

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: September 25, 2017
	Agenda Item No. 30 Roll Call No. <u>17-1655</u> Communication No. <u>17-689</u> Submitted by: Phillip Delafield, Community Development Director

AGENDA HEADING:

Approving release of Home Investment Partnership Program (HOME) liens associated with Southern Meadows Project.

SYNOPSIS:

The Southern Meadows Apartments is a 38-unit project that was developed by Hatch Development Group (HDG), President, Jack Hatch, 333 E. Grand Avenue, Des Moines, Iowa 50309, and included financing from Neighborhood Stabilization Program Funds, City HOME funds and Low-Income Housing Tax Credits administered by the Iowa Finance Authority (IFA).

On October 22, 2012 by Roll Call No. 12-1667, the City of Des Moines approved a HOME Agreement and contract documents with HDG for an amount not-to-exceed \$491,000 to be used for site preparation work for the development of 38 units of rent-to-own housing at 2800 SE 8th Street.

On November 5, 2012 by Roll Call No. 12-1741, the City of Des Moines authorized the City Manager to amend the HOME agreement with HDG to conform with IFA’s cost cap requirements.

The amendment included entering into a HOME Agreement and Restrictive Covenant with Southern Meadows Homes, LP, the ownership entity of 2800 SE 28th Street of which Jack Hatch is a Managing Member of the general partner Southern Meadows Homes LLC.

The amendment also included a HOME lien for an amount not-to-exceed \$491,000 personally guaranteed by Jack Hatch and Sonja Roberts, who pledged a substitute property owned by them and located at 696 18th Street in Des Moines. Such lien was to be released and reassigned to Southern Meadows Homes, LP, 2800 SE 8th Street after the development was completed and was operating successfully for at least six (6) months.

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

- By Roll Call No. 09-1743, on September 28, 2009, a 34-unit, severely distressed apartment building and grounds called Southern Meadows Apartments was purchased by the City of Des Moines for redevelopment using Neighborhood Stabilization Funds.

- By Roll Call No. 11-1582, on September 12, 2011, the Council directed a disposition process that involved distributing Requests for Proposal (RFP) to developers of multi-family housing.
- By Roll Call No. 12-0122, on January 23, 2012, the Council directed City staff to enter into a Development Agreement with HDG to redevelop the site as 38 row house units with an expectation that HDG would apply to IFA for an allocation of Low Income Housing Tax Credits for a rent-to-own project.
- A limited partnership formed by HDG, Southern Meadows Homes, LP, received an allocation of tax credits to develop the 38 units of rent-to-own housing.
- Due to unexpected site costs, it was determined an additional \$491,000 was needed for the development and a HOME loan for \$491,000 was approved by City Council on October 22, 2012 by Roll Call No. 12-1667.
- After the HOME loan was approved by Council, IFA determined that filing even a forgivable mortgage or lien against the property at 2800 SE 8th Street would exceed the IFA imposed cost caps and cause a violation of the Qualified Allocation Plan under which the allocation was awarded.
- By Roll Call No. 12-1741, on November 5, 2012, the City Council authorized the City Manager to amend the HOME contracts to comply with IFA requirements.
- After extensive discussion with HUD, IFA and PCHTF, an amended HOME Agreement and Restrictive Covenant was executed with Southern Meadows Homes, LP.
- Jack Hatch agreed to a \$491,000 lien against a property that was owned by him and his wife as a personal guarantee, such lien to be removed and reassigned as a mortgage against the Southern Meadows Property at 2800 SE 28th Street after successful development and operation for at least six (6) months.
- There is no payment due on the non-receding HOME mortgage, which will be fully released after a successful operation of the project under the terms of the HOME agreement for a 20-year period of affordability.
- The development has been fully occupied and operating for approximately 2.5-years.
- City staff has reviewed the 2015 and 2016 audit, current rent roll, updated pro forma and bank statements for the operating and replacement reserves to ensure the property is cash flowing.
- Southern Meadows Homes, LC has been monitored by the City for compliance with the HOME and NSP tenant income and rent limit requirements.

PREVIOUS COUNCIL ACTION(S):

Date: November 5, 2012

Roll Call Number: [12-1741](#)

Action: [Authorizing](#) the City Manager to amend the HOME Agreement with Hatch Development Group for redevelopment of the Southern Meadows site at 2800 SE 8th Street. Sponsor: Council Member Brian Meyer. ([Council Communication No. 12-574](#)) Moved by Meyer to adopt. Motion Carried 7-0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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