

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	May 7, 2012
	Agenda Item No.	29
	Roll Call No.	[_____]
	Communication No.	<u>12-229</u>
	Submitted by:	Phillip Delafield, Community Development Director

AGENDA HEADING:

Approving Execution of HOME Contracts for \$150,000 with Des Moines Greystone Homes, L.P. for the Construction of 26 single family homes at scattered sites, approving Thrivent construction loan for \$150,000 for six (6) unit in the 1400 block of Martin Luther King Jr. Parkway and waiving enforcement fees on 1140 Martin Luther King Jr. Parkway.

SYNOPSIS:

On June 13, 2011, by Roll Call 11-0998, the City Council approved a \$150,000 HOME loan for Des Moines Greystone Homes, L.P. The project had received an allocation of Low Income Housing Tax Credits at the May 2011 meeting of the Iowa Finance Authority Board. A gap in financing to build and provide the housing was to be filled with \$150,000 of City HOME funds and \$720,000 of State HOME funds. The project has taken this long to complete financing and execute documents because of design issues, value engineering issues, and problems with titles on some of the lots.

FISCAL IMPACT:

Amount: \$150,000 of HOME and \$150,000 of Thrivent Builds Neighborhoods.

Funding Source: HOME Investment Partnership (HOME) Funds, SP036, CDD049900, FY2012-13 Operating Budget, page 57. and Thrivent Funds DMHH2009001 / SP027 / CDD049900

ADDITIONAL INFORMATION:

Developer: Hatch Development Group, 1312 Locust Street, Des Moines, Iowa, Jack Hatch and Ryan Galloway. The City has worked with Hatch Development Group on development of Stockbridge Apartments at 1815 High Street, Woodland Avenue Brickstones at 1500 Woodland and MLK Brickstones at 1039 19th Street. Property Management, Perennial Properties.

The project involves the new construction of 26 Single family homes on 12 sites that will participate in the Iowa Finance Authority (IFA) Renter to Ownership Savings Equity (ROSE). The houses are scattered throughout the north side in the King Irving, Drake, and Sherman Hill Neighborhoods. The buildings will be THERMOMASS insulated concrete exterior wall systems, with an articulation by impressing the concrete to appear as stone and details around the door and windows. Each house will be 4 bedrooms/2.5 baths at approximately 2,000 sq. ft. with a basement. The buildings will measure

20’ wide by 40’ long by 27’ high. There are five (5) different design variations and numerous color options, so that each house will be distinct. Each will have geothermal heat for more energy savings.

The goal of the ROSE program is for renters to move into homeownership. A portion of the rent (currently \$50/month) is set aside for the renter to use as a down payment at the end of the mandated rental period. Due to the use of HOME funds, the mandatory rental period is 20 years because of HUD regulations. The developer will secure services to work with renters on homeownership skills. The developer has stated that the first renter rarely becomes the actual homeowner, but through homeownership training and stability of the first resident may move on to buy a different house. In other states, the turnover rate is 3.2 times for the final tenant to become an owner.

Costs: The project has a total development cost of \$6,573,940. The project will receive a HOME loan from IFA of \$740,000 and a HOME loan from the City for \$150,000. The City’s loan will be at a 0% interest rate to be fully re-paid over ten years. The City loan will be paid back at the time that tax abatement is complete. The project will also utilize Enterprise Zone funding to fill the gap from the tax credit equity.

SOURCES		USES	
City HOME Loan	\$ 150,000	ACQ/Demo	\$ 212,000
IFA Home Loan	\$ 740,000	Const.	\$ 4,768,500
EZ Equity	\$ 73,920	Prof Services	\$ 258,750
General Partner	\$ 884	Interim Costs	\$ 20,000
Tax Credit Equity	\$ 5,609,136	Financing Fees	\$ 266,920
		Soft Costs	\$ 137,770
		Development Fee	\$ 790,000
		Reserves	\$ 120,000
TOTAL	\$ 6,573,940	TOTAL	\$ 6,573,940

Because six of the units are within the Thrivent Builds Neighborhood in the 1400 block of Martin Luther King Jr. Parkway (MLK), the City will also be able to provide a 0% interest loan during construction for those units. This loan will be fully repaid to the City and then the City will repay to Thrivent Builds Neighborhoods. These six (6) units will also be the HOME units and must be maintained as affordable rental for 20 years before being sold for home ownership..

The City of Des Moines has two (2) Civil Enforcement decrees against the property at 1140 Martin Luther King Jr. Parkway. These decrees relate to violations that date to when the property was owned by Imperial Properties. It is the City’s practice to place a decree against all addresses in the property owner’s name at the time the decree is entered.

CE 64572 is for \$200 and CE 65695 is for \$277, both are for enforcement issues against different properties. Staff recommends releasing the fines against 1140 Martin Luther King to allow the Des Moines Greystone Homes project to proceed. The liens will still be in effect against other addresses owned by Imperial Properties.

PREVIOUS COUNCIL ACTION(S):

Date: June 13, 2011

Roll Call Number: [11-0998](#)

Action: City HOME Funds for the following: ([Council Communication No. 11-345](#)) Des Moines Greystone Homes, LP for a Low-Income Housing Tax Credit on the construction of 26 units of single-family housing at scattered sites, \$150,000. **Moved by Moore to adopt. Motion Carried 7-0.**

Date: February 28, 2011

Roll Call Number: [11-0388](#)

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

[Greystone](#) Homes, L.P. for construction of 26 units at 1120 ML King Jr. Parkway, 1100/1108 ML King Jr. Parkway, 1055/1059 ML King Jr. Parkway, 1037 18th Street, 1038/1050 16th Street, 1900 Leyner Street, 1104 19th Street, 1144 19th Street, 1160 ML King Jr. Parkway, 1901 and 1903 High Street, 1409 ML King Jr. Parkway and 1140 ML King Jr. Parkway. **Moved by Hensley to adopt. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S):

Board: Neighborhood Revitalization Board

Date: December 1, 2011

Resolution Number: Approval

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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