

COUNCIL COMMUNICATION

	Number:	19-148	Meeting:	April 8, 2019
	Agenda Item:	30	Roll Call:	19-558
	Submitted by:	Chris Johansen, Community Development Director		

AGENDA HEADING:

Approval of Blighted Property Rehabilitation (BPR) Program Agreement with Rally Cap Properties, LLC for rehabilitation of property located at 693 19th Street, Des Moines, IA.

SYNOPSIS:

The agreement provides financial assistance to Rally Cap Properties, LLC under the BPR Program, for rehabilitation of the property located at 693 19th Street, Des Moines, IA as a single-family dwelling. The action will help bridge the financial gap between rehabilitation expenses and after repair value in conformance with requirements of the BPR Program policy. It will further the goal of the Sherman Hill Neighborhood Plan to improve the existing housing stock through rehabilitation and preserve the historic character of the neighborhood in order to maintain it as an attractive place to live for a diverse array of people and families.

FISCAL IMPACT:

Amount: \$66,000

Funding Source: 2017-2018/2022-23 Capital Improvement Program (CIP), Miscellaneous Improvements – 14, Vacant/Abandoned Residential Property Redevelopment, MS014.

ADDITIONAL INFORMATION:

- On January 8, 2018, the City Council approved the BPR Program, designed to provide financial assistance to investors, non-profit organizations and other qualified developers for acquisition, demolition and/or rehabilitation of vacant, abandoned and/or blighted residential properties in the City of Des Moines.
- A financial assistance award under the BPR Program is administered by the City Manager and Community Development Director in conformance with all City ordinances and adopted practices. The City Manager is authorized to award contracts in amounts up to and including \$50,000 per project, and the project contracts more than \$50,000 are submitted to City Council for consideration and approval.
- Rally Cap Properties, LLC has requested funding of \$87,500 under the BPR Program to assist with rehabilitation of property located at 693 19th Street, Des Moines, IA.

- The property in the Sherman Hill Neighborhood is historically known as the “Edward H. Jones House”. It was built in 1890 in the late-Victorian style and is listed as a contributing resource in the Sherman Hill National Historic District. It is located within the boundaries of both, Local and National Sherman Hill Historic Districts.
- The property was previously divided into multiple rental units, and is currently vacant and blighted. It was declared as a ‘dilapidated property’ by the City’s Neighborhood Inspection Division in 2014.
- Rally Cap purchased the property in Summer 2016 and moved forward on plans to restore it using both state and federal historic tax credits (which require a 5-year hold as rental property) and workforce tax credits. The initial plan was to downsize the building to three (3) units for the short-term hold period with goal of resale as single-family dwelling. The owner obtained approvals from Historic Preservation Commission and Zoning Board of Adjustment to implement plans, and went through Part II review of both state and federal tax credits.
- Rally Cap has changed its proposal to meet the desires of the Sherman Hill Neighborhood Association to downsize the house as a single-family residence. This change requires them to forego the federal tax credits (20% of repair costs), approved workforce housing tax credits for two (2) accessory units (\$30,000) and 5-years of rental income from three (3) units. These changes, along with ongoing financing and holding costs have created a financial gap in the owner’s rehabilitation expenses and after repair value.
- The Community Development Department has reviewed the proposed rehabilitation project and estimated budget. The applicant possesses professional qualifications to undertake the rehabilitation work and has demonstrated need for funding assistance in accordance with the requirements of the BPR Program policy.
- The proposed project will maintain the historical integrity of design and materials in compliance with the Secretary of Interior’s Standards. While Rally Cap Properties, LLC is a fairly young real estate development firm, it has quickly gained reputation for quality design and rehabilitation, bringing out the best of historic character with sustainable reuse of existing building fabric.
- The project will also further goals of the Sherman Hill Neighborhood Plan to preserve the historic character of the neighborhood while improving existing housing stock through rehabilitation, repair, and development in order to maintain the neighborhood as an attractive place to live for a diverse array of people and families.
- The Community Development Department and Rally Cap Properties, LLC have negotiated an Agreement to provide \$66,000 to Rally Cap Properties, LLC for the rehabilitation of property located at 693 19th Street. The Community Development Department believes that said Agreement and assistance is in the best interest of the City.

PREVIOUS COUNCIL ACTION(S):

Date: January 8, 2018

Roll Call Number: [18-0075](#)

Action: [On](#) approval of Blighted Property Rehabilitation (BPR) Program designed to provide financial assistance for acquisition, demolition and/or rehabilitation of vacant, abandoned and/or blighted residential properties in the City of Des Moines. ([Council Communication No. 18-013](#)). Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Historic Preservation Commission

Date: February 15, 2017

Resolution Number: 20-2017-5.23

Action: The foregoing Certificate of Appropriateness was approved by a vote of 8-0, with all Commission members voting in favor thereof.

Board: Zoning Board of Adjustment

Date: May 24, 2017

Resolution Number: ZON2017-00071

Action: The foregoing Decision and Order was adopted by a vote of 6-0, with all board members voting in favor thereof.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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