


COUNCIL COMMUNICATION

	Number:	23-351	Meeting:	July 17, 2023
	Agenda Item:	44	Roll Call:	23-1010
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

Approval of a Community Development Block Grant (CDBG) Agreement with BTB Investments 2, LLC for the Rehabilitation of one (1) Duplex and 39 Scattered Site Single Unit Rental Properties

SYNOPSIS:

BTB Investments 2, LLC is a local property investment entity that has identified 40 total properties (one { 1 } duplex and 39 single-unit houses) within the City of Des Moines to rehabilitate with the use of CDBG funds. City staff are seeking authority to execute a contract with BTB Investments 2, LLC for up to \$1,000,000. Reimbursement will be provided to BTB Investments 2, LLC for rehabilitation costs associated with each property as they are completed individually. The estimated average rehabilitation cost is \$25,000 for each property utilizing CDBG assistance. After rehabilitation, all properties will be affordable to households at or below 80% of the area median income (AMI). Rents will be less than or equal to the Fair Market Rents for Des Moines-West Des Moines, IA Metropolitan Statistical Area (MSA) as determined by the U.S. Department of Housing and Urban Development (HUD) for a minimum period of 10 years.

FISCAL IMPACT:

Amount: \$1,000,000

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

ADDITIONAL INFORMATION:

- BTB Investments 2, LLC recently purchased a portfolio of 220 scattered-site rental housing units with the intent to rehabilitate most if not all of them.
- Within this recent purchase of more than 200 properties, BTB Investments 2, LLC has identified 40 total properties (one { 1 } duplex and 39 single-unit houses) within the City of Des Moines to rehabilitate with the assistance of CDBG funds.
- Of the proposed 40 CDBG-assisted properties, 36 have active rental licenses. Four (4) properties have pending rental license inspections. Rehabilitation will first begin on unoccupied properties. As other properties become vacant, when tenants move on their own accord, rehabilitation will take place at that time.

- The estimated average funding request to complete rehabilitation on CDBG-funded units is \$25,000 for each property. A full review process will be completed for each property as they are prepared for rehabilitation. Costs and scopes of work will be finalized and approved by City staff prior to commencement along with site-specific environmental reviews.
- Before reimbursement can occur, all properties will need to be in compliance with the City’s rental license requirements.
- The rehabilitations have the potential to improve neighborhood value and safety. Most of the properties are over 100 years old, and some may have environmental health hazards, such as lead based paint, asbestos, and radon, that will be addressed. A large majority of the properties are within low- or moderate-income census tracts.
- After rehabilitation, each property will have rent less than or equal to the Fair Market Rents (FMR) for Des Moines-West Des Moines, IA MSA for at least 10 years. See below for the Fair Market Rents by unit size. FMR for unit sizes larger than four (4) bedrooms are calculated by adding 15 percent (15%) to the four (4) bedroom rent, for each additional bedroom. For example, the FMR for a five (5) bedroom unit is \$1,724 (\$1,499 x 1.15) and a six (6) bedroom unit is \$1,949 (\$1,499 x 1.3).

Unit Size	FMR
Efficiency	\$791
1 Bedroom	\$889
2 Bedroom	\$1,074
3 Bedroom	\$1,473
4 Bedroom	\$1,499

- After rehabilitation, each property will be affordable to households at or below 80% of the area median income (AMI). For example, a household of three (3) earning \$75,150 or less would be eligible based on income. See below for the 2023 HUD Median Family Income for Des Moines-West Des Moines, IA MSA **effective 6/15/2023**.

Household Size	80% AMI
1	\$58,450
2	\$66,800
3	\$75,150
4	\$83,450
5	\$90,160
6	\$96,850
7	\$103,500
8	\$110,200

- The 40 locations are listed below and consist of scattered sites across the City.

3710 3rd St	2902 Des Moines St	2221 Carpenter Ave	2403 47th St
1118 E 9th St	2022 York St	2824 2nd Ave	1710 11th St
2108 E Walnut St	1633 Oakland Ave	707 Maxwellton Dr	1630 Beaver Ave

1724/1726 7th St	1227 21st St	1123 23rd St	1919 11th St
3416 2nd Ave	1225 21st St	2912 4th St	2530 Prospect Rd
3210 E Clinton Ave	2016 Courtland Dr	2201 Capitol Ave	1640 Capitol Ave
1154 18th St	1125 24th St	3506 3rd St	1511 4th St
720 E Sheridan Ave	1714 College Ave	1600 E University Ave	1337 E Oak Park Ave
2300 34th St	3201 3rd St	2404 Payne Rd	3207 E 12th St
1409 Idaho St	3104 5th Ave	3510 3rd St	1934 Claypool St

- BTB Investments 2, LLC assumes rehabilitation of 200 properties. Rehabilitation may range from \$10,000 for some units up to \$50,000 for other units.
- Understanding the range of rehabilitation needs varies across the units, BTB Investments 2, LLC conservatively anticipates at least \$3 million will be needed to complete rehabilitation of all 200 units. As such, the sources of funds for rehabilitation include:

Source of Funds	Amount	Notes
CDBG	1,000,000	To be used on 40 properties as listed above
Owner Equity	2,000,000	\$540,000 has already been expended
Total	3,000,000	

- In addition to the scattered-site rental units, BTB Investments, LLC also has three multi-unit buildings that have been or are currently being rehabilitated. Approximately another \$1.5 million has been invested in repairs on those properties. The buildings are 1419 Capitol, 1400 E. Walnut Street, and 1348 E. Euclid Avenue.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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