

 <h1 style="text-align: center;">Council Communication</h1> <p style="text-align: center;">Office of the City Manager</p>	<b>Date:</b>	November 7, 2016
	<b>Agenda Item No.</b>	<b>43</b>
	<b>Roll Call No.</b>	<b><u>16-1927</u></b>
	<b>Communication No.</b>	<b><u>16-642</u></b>
	<b>Submitted by:</b>	<b>Phillip Delafield, Community Development Director</b>

## AGENDA HEADING:

Authorization for City Manager to sign "Exhibit 5S, Local Government Contribution" for all projects submitting Low Income Housing Tax Credit (LIHTC) project applications in the 2017 Iowa Finance Authority (IFA) round and Preliminary Commitment of Home Investment Partnerships Program (HOME) Funds for certain LIHTC projects.

## SYNOPSIS:

- LIHTC applications are due to IFA on November 17, 2016 and four (4) projects are being submitted within the city limits of Des Moines. These projects include:
  - Melbourne Apartments IV, 5515 SE 14<sup>th</sup> Street, Hubbell Development and HOME, Inc.
  - Hilltop II, 3720 E. Douglas, Conlin Development
  - East Town Senior, 2540 Hubbell Avenue, CT Development (Tim Mauro)
  - Libertad Des Moines, 4421 and 4415 SE 14<sup>th</sup> Street, Vecino Group from Springfield MO
- The action has two (2) parts:
  1. Authorizes the City Manager to sign an Exhibit 5S, Local Government Contribution, for each of the four (4) projects that lists any City financial contribution and directs staff to provide such exhibit to the developer for the application. These forms are administrative in nature and nondiscretionary, and are attached for review.
  2. Approves a preliminary commitment of HOME funds to fill a gap in financing for two (2) projects:
    - a. Melbourne Apts \$200,000
    - b. ~~Hilltop II~~ \$100,000
    - c. East Town Senior \$200,000
- The City has a total of \$500,000 of 2016 and 2017 HOME funds available for development of affordable rental housing.
- Staff recommends that the City Council approve the resolution for each of the projects with a preliminary HOME commitment, and/or any Enterprise Zone Credits/Rebates available. The Polk County Housing Trust Fund (PCHTF) will make a commitment to two (2) of the projects, but will complete a separate "Exhibit 5S-Local Government Contribution" form.
- The City Manager will submit an Exhibit 5S for Hilltop II and the Libertad Des Moines projects reflecting no local contribution.

- Staff also recommends that the City Council approve the resolution to commit HOME funds to the two (2) projects based on initial underwriting and conformance with City goals. HOME funds may be preliminarily committed if a “gap” is identified in the sources and uses. If HOME funds are not approved by City Council, each proposal requesting HOME funds will be impacted by the loss of one (1) or two (2) points in scoring in addition to the gap in financing.

**FISCAL IMPACT:**

Amount: \$500,000

Funding Source: HOM02016 / HOM02017

**ADDITIONAL INFORMATION:**

- IFA has an annual round to allocate 9% LIHTC throughout the state of Iowa. The Qualified Allocation Plan (QAP) identifies required components and exhibits and awards points to projects according to a scoring system adopted by the IFA Board.
- In the 2017 application round there are two (2) exhibits which are required to be completed by the City of Des Moines in order for a developer to have a complete application:
  - 1) “Exhibit 7B Political Jurisdiction Certification” (zoning and site issues), is part of the threshold application, but not a part of scoring.
    - Exhibit 7B is signed by the City Zoning Compliance Officer. Comments are written on the form as to whether the project conforms with zoning and if a project needs a site plan or development plan to be approved by the Plan and Zoning Commission.
    - The City also adds additional comments to the form regarding the status of the project in review of multi-family housing design standards or other standards which must be met.
    - A project is not required to be zoned correctly at the time of threshold application; however, the applicant (developer) must certify that the site will be zoned appropriately by the Carryover-Ten Percent Test Application due date.
  - 2) “Exhibit 5S, Local Financial Contribution” is a part of the threshold application and a part of the scoring.
    - Under the 2017 QAP, “Local Financial Contribution” includes the value of any land or cash contribution, tax abatement, the equity value of previously approved Enterprise Zone Credits and value of previously approved Enterprise Zone Sales Tax Rebate, Tax Increment Financing, and any HOME or Community Development Block Grant funds.
    - The contribution helps with financing as well as providing points for scoring. In the 2017 QAP, a project will receive two (2) points for each full 1% of the total project costs contributed by a local government, up to eight (8) points.
    - A HOME allocation must be committed based on underwriting and a gap in the sources and uses. A HOME allocation should not consider its impact on points.
    - A PCHTF loan or grant is also considered under the local government category but PCHTF will complete their own form with an authorized signatory.

