

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: November 6, 2017
	<p style="text-align: right;">Agenda Item No. 24 Roll Call No. <u>17-1895</u> Communication No. <u>17-773</u> Submitted by: Phillip Delafield, Community Development Director</p>

AGENDA HEADING:

Preliminary Commitment of HOME Investment Partnership Program (HOME) funds for Melbourne Senior Apartments, 5515 SE 14th Street to be a limited liability limited partnership associated with Hubbell Realty Corporation.

SYNOPSIS:

The action provides a preliminary commitment of \$250,000 of HOME funds as a below market rate interest loan to be used for the construction of 72 units of senior housing at 5515 SE 14th Street, Melbourne Apartments. The loan is structured at 1% interest, interest only paid annually. A Balloon payment of principle is structured at the end of the 20-year period of affordability. The commitment is dependent upon the proposed project receiving an allocation of Low Income Housing Tax Credits (LIHTC) in the 2018 Iowa Finance Authority (IFA) funding round. The project will be developed by a limited liability limited partnership associated with Hubbell Realty Services, Contacts Kris Sadoris and Tim Portzel, 6899 Westown Parkway, West Des Moines, IA 50266.

FISCAL IMPACT:

Amount: \$250,000

Funding Source: Fiscal Year Operating Budget, Special Revenue and Other Funds, HOME Grants, Page 57

ADDITIONAL INFORMATION:

- LIHTC applications are due to IFA on November 16, 2017 and three (3) projects are being submitted within the Des Moines City limits:
 - Melbourne Apartments IV, 5515 SE 14th Street, Buildings E and F 72 units of Senior Housing
 - Hilltop II, 3720 E. Douglas, two (2) buildings, 72 units of Family Housing
 - Hilltop Townhomes, 3720 Douglas, 15 duplex buildings, 30 units of Senior Housing
- None of the above projects is eligible for tax abatement. The only form from the local government that IFA requires for submittal of a LIHTC is a certification of zoning which will be executed by the Zoning Enforcement Officer, SuAnn Donovan.

- On October 13, 2017, in accordance with goals in the 2015-2019 Consolidated Plan and 2017 Action Plan, the City staff distributed notice concerning the availability of federal HOME funds for a rental project that contains low-income housing.
- Representatives of Hubbell Realty Corporation responded to the notice and met with City Community Development staff. Hubbell provided financial information regarding a proposed LIHTC project, Melbourne IV Apartments to be built at 5515 SE 14th Street, Buildings, E and F, composed of 72 units of one (1) and two (2) bedroom Senior Housing Units.
- The total project is projected to cost \$10,236,820 and will consist of 72 units of one (1) and two (2) bedroom senior housing units.
- Household Income to be served:

Below 30% of median	4 units
Below 40% of median	22 units
Below 60% of median	38 units
Market Rate	<u>8 units</u>
Total	72 units
- Hubbell Realty will contribute financially to the project. Hubbell Realty Corporation has structured the project such that it will gift the land to the ownership entity, Melbourne Apartments IV, LLLP in addition to providing a 0% loan of \$358, 290 to the development.
- A portion of the developer fee, \$367,475, will be deferred. IFA restricts deferring over 50% of the developer fee.
- The Polk County Housing Trust Fund has committed a \$100,000 to Melbourne Senior Apartments at a 1% interest rate loan, interest only paid annually with principal due at the end of 20 years. The funding is dependent upon the allocation of LIHTC in the 2018 IFA round.
- 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 and neighborhood revitalization efforts
 - Target infill lots with connections to parks, schools and transit
- Melbourne IV Senior Apartments 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 full 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. A new LIHTC development, Libertad Des Moines, to be located at 4421 SE 14th Street is over one-half mile the Melbourne site. According to IFA, fewer than 10% of the housing units in the 108.02 census tract are LIHTC units within their first 15-year compliance period. The Senior Housing should not create a concentrate of affordable housing within the census tract.
- *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. Amenities include washer/dryers in every apartment 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. 14th Street and support the commercial revitalization of the corridor. Minimal revitalization impact on adjacent residential due to lack of connectivity and land forms that form barriers.
- *Infill and Connections* – The overall development is located adjacent to public 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. 14th street.
- *Financial underwriting* – The projects has a gap of \$250,000, which is approximately 2% of the project, needed to serve the targeted income populations and maintain an adequate Debt Coverage Ratio.

PREVIOUS COUNCIL ACTION(S):

Date: November 7, 2016

Roll Call Number: [16-1927](#)

Action: [City](#) Manager to sign local contribution forms for all projects submitting Low-Income Housing Tax Credit (LIHTC) Project Applications in the 2017 Iowa Finance Authority Round and preliminary commitment of Home Investment Partnership Program (HOME) Funds for certain LIHTC projects. (Melbourne Apartments IV, 5515 SE 14th Street, Bldg. E & F, 72 units, Hubbell Development and HOME, Inc.; Hilltop II, 3720 E. Douglas Avenue, 72 units, Conlin Development; East Town Senior, 2540 Hubbell Avenue, 48 units, Curley Top Development and CommonBond; and Libertad Des Moines, 4415 and 4421 SE 14th Street, 40 units, Vecino Group) ([Council Communication No. 16-642](#)) [Attachment](#) Moved by Coleman to adopt and to amend the 5S forms to list only the State of Iowa as the granting entity on the enterprise zone tax credits. Motion Carried 6-0. Council Member Hensley declares a conflict of interest and abstains from voting.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

If the project is awarded an allocation of tax credits, City staff will review final underwriting and Environmental Review. The contract documents and final terms will return to City Council for approval.

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