

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	December 19, 2011
	Agenda Item No.	29
	Roll Call No.	<u>11-2127</u>
	Communication No.	<u>11-748</u>
	Submitted by:	Phillip Delafield, Community Development Director

AGENDA HEADING:

Authorizing Execution of Home Investment Partnership (HOME) Contract Documents with Capitol City Duplexes, LLLP for a \$198,040 Loan for Acquisition and Rehabilitation of 16 units of Scattered-site Family Rental Housing.

SYNOPSIS:

By Roll Call 11-0997 on June 13, 2011 Council approved a \$198,040 HOME Loan for Capitol City Duplexes, LLLP. The project received an allocation of Low Income Housing Tax Credits last March and the City's HOME Loan will fill an existing gap for the financing. The project is the purchase of eight (8) duplexes from the Municipal Housing Agency and their rehabilitation for continued low income family housing.

FISCAL IMPACT:

Amount: \$198,040

Funding Source: HOME 2011000 527702 SP036

ADDITIONAL INFORMATION:

Developer: Community Housing Initiatives, Inc. is headed by Doug LaBounty with offices in Spencer, Cedar Rapids and Des Moines. NCS has worked with CHI on two other HOME projects that involved purchase and renovation of Des Moines Municipal Housing.

Summary of Project: The project involves the purchase of eight (8) duplexes (16 units) of Des Moines Municipal Housing Units. The units are scattered throughout the southern part of Des Moines and two duplexes across the street from the United Way Offices on 9th Street:

343-345 E. Creston Avenue
 922-924 SW Emma Avenue
 1170-1172 9th Street
 1176-1178 9th Street

3600-3602 SE 11th Street
 5918 SW 12th Street
 5910 SW 12th Street
 428 SE Leach Avenue

The rehabilitation will involve new windows, doors, siding, paint, roofing and the installation of geothermal heat for each duplex. All new flooring finishes including carpet, vinyl composite tile, and vinyl flooring will be provided. All appliances will be replaced with Energy Star rated units. It is anticipated these changes will greatly reduce the energy costs for tenants and qualify as Energy Start units under HUD guidelines.

Costs: The project has a total development cost of \$2,686,895 including purchase of the units. The project will receive a HOME loan from IFA of \$593,995 and a HOME loan from the City for \$198,040. The City's loan will be at 1% with a variable payback over 15 years with a balloon payment in year 16 or refinance of the remaining debt. The payments to the City will range from \$3500 to \$1800 annually.

Use of Funds	Total	Per Unit		Sources of Funds	Total	Per Unit
Land and Buildings	\$473,000*	\$29,563		HOME Loan City of Des Moines	\$198,040	\$19,804**
Site Work	\$40,000	\$2,500		HOME Loan IFA	\$593,995	\$59,399**
Construction	\$1,328,399	\$83,024		Permanent Loan -	--	
Professional Fees	\$211,050	\$13,190		Owner Investment	--	
Interim Costs	\$100,000	\$6,250		Syndication Equity	\$1,894,860	
Syndication Costs	\$17,500	\$1,094		10 HOME Units		\$88,728
Soft Costs	\$56,946	\$3,559		6 Other Units		\$167,930
Developer Fees	\$365,000	\$22,813				
Project Reserve	\$95,000	\$5,938				
TOTAL	\$2,686,895	\$167,930		TOTAL	\$2,686,895	\$167,930

*By Roll Call 11- 0276 on the February 28th Municipal Housing Board Agenda and an item on this council agenda, CHI will purchase the duplexes from DMMHA for a discounted price of \$130K. CHI will then sell the properties to the development LLLP for the appraised value of \$473,000. As a for-profit, the LLLP has to pay "market value" or else the value of the discount presents income gains for that partnership which negates the tax credit. Essentially, the entity purchasing the tax credits is carrying the transaction.

**Contract documents are written to assist with five duplexes/10 units. The units assisted are built after 1978 for lead paint purposes associated with federal funding levels.

Rents and Income Limits: The project will target 3 units for families below 40% of Area Median Income (AMI), 1 unit for a family below 50% AMI, and the remaining 12 for families below 60% AMI. Rents will range from \$425 for a one bedroom unit to \$600.00 for a two bedroom unit. Utilities are not included in the rent but should be substantially below utility allowances.

PREVIOUS COUNCIL ACTION(S):

Date: June 13, 2011

Roll Call Number: 11-0997

Action: City HOME Funds for the following: ([Council Communication No. 11-345](#)) [Capitol](#) City Duplexes, LLLP for a Low-Income Housing Tax Credit rehabilitation of 16 units of family housing at scattered sites, \$198,040. **Moved by Moore to adopt. Motion Carried 7-0.**

Date: February 28, 2011

Roll Call Number: 11-0387

Action: Support of applications to the Iowa Housing Finance Authority requesting Low-Income Housing Tax Credits as follows:

- (G) [Capitol](#) City Duplexes, LLLP for rehabilitation of 16 units at 343-345 E. Creston Avenue, 924-926 Emma Avenue, 428-430 E. Leach Avenue, 1170-1172 9th Street, 1176-1178 9th Street, 3600-3602 SE 11th Street, 5910-5912 12th Street and 5918-5920 12th Street. **Moved by Hensley to adopt. Motion Carried 7-0.**

Date: February 28, 2011

Roll Call Number: 11-0276

Action: [Authorizing](#) Des Moines Municipal Housing Agency to negotiate with Community Housing Initiatives Inc. (CHI) for disposition sale of 3600-3602 SE 11th Street, 5910-5912 SW 12th Street, 5918-5920 SW 12th Street, 1170-1172 9th Street, 1176-1178 9th Street, 428-430 SE Leach Avenue, 343-345 E Creston Avenue and 922-924 SW Emma Avenue. ([Board Communication No. 11-120](#)) **Moved by Moore to adopt. Motion Carried 7-0.**

Date: February 14, 2011

Roll Call Number: 11-0227

Action: [2011](#) program allocations for the Home Investments Partnerships Program (HOME) administered by the Community Development Department. ([Council Communication No. 11-069](#)) **Moved by Hensley to adopt. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S):

Board: Neighborhood Revitalization Board

Date: December 7, 2011

Resolution Number: NA

Action: Review Capitol City Duplexes project

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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