

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: February 20, 2013
	Agenda Item No. 3 Roll Call No. [] Communication No. <u>13-074</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approve the submittal of two (2) applications for multi-family housing projects to the Iowa Economic Development Authority (IEDA) for Community Development Block Grant-Disaster Relief (CDBG-DR) Round V Funding.

SYNOPSIS:

In December, the IEDA announced a Round 5 of CDBG-DR funding for multi-family housing projects with a maximum award of \$3,000,000 per project. At the City Council workshop on January 7, 2013, the Council reviewed and commented on criteria presented by staff to rank projects. The Council directed staff to recommend the two projects which best meet the City goals outlined in the criteria and also comply with IEDA requirements. This Council action authorizes the submittal of two projects to IEDA by the deadline of March 1, 2013.

FISCAL IMPACT:

Amount: None

Funding Source: Federal Community Development Block Grant funding from the State of Iowa, Iowa Economic Development Authority. Supplemental funds would be amended into existing contract Number 08-DRH-209 between the City of Des Moines and IEDA.

ADDITIONAL INFORMATION:

In December 2012, the City of Des Moines received notice that a CDBG-DR funding round was available from the IEDA with applications due on March 1, 2013. The IEDA indicated that it would award funding for “shovel-ready” projects with financing commitments in place. Other factors such as sustainability, affordability, market need, and the project’s relationship to the disasters of 2008, will also be taken into consideration. In addition, a minimum of 51% of the project’s units must be for those households below 80% of median income and the rest may be rented at market rate. The subsidy amount is provided in the form of a deferred non-receding loan which is totally forgiven at the end of ten years.

In this round, IEDA has set aside approximately \$18,000,000 for cities over 50,000 in population. Des Moines is allowed to submit two projects. From staff conversations, many of the larger cities are submitting projects in this round. Each city can submit two projects and because of the damage from the 2008 flood, Cedar Rapids can submit more than two projects.

On December 12, 2012, staff sent notice to 30 multi-family housing developers that IEDA had announced another round of CDBG-DR funding. The IEDA application, selection material and requirements were forwarded as a part of that announcement with an emphasis on the requirement to be “shovel-ready”. Developers were also notified that City criteria were also being developed to help staff and Council determine which projects satisfied City goals.

The following nine projects were submitted for review by the City deadline of February 4, 2013. Each satisfied the City’s threshold measures.

Project Name	Address	Principal Developer	Total # of Units	Mixed-Use
The Nexus at Gray's Landing	SW 11th Street & Tuttle St	Sherman Associates	142	Yes
390 MLK	390 Martin Luther King Jr. Pkwy	Eychaner Properties Development	52	Yes
Veridian Building at Ingersoll Sq.	MLK & Ingersoll	Newbury Management Company	47	Yes
Broadway Heights Apartments	4216 E. 50th Street	Hubbell Realty Company	46	No
Indianola & Dunham Avenues	1700 SW 2nd	Neighborhood Development Corp	45	Yes
ALTO Lofts	200 SE 6th	Christensen Development	45	Yes
6th Avenue Brickstones	6th & Forest Aves.	Hatch Development Group, LLC	30	Live/Wk
Hilltop Cottages	3710 Hubbell Avenue	Conlin Development Group, LLC	30	No
Locust Home	350 E. Locust Street	East Village Growth Partners, LLC	20	Yes

After reviewing the projects individually, a City staff team held two meetings to further review the projects in light of the City’s criteria and IEDA standards.

- Two projects were not selected for reasons beyond the scoring criteria:
 - ALTO Lofts was the only LEED Platinum proposal, but was deemed to be too early in the Market District’s evolution. With no firm schedule to move Public Works, staff felt it would be poor urban planning to encourage residential uses adjacent to industrial neighbors.
 - The Nexus at Gray's Landing was the largest project and would provide a much needed boost to River Point West. However, City Legal has advised that residential uses are not permitted on the proposed site pursuant to our HUD 108 loan. Despite months of discussions, we are unsure if HUD will reverse the restriction. We cannot risk having to return another CDBG-DR allocation.

The top four remaining projects were within 2.6 points of each other. With the tight scoring range of these very diverse projects, staff then weighed the neighborhood impact, the “but for” nature of each project’s financing, and other factors we felt yielded the top two projects for State submittal.

The two recommended projects below are presented in preferred order:

- Project #1: East Village Growth Partners, LLC
 - Project Team is led by JSC Properties (Jim Cownie & Paul Hayes) and Tim Rypma

- Located at the NW corner of East 4th and East Locust on a City-owned parcel
 - \$6,350,000 investment
 - 20 units, 45% market rate, 55% @ 80% of median income
 - 5,750 SF of commercial space at street level and a 4,725 SF office penthouse
 - Pursuing LEED silver certification
- Project # 2: 6th Avenue Brickstones
 - Hatch Development Group, LLC
 - Located at the NE corner of 6th and Forest in the River Bend neighborhood
 - 3-building project includes 30 residential units, 47% market rate, 53% @ 80% of median income
 - 4 units fronting 6th Avenue will be live/work lofts, similar to Hatch Development's East Village Square project
 - Pursuing LEED certification

All of the submitted projects would be great additions to their respective neighborhoods and the City's housing alternatives. It is recommended that the Office of Economic Development and Community Development work with interested developers to pursue alternative funding sources to move the projects forward. The East Village Growth Partners project will yield \$400,000 in sales proceeds to the City. Recommend designating these funds to assist with one or more of the other projects at a later date.

PREVIOUS COUNCIL ACTION(S):

Date: April 20, 2009

Roll Call Number: [09-645](#)

Action: [Iowa](#) Department of Economic Development (IDED now IEDA) Community Development Block Grant (CDBG) Housing Disaster Recovery Fund Contract (08-DRH-209). ([Council Communication No. 09-254](#)). Moved by Vlassis to approve. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Final contact documents and standard real estate development procedures should the project(s) received IEDA funding.

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