

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	October 8, 2012
	Agenda Item No.	31
	Roll Call No.	<u>12-1570</u>
	Communication No.	<u>12-530</u>
	Submitted by:	Phillip Delafield, Community Development Director

AGENDA HEADING:

Approval of \$3,000,000 Community Development Block Grant Disaster Recovery Loan and Contract Documents with Des Moines Apartments, LP for development of 136 units of housing at 405 6th Avenue and 513 Locust Street (Des Moines Building).

SYNOPSIS:

By Roll Call No. 12-0660, at a May 3, 2012 Special Council Meeting, the City of Des Moines authorized submittal of four (4) multi-family housing development proposals in response to a notification from the Iowa Economic Development Authority (IEDA) of additional funds for production of new multi-family housing units. On July 13, 2012, the City was notified that it received an allocation of \$9,000,000 for three (3) projects. This action approves the loan contracts and final terms for one (1) of the three (3) projects: Des Moines Building Apartments. The documents will be executed by the Community Development Director after the U.S. Department of Housing and Urban Development (HUD) has notified the City of final environmental clearance.

FISCAL IMPACT:

Amount: Des Moines Building Apartments, \$3,000,000.

Funding Source: The IEDA is administering the Federal Community Development Block Grant Disaster Recovery (CDBG-DR) Funds per a statewide allocation plan approved by the Department of Housing and Urban Development. Supplemental funds will be amended into existing contract Number 08-DHR-209 between the City of Des Moines and IEDA.

ADDITIONAL INFORMATION:

On November 27, 2011, by Roll Call No. 11-1898, the City Council held a public hearing on the conveyance of the Des Moines Building at 405 6th Avenue and 513 Locust Street to Des Moines Apartments, LP, for \$150,000. Des Moines Apartments, LP (Managing Partners are Michael Nelson of Nelson Development, 10145 76th Street, West Des Moines, Iowa, and Steve Foutch of Foutch Brothers, LLC, 8201 NW 97th Terrace, Kansas City, Missouri) purchased the property for \$150,000. Nelson Development and Foutch Brothers, LLC, were selected by the Council in July 2011, as the Preferred Redeveloper of the property and established Des Moines Apartments, LP, to serve as the Redeveloper for the property.

The Des Moines Building is a 14-story building listed on the National Register of Historic Places. The building will house 136 apartments on floors 3-14, two levels of office and retail space, and a pocket park which will provide outdoor seating for pedestrians and a direct skywalk access from the street level. Of the residential units, 51% or 70 units will be reserved for households below 80% of median income. Of the reserved units, rents cannot exceed the HOME program 65% rent limit per requirements of the IEDA. The HOME 65% rent limit is provided annually by HUD by bedroom size.

In addition to allowing affordable units, the CDBG-DR funds allow the project to undertake a more sustainable design. The building will conform to the Iowa Green Streets Sustainability requirements. Conforming to the standards has added some costs, but will result in improved indoor air quality standards for residents.

Uses of Funds	\$ Amount	Sources	\$ Amount	Type	Rate
Building Acquisition	\$150,000	Union Bank & Trust	\$9,809,972	Loan	5.75%
Demolition	\$500,000	IEDA	\$3,000,000	Loan	0.00%
On-Site Improvements	\$278,000	Enterprise Zone	\$1,507,908	Equity	
Construction	\$17,854,191	Historic Tax Credits State	\$4,700,000	Equity	
G.C. Profit	\$535,625	Historic Tax Credits Federal	\$4,830,000	Equity	
Commercial Related	\$1,091,435	Other Tax Credits	\$362,400	Equity	
Contingency	\$950,000	Owner Contribution	\$983,903		
Architect & Engineering	\$481,884	Deferred Developer Fee	\$2,449,940		
Technical Services	\$41,548				
Financing Costs	\$1,500,000				
Fees and Charges	\$595,500				
Legal and Accounting	\$550,000				
Developer Fee	\$2,449,940				
Operating Reserves	\$500,000				
Marketing	\$166,000				
Total	\$27,644,123	Total	\$27,644,123		

The above sources and uses include the commercial portion of the project. 90% of the total project costs are related to the multi-family section of the project while 10% is directly allocated to the commercial portion. None of the CDBG-DR dollars will be used in the commercial portion.

The sales agreement between the City and Des Moines Apartments, LP provided for a completion date of October 2013. Due to the complexities and time required to finalize the historic tax credits documents and the use of the CDBG-DR funding, it is appropriate to extend the completion date to June 30, 2014 in the sales agreement.

The purchaser of the Historic Tax Credits, Chevron (Peter Dufley, Womble, Carlyle, Sandridge & Rice, LLP 150 Fayetteville Street, Raleigh North Carolina, 27601) has requested each lender in the project execute a Subordination, Nondisturbance and Attornment Agreement that creates a master lease with the tax purchaser for a period of 66 months. The agreement states that if the city were to foreclose on the building during the 66 month period, the city would not forfeit the master lease. If the city caused the master lease to be foreclosed, the tax credit purchaser would be required to repay the tax credits.

PREVIOUS COUNCIL ACTION(S):

Date: August 27, 2012

Roll Call Number: [12-1349](#)

Action: [Amendment](#) to Des Moines Community Development Block Grant Disaster Recovery (CDBG-DR) Contract to accept a supplemental award for multi-family housing new production in an amount not to exceed \$9,000,000 for three projects plus general administration not to exceed \$180,000. ([Council Communication No. 12-443](#)). Moved by Meyer to adopt. Motion Carried 7-0.

Date: May 3, 2012

Roll Call Number: [12-0660](#)

Action: Approving submitting four applications for housing projects to Iowa Economic Development Authority for Community Development Block Grant-Disaster Relief (CDBG-DR) funding. ([Council Communication No. 12-197](#)). Moved by Hensley to adopt. Motion Carried 5-2. Nays: Coleman and Moore.

Date: July 11, 2011

Roll Call Number: [11-1251](#)

Action: Designation of preferred developer as Nelson Development and Construction and Foutch Brothers, LLC for purchase and redevelopment of Des Moines Building, 405 6th Avenue and 513 Locust Street. ([Council Communication No. 11-467](#)). Moved by Hensley to adopt and request that the Developer keep the Des Moines Building name; refer to the City Manager to develop a timeline for construction. Motion Carried 7-0.

Date: November 7, 2011

Roll Call Number: [11-1898](#)

Action: On conveyance of the Des Moines Building at 405 6th Avenue and 513 Locust Street to the Des Moines Apartments, LP, \$150,000. ([Council Communication No. 11-687](#)). Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: August 21, 2012

Resolution Number: Approval of building design, plaza, and skywalk.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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