

Meeting Agendas/Info

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

01-312

SYNOPSIS -

AGENDA:

JUNE 4, 2001

Consideration for a Low Income Housing Tax Credit (LIHTC) application from Bernie Van Til for rehabilitation of 46 units of housing at 921 Pleasant Street, commonly known as Hawthorne Hill.

SUBJECT:

FISCAL IMPACT -

CONSIDERATION
OF TAX CREDIT
APPLICATION FOR
46 UNITS OF
FAMILY HOUSING

The LIHTC application should have no direct financial impact. The City's financial support is limited to ten-year tax abatement.

RECOMMENDATION -

TYPE:

Consideration for a 46 unit LIHTC project located at 921 Pleasant Street submitted by Bernie Van Til.

RESOLUTION

ORDINANCE
RECEIVE/FILE

BACKGROUND -

SUBMITTED BY:

JAMES M. GRANT
COMMUNITY
DEVELOPMENT
DIRECTOR

The Tax Reform Act of 1986 created the LIHTC for project owners to invest in the development of rental housing for individuals and families with fixed or limited incomes. The tax credit, rather than a direct federal subsidy, provides a dollar for dollar reduction (or credit) to offset an owner's federal tax liability on ordinary income.

Iowa Finance Authority (IFA) has been the tax credit-allocating agency in Iowa. IFA holds one application round per year for the reservation of tax credits. The credits are highly competitive. The application process requires the developer to ask for approval from the governing body in the jurisdiction in which the project will be built, proof of zoning, proof of utilities, and proof of any local governmental contribution.

Bernie Van Til will submit an application to IFA for the rehabilitation of 46 units of affordable housing at 921 Pleasant Street, commonly known as Hawthorne Hill. Mr. Van Til has asked for a

letter of support for the project, as well as proof of zoning and evidence that the development is eligible for ten-year tax abatement. The project will be known as Mission Hills.

Hawthorn Hill Comm. Partners, LP, currently own the Hawthorn Hill site. Mr. Van Til has represented himself as a principal in this company.

Under IFA's definitions, the building will be marketed for family housing. However, 10 percent of the building, or five units, will be marketed to special needs individuals.

The proposed project is in conformance with the City's Year 2000 Housing Plan as it applies to renovation. The City's affordable housing policy included in the plan refers to new construction of assisted housing rather than renovation, so it was not held to the same standard. The City's Year 2000 Plan states that assisted housing should guarantee a variety of housing opportunities in all areas of the city and not be concentrated in a few areas of the city. The proposal to rehabilitate 46 units of affordable housing in the Hawthorne Hill building continues to concentrate affordable housing in the downtown. The downtown is considered a low- and moderate-income census tract according to the U.S. Department of Housing and Urban Development (HUD). Hawthorne Hill is located within a few blocks of the Oakridge Neighborhood that contains 300 units of very low-income housing.

The Housing Plan also directs the review of design, management services, and appropriate amenities. Hawthorn Hill is a local landmark and as such, all improvements will need to be reviewed by the City's Historic District Commission for conformance with the historic and architectural character of the building.

The building is not a part of a recognized neighborhood so there was no neighborhood review of the project.

The building will be managed by National Management Corporation and will have an on-site manager to oversee maintenance and the renting of apartments. National Management Corporation was formed in 1988 to manage federally funded, commercial, and tax credit properties. It currently manages 137 sites and 3,490 units. It has approximately 170 employees that include the site and office personnel.

The building is near several open space areas and other amenities in the downtown. In addition, the building will have a community center

which will include a library, TV room, and meeting rooms. The developer is exploring how to provide extra storage for the tenants as the building plans are being developed.

Staff has also reviewed the property for zoning and found it is zoned C-2. Under the current zoning, the building will need 69 parking spaces. Mr. Van Til has stated that at least 60 parking spaces can be provided on site; however, he will need to ask the Board of Adjustment for an exception for the additional spaces unless structured parking is feasible. Attached to the roll call is a copy of IFA's Exhibit 12 that provides information on zoning.

The property is eligible for ten-year tax abatement. Also attached to the roll call is a copy of IFA's Exhibit 17 that verifies tax abatement as a City contribution to the project.

Mr. Van Til applied for the LIHTC for this project in the last IFA round. He did not receive them; however, Council supported the project by a 4-3 vote. He did receive 4 percent funds through Tax Exempt Bonds issued by IFA; however, those monies were not used.

The City of Des Moines has worked with Mr. Van Til and his company, Preservation Properties, on 501 East Locust. The City has made a preliminary commitment of federal HOME dollars as a part of that project in 2000, but Mr. Van Til has not closed on the funds. Mr. Van Til has not drawn down the 4 percent IFA bond monies that he had received for the 501 East Grand project.