- The QAP includes the following language - “A Local Government Contribution creates a presumption that the project is not in conflict with the local government’s community revitalization plan, if any.”
- City Council has previously set goals/guidelines by which to evaluate LIHTC which receive any type of City funding including:
  - Compatible design with the neighborhood, including a density analysis;
  - Avoid concentrations of assisted units;
  - Neighborhood Association input on the project;
  - Properly managed and maintained facility with amenities;
  - Support downtown & neighborhood revitalization efforts; and
  - Target infill lots with connections to parks, schools and transit.
- Four (4) projects will apply for LIHTC within the 2017 IFA Round. Two (2) developers are asking for HOME loan funds for their project. Details of the projects are on an attached spreadsheet. An analysis of the compliance with City Goals follows:

Melbourne IV Senior Apartments - 5515 SE 14<sup>th</sup> Street (see attached spreadsheet for project details), Hubbell Development Services (6899 Westown Parkway, West Des Moines, IA 50266), with Co-Developer HOME, Inc. (1111 9<sup>th</sup> Street, Des Moines, IA 50314) Hubbell Realty Management with services from HOME, Inc.

Request of \$200,000 of City HOME funds as a below market rate interest loan. Staff recommends in favor based on compliance with City goals and initial underwriting.

Melbourne Phase IV Senior – Aligns with City Goals:

- *Design and density* – A LIHTC award will complete the full-build out of this site. The density is in compliance with the R-3 Zoning District requirements.
- *Avoid Concentration* – The site will consist of 295 units of family and senior housing. The development is not located within one-half mile of other existing large LIHTC developments. According to IFA fewer than 10% of the housing units in the 108.02 census tract are LIHTC units that are within their first 15-year compliance period.
- *Neighborhood Association* – Easter Lake Neighborhood Association is not opposed to completion of the project as Senior Housing.
- *Management and Amenities* –Hubbell Realty manages numerous market rate and low-income developments. HOME, Inc. will bring an added dimension of services. Amenities include washer/dryers in every apartments and residents will have free access to computers and exercise equipment. Apartments are wired for high speed Internet, phone service, and cable or satellite television service.
- *Support Revitalization* – Provides households the opportunity to shop along E. 14<sup>th</sup> Street and support the commercial revitalization of the corridor. Minimal revitalization impact on adjacent residential areas due to connectivity and land forms.
- *Infill and Connections* – The development is located adjacent to sidewalks and residents will be able to access the DART bus system near the apartments. Residents can walk to many big-box and smaller retail stores and restaurants along E. 14<sup>th</sup> Street.

- *Financial underwriting* – The project shows a gap of \$200,000 which is approximately 2% of the project. The co-developers, (HOME, Inc. and Hubbell) will split the developer fee and will defer \$91,797 in developer fees.

Hilltop II Family Apartments - 3720 E. Douglas (see attached spreadsheet for project details), Conlin Development Group and Management (319 7<sup>th</sup> Street, Des Moines, IA 50309).

~~Request of \$100,000 of City HOME funds as a below market rate interest loan.~~ Staff recommends in favor based on compliance with the majority of City goals, promoting multi-family development along transit corridors, and initial underwriting.

