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|  <p style="text-align: center;">Council Communication Office of the City Manager</p> | Date: November 5, 2012 |
| | Agenda Item No. Ex. 2 Roll Call No. <u>12-1741</u> Communication No. <u>12-574</u> Submitted by: Phillip Delafield, Community Development Director |

AGENDA HEADING:

Authorizing the City Manager to amend the HOME Agreement with Hatch Development Group LLC and Southern Meadows Homes LP for the redevelopment of the Southern Meadows site (2800 SE 8th Street).

SYNOPSIS:

By Roll Call No. 12-1667, Council approved a HOME agreement with Hatch Development Group to complete site preparation work for redevelopment of the Southern Meadows Apartments. After the agreement was finalized, Iowa Finance Authority (IFA) determined any liens placed against the property for the \$491,000 in pre-development costs would violate the IFA housing cost caps. In order to work around this complication, staff is amending the HOME agreement by utilizing HOME funds to pay for a portion of the construction costs. In order to fill the \$100,000 gap in the site prep costs, the City will administer a \$100,000 grant from the Polk County Housing Trust Fund (PCHTF).

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

At the October 22, 2012 meeting, by Roll Call No. 12-1667, the City Council approved a HOME agreement with Hatch Development Group LLC for the site preparation work to redevelop the Southern Meadows Apartments. The \$491,000 agreement pays for costs associated with soil remediation, grading, and extending the storm sewer.

After the agreement was finalized, the Iowa Finance Authority ruled that any lien placed against the property for the \$491,000 of site preparation costs must be considered as a part of the cost caps associated with the Low Income Housing Tax Credit Program.

In order to proceed with the project, staff proposes amending the agreement as follows:

- 1) The City enters into an agreement with the PCHTF to administer \$100,000 of PCHTF funding for the project.
- 2) PCHTF funding is moved out of the construction costs and is used to help cover \$100,000 of site prep costs.
- 3) The PCHTF does not place a lien against the property for the \$100,000.

- 4) The City provides the remaining \$391,000 of HOME funds for the site prep costs.
- 5) The site prep HOME funding is secured through a funding agreement with HDG, a personal note against HDG and a lien against another property. A restrictive covenant for four HOME units is recorded on the land to cover the HOME affordability requirements.
- 6) A new agreement for \$100,000 of HOME funds with Southern Meadows, LLC is created for construction to replace the PCHTF. This funding is secured with a Funding Agreement with Southern Meadows, LLC, a Lien for \$100,000 on the Southern Meadows site, and a Restrictive Covenant.
- 7) The City/HDG creates conditions in which the \$391,000 note/lien on other properties would be transferred to the Southern Meadows at the end of the 8609 process, in approximately 2 years.

The City's investment in HOME funds will remain secured throughout the process.

PREVIOUS COUNCIL ACTION(S):

Date: October 22, 2012

Roll Call Number: [12-1667](#)

Action: [Home](#) Funding Agreement with Hatch Development Group LLC for the development of 38 units of housing. Moved by Meyer to adopt. Motion Carried 7-0.

Date: May 21, 2012

Roll Call Number: [12-0788](#)

Action: [2012](#) Program Allocations for the Home Investment Partnerships Program (HOME) administered by the Community Development Department. ([Council Communication No. 12-234](#)). Moved by Hensley to adopt. Motion Carried 7-0.

Date: January 23, 2012

Roll Call Number: [12-0122](#)

Action: [On](#) sale of Southern Meadows site at 2800 SE 8th Street and adjoining parcels and on vacation and conveyance of City-owned property and approving proposed development agreement with Hatch Development Group, LLC, \$43,400. ([Council Communication No. 12-029](#)). Moved by Meyer to adopt. Motion Carried 7-0.

Date: December 5, 2011

Roll Call Number: [11-2056](#)

Action: [Authorizing](#) the City Manager to negotiate an agreement with Hatch Development Group to redevelop the Southern Meadows site at 2800 SE 8th Street. ([Council Communication No. 11-737](#)) Moved by Mahaffey to adopt. 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 Maffey to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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