

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	April 6, 2015
	Agenda Item No.	22
	Roll Call No.	<u>15-0582</u>
	Communication No.	<u>15-180</u>
	Submitted by:	Phillip Delafield, Community Development Director

AGENDA HEADING:

Execution of HOME Investment Partnership Program (HOME) Contract documents for \$1,650,000 with Christ the King Housing Services for development of 26 units of senior housing, 11 of which will be HOME assisted, located at 5602 SW 9th Street.

SYNOPSIS:

On August 25, 2014, by Roll Call No. 14-1328, the City Council approved a resolution authorizing the City Manager to negotiate a development agreement with Christ the King Housing Services for the development of 26 units of senior housing at 5602 SW 9th Street. The resolution directed the Manager to consider an economic development grant and a HOME loan.

The resolution followed a City Council decision on August 25, 2014, by Roll Call No. 14-1327, to submit two (2) other projects, the Edge at Gray’s Landing, 406 SW 9th Street and Eagle View Lofts, SE 6th and Shaw, for funding through the Community Development Block Grant-Disaster Recovery (CDBG-DR) offered by the Iowa Economic Development Authority (IEDA).

FISCAL IMPACT:

Amount: \$1,650,000

Funding Source: HOME Entitlement Funds - HOM 02014

ADDITIONAL INFORMATION:

On June 2, 2014, the IEDA announced a sixth round of multi-family housing funding as a part of the distribution of CDBG-DR funds resulting from the 2008 Iowa Flood Disaster. City staff sent notice of the funding opportunity to multi-family housing developers, and on July 14, 2014 received applications from five (5) developers.

Christ the King Housing Services, represented by Chris Aldinger, Executive Director, and Bishop Richard Pates, Board Chairman, 5711 SW 9th Street, Des Moines, IA 50315, submitted an application for the development of 26 units of senior housing for the property located at 5602 SW 9th Street. The Christ the King project was not chosen for submittal to IEDA, but City Council directed staff to assist in the development of the property through other City funds. City Council particularly wanted to commit \$230,000 that would be realized through the sale of City land if the Eagle Lofts project at SE 6th and Shaw was selected for funding by IEDA.

City staff began working with Christ the King on available funding through HOME funds and economic development funds. Christ the King was also able to secure a funding commitment from Polk County Housing Trust Fund and submitted funding for an allocation of Work Force Tax Credits.

On January 5, 2015, the City of Des Moines was notified that the Eagle View Lofts project was not funded. That decision by IEDA created a ripple effect in that there was a \$230,000 gap in the Christ the King project that had to be filled. The project could not take on additional private debt, so City staff committed an additional \$150,000 of HOME funds and Christ the King approached the Polk County Housing Trust Fund for an additional \$100,000.

The Christ the King Project consists of the demolition of a vacant house at 5602 SW 9th Street and construction of 26 units of senior housing. The development will be composed of 23 2-bedroom units and three (3) 1-bedroom unit. Of the 26 units, 11 will be assisted with City HOME funds.

The project will cost \$3.9 million and the City will assist with \$1.65 million for the 11 HOME units or 42% of the project. The City’s funding is in the form of a loan at 1% interest with an annual payment dependent upon cash flow and full payment at the end of the 25 year amortization period.

Sources of Funds		Uses of Funds	
HOME	\$1,650,000	Land	\$ 40,000
City Non Fed		Site Work	\$ 26,940
PCHTF	\$ 200,000	Construction	\$ 3,097,421
WkForce Tax Credit	\$ 314,000	Professional Fees	\$ 96,000
First Mortgage	\$1,563,679	Developer Fees	\$ 400,000
Defer Dev Fee	<u>176,221</u>	Consultant Fees	\$ 90,000
		Interim Fees	\$ 50,902
		Perm. Loan Fees	\$ 15,637
		Soft Costs	\$ 41,000
		Reserves	<u>\$ 46,000</u>
TOTAL	\$3,903,900	TOTAL	\$ 3,903,900

During the Environmental Review process additional energy requirements were added to the project. These involve upfront costs but will result in lower utility bills for the program. Christ the King will pay all utilities for tenants and charge a rent level consistent with the HOME rent requirements but will not result in a cost burden for any tenants below 50% of median income.

The use of HOME funds require a 20-year period of affordability during which time there will be restrictions on the income of the tenants and the rents that can be charged in the 11 HOME units. The Polk County Housing Trust Fund places additional requirements on the incomes of the units assisted which are reflected in the rents and income below.

<u>Unit</u>	<u>Type</u>	<u>Rent</u>	<u># of Units</u>	<u>Monthly Rental Income</u>
Market Rate	2 br apt	\$825	13	\$10,725
Market Rate	1 br apt	\$725	2	\$ 1,450
HOME Unit < 30%	2 br apt	\$627	1	\$ 627
HOME Unit < 30%	1 br apt	\$513	1	\$ 513
HOME Unit < 50%	2 br apt	\$748	<u>9</u>	<u>\$ 6,732</u>
TOTAL			26	\$20,047

In accordance with U.S. Department of Housing and Urban Development (HUD) requirements, an Environmental Assessment has been completed and Notice of Finding of No Significant Impact on the Environment and Notice of Intent to Request a Release of Funds was published in the Des Moines Register on March 11, 2015. The City staff expects to receive a release of funds from the Omaha Field Office of HUD on or after April 15, 2015. Contracts will be executed after that date and work will begin at that point.

PREVIOUS COUNCIL ACTION(S):

Date: January 30, 2015

Roll Call Number: [15-0159](#)

Action: [Christ](#) the King Senior Housing II, LLP (Chris Aldinger, Business Manager, Christ the King, 5711 SW 9th Street, Des Moines, IA 50315) for a \$4,200,000 project constructing 26 housing units at 5602 SW 9th Street. Moved by Hensley to approve, subject to the projects being required to meet all other City requirements, including without limitation, local funding and zoning; and acknowledging that the Council had to act without the normal detailed review, but did so in an effort to aid the applicants and improve the quality of life in Des Moines and further did so with the understanding that the process will be more refined and complete prior to additional submissions for the program. Motion Carried 7-0.

Date: August 25, 2014

Roll Call Number: [14-1328](#)

Action: [Authorizing](#) City Manager to negotiate a development agreement with Christ the King Housing Services for the development of 26 units of senior housing at 5602 SW 9th Street. Sponsor: Council Member Coleman. Moved by Hensley to approve that the proceeds from the sale of property for the Hansen project be used to fund the Christ the King Housing Services development, subject to Iowa Code restrictions regarding permitted use of net sales proceeds. Motion Carried 7-0.

Date: August 25, 2014

Roll Call Number: [14-1327](#)

Action: [Submittal](#) of two applications for multi-family housing projects to the IEDA for CDBG-DR Round VI Funding. ([Council Communication No. 14-426](#)) Moved by Gatto to adopt and to select the following projects for submittal to the IEDA for approval of CDBG-DR Round VI funding: 1st Priority, Eagle View Lofts project by Hansen Real Estate Services. Motion Carried 7-0. 2nd Priority, The Edge at Gray's Landing project by Sherman and Associates was moved by Moore to adopt. Motion Carried 5-2. Nays: Gatto and Hensley.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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