

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	December 5, 2011
	Agenda Item No.	23
	Roll Call No.	<u>11-2056</u>
	Communication No.	<u>11-737</u>
	Submitted by:	Phillip Delafield, Community Development Director

AGENDA HEADING:

Authorizing the City Manager to negotiate a development agreement with Hatch Development Group to redevelop the Southern Meadows site at 2800 SE 8th Street, Des Moines, Iowa 50315.

SYNOPSIS:

The City owns the property at 2800 SE 8th Street and 2810 SE 8th Street and has an option to acquire the land at 2839, 2843, and 2933 Indianola Avenue. In September, by Roll Call 11-1582, Council authorized staff to dispose of the properties via an RFP process. The City received three proposals to redevelop the site. The highest scoring proposal was from Hatch Development Group (HDG). Staff recommends entering into a development agreement with HDG to redevelop the site.

FISCAL IMPACT:

Amount: Up to \$100,000 in NSP Program Income, contingent upon final developer agreement.

Funding Source: FY 12 Operating Budget, Page 10, Southern Meadows, CDBG2008901, Community Development Block Grant (CDBG), Neighborhood Stabilization Program (NSP) funds contracted by the Iowa Department of Economic Development (IDED).

ADDITIONAL INFORMATION:

In September 2009, under Roll Call 09-1743, Council approved the acquisition of the Southern Meadows Apartment building from the Iowa Finance Authority. The City completed the acquisition of the Southern Meadows Apartments in April 2010, using funds from the federal Neighborhood Stabilization Program (NSP). Since that time, staff has been working with the Indianola Hills Neighborhood Association and other stakeholders to prepare a redevelopment plan for the site.

At the September 12, 2011 meeting, under Roll Call 11-1582, Council authorized staff to dispose of the property via a competitive RFP process. On September 29, 2011 staff emailed and sent out an RFP to redevelop the Southern Meadows site. The RFP's were due on November 10, 2011. RFP's were received from: CommonBond, Hatch Development Group (HDG), and Anawim Housing /Hubbell.

Staff held interviews with each of the respondents on November 18, 2011. After that meeting, each of the proposals were scored on the following criteria: developer experience, economic feasibility, compatibility with the concept plan, unit amenities, and price. Using these criteria, Hatch Development Group scored 198.4 points (out of a possible 225), Anawim scored 196.4 points and CommonBond

scored 189 points.

Of the three proposals received, the review committee felt the HDG proposal best met the designs and site configuration outlined in the concept plan and that was the preferred site alternative by the neighborhood. Staff has been working with the Indianola Hills Neighborhood Association for the past two years to create a redevelopment concept plan and HDG and the City will continue to work with the Indianola Hills Neighborhood throughout the next steps of the redevelopment project.

HDG will apply for Low-Income Housing Tax Credits (LIHTC) to implement the development plan. The project is designed to be an IFA ROSE (Renter to Ownership Savings Equity) project, which is a rent-to-own program. Each unit will be rented for the affordability period (15-20 years) and then sold to an owner-occupant. HDG has experience developing six LIHTC projects in Des Moines since 2003 and has experience in the ROSE program, with the Greystone Homes, which is currently under construction.

The development team also included Confluence, StudioCoen Architects, and Civil Engineering Consultants who assisted in the development of the concept plan for the site. The review committee felt the HDG team has the experience with the project, the site, and prior development experience necessary to successfully implement the project.

HDG provided a solid economic feasibility analysis for the project. While, HDG's proposal provided the lowest price for the property, \$100,000, it did not necessitate any additional funding sources from the City to complete the project. The other proposal would have needed a minimum of \$400,000-\$600,000 in gap financing. These numbers along with HDG's previous success, lead the review committee to believe they have a sustainable economic model for the project.

The proposal includes 38 row-house style units, in three distinct styles. Each unit features a two-car garage, 3 bedrooms, and central air conditioning. In addition, 37 of the 38 units for the site have over 1,100 square feet in living space and have 1.5 or more bathrooms. The review committee felt these unit characteristics would make the project successful during the initial affordability period and after the units are sold to an owner-occupant.

The development agreement will be contingent upon HDG receiving LIHTC tax credits from the Iowa Finance Authority. Applications are due in early February 2012 and awards should be made in May 2012. If tax credits are not awarded, the developer agreement will be null and void and staff will need to develop an alternative plan to dispose of the property. Because of this, staff will be spending the next two months working with HDG to ensure their application for tax credits is strong and will provide technical assistance as necessary to enhance their application.

PREVIOUS COUNCIL ACTION(S):

Date: November 21, 2011

Roll Call Number: 11-2003

Action: [Hearing](#) on rezoning the property from Ltd. "R-2" (Multiple-Family Residential) and "R1-60" (Low-Density Single-Family Residential) to "PUD" (Planned Unit Development). **Moved by Meyer to adopt and approve the rezoning and Conceptual Plan, subject to final passage of the rezoning ordinance. Motion Carried 7-0.**

Date: September 12, 2011

Roll Call Number: 11-1582

Action: [Competitive](#) request for proposals on method of disposition. ([Council Communication No. 11-592](#)) **Moved by Mahaffey to adopt. Motion Carried 7-0.**

Date: September 28, 2009

Roll Call Number: 09-1743

Action: [Establishing](#) Fair Market Value and authorizing acquisition of Southern Meadows Apartments at 2800 and 2810 SE 8th Street. ([Council Communication No. 09-691](#)) **Moved by Coleman to adopt. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Council will be asked to approve the final developer agreement.

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