Hilltop II – The project does not align with a goal for neighborhood revitalization because of building and occupancy prior to the construction of improvements to the intersection of E. Douglas and Hubbell Avenue and implementation of safety improvements along the Hubbell Corridor and the concentration of LIHTC. However, the project conforms to the PUD zoning, adds households to a corridor served by transit, and traffic and safety improvements may begin construction in 2018. City staff wrote a letter to the IFA Board urging IFA's density criteria be eliminated because of its broad application to an entire census tract and the need to incentivize affordable housing development on major corridors in urban areas with transit service:

- *Design and Density* – A LIHTC award will complete Phase II of the build out of this site. The density is in compliance with the approved PUD zoning.
- *Avoid Concentration* – IFA has concluded that the number of awarded LIHTC projects within their initial 15-year compliance period comprises 19% of the housing units within census tract 1.01. Because of its “density criteria”, IFA will award three (3) out of five (5) points in this scoring category for construction of housing at this site. Hilltop II is adjacent to other large LIHTC developments. There are currently 240 units adjacent to Hilltop on E. Douglas in the Parkside East Apartments (3540 E. Douglas) and Willow Park Apartments (3604 E. Douglas). Full build out of Hilltop will include 162 units of family housing, 62 units of senior housing and 15 duplexes. Of those units, 36 family units and 62 senior units have been constructed. Upon completion there will be approximately 479 units in the immediate area.
- *Neighborhood Associations* – Residents have raised concerns about the development due to concentration of units and traffic safety. Conlin Development met with three (3) neighborhood associations in 2015 and 2016 and has sent e-mails to neighborhood residents concerning the most recent IFA application.
- *Management and Amenities* – Conlin Development works closely with the Des Moines Police Department and participates in the Crime-Free Multi-family Housing Program. Amenities include community center, exercise area and equipment, garden space, and bike-racks. Conlin Development provides numerous activities and programs for residents, particularly children, throughout the year.
- *Support Revitalization* – A traffic study on the Hubbell Corridor between E. 33<sup>rd</sup> and E. 38<sup>th</sup> Street, with an emphasis on the safety issues at Hubbell and E. Douglas, has been completed. City Council has approved the concept plan. Roadway design began in August and construction could begin in late 2018 if funding is secured. If awarded a tax credit allocation, the Hilltop II would begin in late fall of 2017 and take approximately a year for completion and occupancy.

- *Infill and Connections* – The development re-uses the old Dahl’s site previously on this property. The developer has provided numerous playgrounds on the site and tenants are able to access DART.
- *Financial underwriting* – The project shows a gap of \$100,000 or 1% of the project. The developer will utilize PCHTF for 30% AMI units as well as Enterprise Zone Tax Credits and Sales Tax Rebate. The developer has deferred \$43,680 in fees.

East Town Park Senior Apartments - 2540 Hubbell (see attached spreadsheet for project details), CT Development, (3512 Ingersoll Avenue, Des Moines, IA 50312, Tim Mauro, Partner) and Common Bond Communities (1080 Montreal Avenue, St. Paul, MN 55116) Co-Developers. Common Bond will manage the projects and provide support services. Common Bond is a non-profit housing developer located in Minnesota but owns and operates apartments in Capitol East near E. 14<sup>th</sup> and E. 15<sup>th</sup> Street.

Request of \$200,000 of City HOME funds as a below market rate interest loan. Staff recommends in favor based on compliance with City goals and initial underwriting.

