call Number: 10-1601

Action: On conveyance of property located at 2201 and 2217 Forest Avenue and 1405 23rd Street and Residential Development Agreement with Anawim Housing for \$1 for the Forest Avenue Urban Renewal Project. ([Council Communication No. 10-593](#)) **Moved by Griess to adopt. Motion Carried 5-2. Absent: Coleman and Hensley.**

Date: September 13, 2010

Roll Call Number: 10-1454

Action: On conveyance of property located at 2201 and 2217 Forest Avenue and 1405 23rd Street and Residential Development Agreement with Anawim Housing for the Forest Avenue Urban Renewal Project \$1, (9-27-10). ([Council Communication No. 10-562](#)) **Moved by Hensley to adopt. Motion Carried 7-0.**

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: June 8, 2009

Roll Call Number: 09-996

Action: [Neighborhood](#) Stabilization Program Contract with the Iowa Department of Economic Development (IDED). **Moved by Vlassis 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):

Date: October 7, 2010

Board: Plan and Zoning Commission

Action: Recommend approval of alley vacation

Date: November 4, 2010

Board: Plan and Zoning Commission

Action: Scheduled for Plan and Zoning Approval of site plan

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The Iowa Department of Economic Development will be amending CDBG-DR funds into current contract number DRH-209. This amendment will be brought to City Council for approval once received from IDED.

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