

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: October 10, 2011
	Agenda Item No. MHGB2 Roll Call No. <u>11-1687</u> Communication No. <u>11-637</u> Submitted by: Douglas C. Romig, Housing Services Director

AGENDA HEADING:

Authorizing City Manager to negotiate and enter into construction contract with Hanson Construction to build ten single family Public Housing homes and submit a waiver to HUD to exceed Housing Construction Cost limits to meet LEED certification or reject bid

SYNOPSIS:

Approval to authorize the City Manager to negotiate and execute construction contract with Hanson Construction to build ten (10) single family Public Housing homes that meet the U.S. Department of Housing and Urban Development’s (HUD) Housing Construction Cost (HCC) limits or reject bid. Directing the City Manager or his designee to request a wavier of the HCC limits to meet LEED certification.

FISCAL IMPACT:

Amount: Amount not to exceed \$1,592,604 for HCC and submittal of wavier to HCC limits to meet LEED certification with costs yet to be determined.

Funding Source: HCC costs from the U.S. Department of Housing and Urban Development (HUD) Replacement Housing Factor Development funds. LEED upgrades shall come from the Housing Department’s Proceeds from Sales upon HUD approval.

ADDITIONAL INFORMATION:

On November 8, 2010, by Roll Call No. 10-1811, the Municipal Housing Governing Board approved submittal of the Des Moines Municipal Housing Agency’s Replacement Housing Factor Development proposal to the U.S. Department of Housing and Urban Development (HUD) to demolish and develop ten (10) single family homes that would be placed in the Agency’s Public Housing inventory. This effort will supplement the Agency’s multi-family units that provide efficiency, one-bedroom and two-bedroom units providing opportunities for larger families to obtain decent, safe and affordable housing.

The Housing Agency has applied and been approved to demolish the homes to begin this development effort and hired Wells + Associates Architects to design the ten new homes to conform with the character of the existing neighborhoods where development is to occur. On September 28, 2011, the City’s Purchasing Division opened bids for Bid No. V12-025 for construction services to build ten (10) new single family homes. Eleven bids were mailed and one bid was received. The sole bidder was The Hanson Company, Inc. 5665 Greendale Road, Suite A, Johnston, Iowa 50131; owner Craig Hanson, Grimes, Iowa).

Under HUD's rules and regulations, the Des Moines Municipal Housing Agency cannot exceed HUD established Housing Construction Cost (HCC) limits. Based on the bedroom sizes of the homes to be developed the HCC limit is \$1,592,604. The bid submitted for this development project came in at \$2,420,000. Over \$800,000 over the HCC limits. Additionally, the funds for this development must be obligated prior to October 29, 2011 otherwise the funding is returned to HUD and no longer available to the Housing Agency. Due to the bid submittal exceeding the HCC limits and October 29th deadline, staff is recommending that the City Manager be authorized to negotiate and execute an Agreement with The Hanson Company in an effort meet both HUD requirements or if an extension is available from HUD to reject the bid.

In meeting with the Architect a couple of reasons the City only received one bid are a HUD requirement to pay Davis-Bacon wage rates and benefits; and the City's 10% bonding requirement, which twice the amount required by HUD, which caused several builders to not submit due to the overall project scope and the related bonding requirements. Most residential construction companies pay day labor market rates without benefits. The required Davis-Bacon wage rates and benefits doubled the labor costs associated with this project. City staff met with The Hanson Company and Architect in an effort to identify cost reductions and project changes such as eliminating the garages for each unit and other value engineering opportunities. Due to HUD's obligation deadline; staff is working on multiple fronts in an effort to sustain this project to keep it moving forward. This includes value engineering, request to use HUD determined wages versus Davis-Bacon and submittal of an extension to all the Housing Agency to rework the bid specifications and rebid this development project.

The recommendation is to use RHF funding already received and future RHF funding DMMHA will receive from the remaining inventory of disposition homes to demolish and construct a minimum of ten (10) single family Public Housing (three to five bedrooms) units. DMMHA will own and maintain these units in its public Housing inventory. Further DMMHA will offer supportive services to the families residing in these new units. (HUD approved plan)

Replacement Housing Factor (RHF) funding is available to the DMMHA to develop or acquire new Public Housing units with supportive services which will be rented in the Agency's Public Housing rental assistance program. Approximately \$1.6 million in first increment Replacement Housing Factor (RHF) funds are currently available. The fund is expected to grow to approximately \$2.9 million over the next five years.

The Polk County Housing Continuum and City of Des Moines Consolidated Plan have identified that there is a shortage of affordable housing within Des Moines/Polk County. Agency Management also believes that the Agency should not totally eliminate scattered site housing for families from its portfolio. There is a need within the community for larger bedroom units and green space (yards) to serve families. If the Agency completely disposed of all scattered site housing, the remaining properties would be the four apartment buildings designated for Senior Citizens and one mixed population apartment building with efficiency, one and two bedroom units. This development plan provides a public housing alternative for low income families within Polk County and balances the Agency's offerings.

In order to meet the Des Moines' City Council's goal of setting the standard for constructing and maintaining attractive buildings, parks and infrastructure that represent our world-class city and generate civic pride; fulfill the Agency's mission and a expend the RHF funds; the Agency is recommending construction of a minimum of ten (10) single family homes to be located on existing property owned by the Agency. The intent of this proposal is to inventory the remaining Agency owned property (disposition and 5h units) with the goal to demolish the most blighted properties and then construct new single family homes with three (3) to five (5) bedrooms, one (1) to one and a half (1 ½) baths, unfinished

basement and/or a single car garage. These replacement houses shall complement the existing housing stock within their respective neighborhoods. Demolition of severely blighted structures will be considered when choosing sites for rebuilding units, but the Agency will strive to have no more than two (2) homes within a four block radius.

Based on current conditions of the remaining Public Housing inventory, the Municipal Housing Governing Board approved the Public Housing Board's recommendation of the following properties to be demolished and redeveloped:

430 Orchard St.	5 Bedroom
1333 Mondamin	4 Bedroom
1431 Stewart St.	3 Bedroom
1248 McCormick St.	4 Bedroom
3308/3310 Kinsey Ave	4 Bedroom
1817 Capitol Ave.	5 Bedroom
314 Indiana Ave.	4 Bedroom
1423 17th St.	4 Bedroom
1227 E. 17th St.	3 Bedroom
106 Astor	5 Bedroom

PREVIOUS COUNCIL ACTION(S):

Date: November 8, 2010

Roll Call Number: 10-1811

Action: Approving Des Moines Municipal Housing Agency (DMMHA) Replacement Housing Factor Fund Proposal and Agency Plan Amendments. (Board Communication No. 10-659). **Moved by Meyer to approve. Motion Carried 4-3**

BOARD/COMMISSION ACTION(S):

Board: Public Housing Board

Date: October 20, 2010

Resolution Number: PH 10-40

Action: Approved recommendation to the Municipal Housing Governing Board regarding the Des Moines Municipal Housing Agency's Replacement Housing Factor Fund Proposal.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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