East Town Park Senior – Aligns with all City Goals:

- *Design and Density* – This will be a new development on the site of a former parking area. There will be only one (1) phase of the project. Staff is working with the developer on a design and front yard setback that works with the node as identified in PlanDSM. Board of Adjustment action is required to have a lesser setback and six (6) more units than allowed under zoning. Both of these actions will promote a more urban building and site.
- *Avoid Concentration* – The site will consist of 48 units of senior housing. The development is not located within one-half mile of other large LIHTC developments. According to IFA, fewer than 10% of the housing units in the 2.02 census tract are LIHTC units that are within their first 15-year compliance period.
- *Neighborhood Associations* – The developer has presented at the ACCENT Neighborhood Association and the Fairmont Park Association. Neither neighborhood took an official position. The majority of members present at the Fairmont Park neighborhood Association had a positive opinion of the project with two (2) members having a few concerns with staffing hours and seniors crossing Hubbell Avenue. Traffic along Hubbell is also a concern and the neighborhood will communicate with the developer concerning the additional six (6) units.
- *Management and Amenities* – The management and amenities will be similar to other CT Senior Developments in Des Moines.
- *Support Revitalization* – The addition of 48 units of housing will provide households to shop at E. Hubbell and Easton and support the commercial businesses along the Hubbell Corridor. Seniors can also use the existing cultural facilities such as the library and may volunteer at the adjacent school.
- *Infill and Connections* – Seniors can use the school grounds to the west to walk and to connect to the rest of the neighborhood. It may prove difficult to cross the street in order to access the library services or retail services.
- *Financial underwriting* – The project shows a gap of \$200,000. The developer will utilize \$185,000 of PCHTF for 30% AMI units, but has no Enterprise Zone funding because it is a

project begun since Enterprise Zone was eliminated. The co-developers (CT Development and Common Bond) will split the developer fee with no deferral of any fee at this time.

Libertad Des Moines - 4415 and 4421 SE 14<sup>th</sup> Street (see attached spreadsheet for details), The Vecino Group (305 W Commercial Street, Springfield, MO 65803 Heather Bradley-Geary Supportive Housing Developer).

No request for City HOME funds. There is no Enterprise Zone award nor an award from the PCHTF. The developer has paid the required fee for a zoning letter and City staff will provide based on the concept plan as proposed:

- *Design and Density* – This will be a new development. Staff is discussing the project with Vecino to ensure the project proposal is in conformance with the existing zoning and the concepts in PlanDSM.
- *Avoid Concentration* – The site will consist of 40 units of family housing with five (5) reserved for homeless families. The development is located within one-half mile of other Melbourne Apartments which has family and senior housing. According to IFA fewer than 10% of the housing units in the 108.02 census tract are LIHTC units that are within their first 15-year compliance period.
- *Neighborhood Associations* – The developer has not presented to the neighborhood.
- *Management and Amenities* – They are currently working with IFA on who would be the best fit to manage this type of project.
- *Support Revitalization* – Provides households to shop along E. 14<sup>th</sup> Street and support the commercial revitalization of the corridor. Minimal revitalization impact on adjacent residential areas due to connectivity and land forms.
- *Infill and Connections* – The development is located adjacent to sidewalks and residents will be able to access the DART bus system near the apartments. Residents can walk to big-box and smaller retail stores and restaurants along E. 14<sup>th</sup> Street.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: November 23, 2015

Roll Call Number: [15-2022](#)

Action: [Authorizing](#) the City Manager to sign Iowa Finance Authority “Exhibit 5S Local Government Contribution” for the following Low-Income Housing Tax Credit Project applications, and for the Mayor to sign a separate letter updating the Iowa Finance Authority on PlanDSM and its impact on identifying Multi-Family Housing sites. ([Council Communication No. 15-612](#)) Moved by Hensley to adopt. Motion Carried 4-2-1. Nays: Gatto and Moore. Absent: Coleman.

(A) Melbourne IV Senior (Hubbell Realty), 5515 SE 14<sup>th</sup> Street Bldg. E and F, 72 units.

(B) Hilltop II Family (Conlin Development Group), 3720 E. Douglas Avenue, 72 units.

(C) Brickstones at Riverbend Senior (Anawim Housing), 513 Forest Avenue, 30 units.

(D) Calvin Manor Senior (Kevin Kukleman), 4210 Hickman Avenue, 48 units.

(E) Rehab of Corinthian Gardens Senior (Newbury Living), 1101 University Avenue, 75 units.

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

If a project is awarded HOME funds, additional actions will be required for contract documents.

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