


COUNCIL COMMUNICATION

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|  | Number: | 19-002 | Meeting: | January 14, 2019 |
| | Agenda Item: | 32 | Roll Call: | 19-0048 |
| | Submitted by: | Chris Johansen, Community Development Director | | |

AGENDA HEADING:

Preliminary Commitment of HOME Investment Partnership Program (HOME) Funds for Columbus Park Senior Housing, LP at 119 Columbus Avenue to be developed with Hatch Development Group and CD Family Properties.

SYNOPSIS:

The action provides a preliminary commitment of \$250,000 of HOME funds as a below market rate interest loan to Columbus Park Senior Housing, which will consist of 45 affordable rental units and one (1) market-rate unit. The loan is structured at 1% interest where only the interest is paid annually and the principal will be due as a balloon payment at the end of the 20-year affordability period.

A final commitment is dependent upon the project receiving an allocation of Low Income Housing Tax Credits (LIHTC) in the 2019 Iowa Finance Authority (IFA) funding round. Final approval is also dependent on completion of an environmental review in accordance with the U.S. Department of Housing and Urban Development's (HUD's) regulations.

FISCAL IMPACT:

Amount: \$250,000

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

ADDITIONAL INFORMATION:

- In August 2018, City staff distributed notice of available HOME funds for the development of affordable housing units. Four (4) applications were received in total. The Columbus Park Senior Housing project was the only application requesting HOME funds in conjunction with LIHTC.
- The proposed new multi-family building is four (4) stories with 45 affordable units and one (1) market-rate unit located at the corner of Columbus Avenue and SW 1st Street in the McKinley/Columbus Park Neighborhood. The co-developer, CS Family Properties, owns six (6) parcels of land within the block, and the current homes and buildings are vacant and in disrepair. These buildings would be demolished to allow construction of the new Columbus Park Senior Housing, 46 parking spaces, a community garden, and detention pond.

- Five (5) of the units will be designated as HOME units. The HOME units will have two (2) bedrooms, and rents will be \$768 with a utility allowance of \$107 for a total of \$875 per month. The HOME units in this development are intended to house residents who are below 60% of the area median income. For example, a one-person household earning less than \$33,000 a year would be income-eligible.

A breakdown of all units and income levels to be housed are below:

| % of Area Median Income (AMI) | Number of Units | Net Rent Per Month |
|-------------------------------|-----------------|--------------------|
| 30% AMI | 5 | \$370 |
| 40% AMI | 14 | \$565 |
| 60% AMI | 26 | \$768 |
| Market Rate | 1 | \$900 |

Overall, the total project is expected to cost \$9,369,250. The sources of funding are below:

| | |
|------------------------------|-------------|
| First mortgage | \$1,309,858 |
| Tax abatement loan | \$225,000 |
| City of DSM HOME funds | \$250,000 |
| General Partner Contribution | \$100 |
| Deferred developer fee | \$307,598 |
| Net equity to project | \$7,276,694 |

- After City staff reviewed the developer’s qualifications, financial capacity, project details, HUD’s HOME regulations, and the City Council’s criteria for LIHTC support, the project is recommended for preliminary commitment of a HOME loan.

PREVIOUS COUNCIL ACTION(S): NONE

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.

For more information on this and other agenda items, please call the City Clerk’s Office at 515-283-4209 or visit the Clerk’s Office on the first floor of City Hall, 400 Robert D Ray Drive. Council agendas are available to the public at the City Clerk’s Office on Thursday afternoon preceding Monday’s Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk’s Office or sending their request via email to cityclerk@dmgov.org.