


COUNCIL COMMUNICATION

	Number:	21-549	Meeting:	December 20, 2021
	Agenda Item:	39	Roll Call:	21-1922
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

Resolution amending Community Development Block Grant (CDBG) project agreement with 6th Avenue Corridor Inc. (6AC) for redevelopment project at 1601 6th Avenue.

SYNOPSIS:

6AC is utilizing Community Development Block Grant (CDBG) funding to rehabilitate a historic building at 1601 6th Avenue also known as the former North Des Moines City Hall. The first floor of the building will be converted to commercial-use space and the second floor will be converted to apartment units. The current restrictive covenant states there will be six (6) total apartment units, of which four (4) will be considered affordable. Affordability is currently determined by the most current 65% HOME Investment Partnership (HOME) rent limit. City staff are seeking authority to amend the restrictive covenant to set a consistent affordable rent limit at \$850 and reduce the number of apartment units to three (3), of which two (2) will be considered affordable.

FISCAL IMPACT:

Amount: N/A

Funding Source: Community Development Block Grant (CDBG) from the US Department of Housing and Urban Development (HUD).

ADDITIONAL INFORMATION:

- 6AC currently owns the property at 1601 6th Avenue. Approval of a development agreement with 6AC for the acquisition and rehabilitation of the property was completed on October 24, 2016.
- \$250,000 of CDBG funding was approved for the rehabilitation project on October 24, 2016.
- 51% of dwelling units created by a project that utilizes CDBG funding must be reserved for low-and-moderate-income persons. Low-and-moderate-income persons are those that earn less than 80% of the area median income (AMI). This rule is established in the current restrictive covenant for 1601 6th Avenue and will not change.

- Affordable dwelling units must follow the affordability guidelines established by HUD for a minimum of 60-months, once they become occupied, in order to qualify for CDBG funding. This rule is established in the current restrictive covenant for 1601 6th Avenue and will not change.
- The current restrictive covenant requires a rent limit for the affordable dwelling units equal to 65% of the most recent HOME program rent limit. That figure for the Des Moines-West Des Moines Metropolitan Statistical Area (MSA), in 2021, is \$608 for an efficiency and \$738 for a 1-bedroom apartment.
 - For reference, Iowa Finance Authority (IFA) publishes maximum rent limits for households earning 80% of the AMI each year. That figure for Polk County, in 2021, is \$1,280 for an efficiency and \$1,371 for a 1-bedroom apartment. City staff believe that rent limit is too high to add to the restrictive covenant for 1601 6th Avenue.
- 6AC has expressed confusion with the rent limit requirement based on the HOME program because HOME funding is not utilized for this project. Also, after market research and financial analysis, 6AC determined the rent limit required in the current restrictive covenant is not financially feasible.
- The proposed rent limit of \$850 provides a consistent figure for the duration of the 60-month affordability period. It is also a good compromise between HOME rent limit, which 6AC considers too low, and the maximum rent limit published by IFA, which City staff consider too high.
- The proposed reduction of apartment units from six (6) to three (3) is due to input from historic preservation specialists. The first floor of the rehabilitated structure will now be dedicated to commercial use only. This matches the historic nature of the building and other similar buildings in the area. The second floor will be dedicated to the three (3) apartment units configured in a way that is historically accurate. This will qualify the project for historic preservation funding, as well.

PREVIOUS COUNCIL ACTION(S):

Date: October 24, 2016

Roll Call Number: [16-1829](#)

Action: [CDBG](#) project agreement with 6th Avenue Corridor, Inc. (6AC) for redevelopment at 1601 6th Avenue. ([Council Communication No. 16-604](#)) Moved by Gray to adopt. Motion carried 7-0.

BOARD/COMMISSION ACTION(S): NONE**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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