


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	23-391	Meeting:	August 21, 2023
	Agenda Item:	16	Roll Call:	23-1174
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

Preliminary Commitment of \$500,000 in Community Development Block Grant (CDBG) Funds for Rehabilitation of the Klein Building at 3614 6th Avenue, Resulting in Upper-Story Affordable Rental Units.

SYNOPSIS:

36 on 6th LLC is an entity created for the acquisition and historic rehabilitation of the two (2)-story building at 3614 6th Avenue. The building is also known as the former Klein Department Store or Knights of Pythias Hall. The first floor will be rehabilitated and remain a commercial-use space. CDBG funds will be allocated towards the rehabilitation of the second floor where four (4) single-unit apartments will be created. Three (3) of the apartments will be affordable to households at or below 80% of the area median income (AMI) and rents will be less than or equal to Fair Market Rents (FMR) for the 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 period of 10 years.

FISCAL IMPACT:

Amount: \$500,000

Funding Source: CDBG from HUD

ADDITIONAL INFORMATION:

- The total project cost is anticipated to be over \$3.5 million.
- This is a preliminary commitment only. A full agreement has not been completed, at this time, because exact loan terms have not been agreed upon and outstanding documents are still needed in order to complete the project underwriting process. Further, developer has requested a preliminary commitment in order to potentially secure additional grant funding.
- Aside from developer equity and a standard construction loan, other sources of funding for this project include State Historic Tax Credits, Work Force Housing Tax Credits, Polk County Housing Trust Fund, Tax Increment Financing, Neighborhood Commercial Revitalization Program, and Invest DSM.

- The second floor has historically been a Knights of Pythias meeting hall. The rehabilitation will maintain the historic nature of the building through consultation with the State Historic Preservation Office (SHPO).
- After rehabilitation, each property will have rent less than or equal to the FMR for Des Moines-West Des Moines, IA, MSA for at least 10 years. See below for the Fair Market Rents by unit size.

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 two (2) earning \$66,800 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

PREVIOUS COUNCIL ACTION(S):

Date: April 10, 2023

Roll Call Number: [23-0496](#)

Action: [Round](#) three Neighborhood Commercial Revitalization Program funding, and authorizing execution of agreements with NCR Program round three funding recipients. ([Council Communication No. 23-192](#)) Moved by Gatto to adopt. Second by Voss. Motion Carried 6-1. Absent: Sheumaker.

Date: June 26, 2023

Roll Call Number: [23-0914](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with 36 on 6th, LLC for the renovation of 3614 6th Avenue for a mixed-use building including commercial and multifamily residential. ([Council Communication No. 23-313](#)) Moved by Gatto to adopt. Second by Voss. Motion Carried 6-1. Absent: Sheumaker.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Design and Financial Assistance Review
- Plan and Zoning Commission – Site plan review if any Type 2 design alternatives are requested
- City Council – Final Terms of an Urban Renewal Development Agreement and CDBG Agreement

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