

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: November 8, 2010
	<p>Agenda Item No. 33</p> <p>Roll Call No. <u>10-1849</u></p> <p>Communication No. <u>10-675</u></p> <p>Submitted by: Phil Delafield Community Development Director</p>

AGENDA HEADING:

Approve and authorize the Mayor to sign Major Amendment #4 of the Community Development Block Grant Housing Disaster Recovery (CDBG-DR) Fund Contract with Iowa Department of Economic Development (IDED) (Contract Number 08-DHR-209).

SYNOPSIS:

Approve and authorize the Mayor to sign Major Amendment #4 to a contract with IDED for CDBG disaster funds. This Amendment awards funds to the City of Des Moines for the Anawim/Hubbell project in the 2200 block of Forest Avenue and The Younkens Building/Alexander Company project. The Anawim/Hubbell project consists of the construction of 16 townhome-style rental units in the Drake Neighborhood. The Younkens project converts the former Younkens building (713 Walnut) downtown to 140 rental units. This amendment also extends the existing contract through March 31, 2012.

FISCAL IMPACT:

Amount: \$ 4,040,816

Funding Sources: The Iowa Department of Economic Development is administering the Federal Community Development Block Grant (CDBG) Disaster Recovery Funds per a statewide allocation plan approved by the Department of Housing and Urban Development.

ADDITIONAL INFORMATION:

Overview of Funding and Program Guidelines:

The State of Iowa published an Action Plan for Disaster Recovery (Action Plan) that describes the proposed use of U.S. Department of Housing and Urban Development (HUD) CDBG funding associated with the Supplemental Appropriations Act, 2008 (Public Law 110-252, approved June 30, 2008) for disaster relief of unmet needs resulting from tornadoes and flooding in the state.

This Action Plan outlines the recovery activities that are taking place across the state such as Jumpstart Housing Assistance, Infrastructure Repair, and Small Business Assistance. One additional proposed activity is the construction of new rental housing units to replace the units lost in the floods and/or to have a positive redevelopment impact on areas hit by the natural disasters of 2008. Additionally the Action Plan outlines a strategy for allocation and/or application of funds which divides the state into 11

eligible entities (6 Super Council of Governments or COG areas and 5 entitlement cities). Des Moines is one of those entitlement cities and submitted two applications and was fully funded for both.

Application 1: 22nd and Forest Avenue (Hubbell/Anawim)

The amendment will accept the award of \$960,000 (plus 2% administration) for a construction subsidy for a townhouse rental project that sits on the north side of Forest Avenue between 22nd and 23rd streets in the Drake Neighborhood. The acquisition and assembly of this site is the result of a City Council directed urban renewal planning effort that began in September 2006 with significant neighborhood stakeholder input and buy-in. The Forest Avenue Corridor Study evaluated four separate sites along Forest Avenue for redevelopment. This site was chosen by the Forest Avenue Committee due to its significant blight and environmental challenges—it was the former site of a gas station, a burned-out single family home and a vacant plumbing store. Over the next several years the Forest Avenue Committee and City staff developed the Forest Avenue Urban Renewal plan, acquired the lots and performed environmental clean-up efforts. The site is currently vacant, considered “low risk” by the Environmental Protection Agency and the Iowa Department of Natural Resources and ready to develop.

The original vision for this site was owner-occupied row houses. Interest was sought in the spring of 2009 for developers but due to the housing market, developers were not interested in building owner-occupied housing at this site. While working with the Drake Neighborhood Association on their neighborhood plan, it was suggested that high quality rental housing be pursued as part of the neighborhood’s goal to concentrate medium density rental along the major neighborhood corridors with Forest Avenue being one of them.

When disaster funds for rental projects were made available in early 2010, City staff and the neighborhood once again distributed a Request for Proposal to determine interest in the site. Anawim, in partnership with Hubbell Realty Co. submitted a proposal.

The project includes two buildings facing Forest Avenue with eight 3 bedroom/2 bathroom units per building. Each unit has its own entrance and over 1600 square feet. The buildings will have a varied color scheme, partial brick façade, high quality siding and architectural shingles. The site will feature a courtyard/play area between the two buildings and thirty parking spaces (almost double the amount required by zoning). Hubbell will serve as the developer while Anawim will own and manage the units.

The unique funding sources being proposed for this project allows for a more mixed income project than other projects funded through federal and low-income tax credit funds. A few of the units will be reserved for those families at 50% or 60% Area Median Income (\$36,600 to \$43,920 for a family of four). Overall, per funding rules, 49% of the units must be made available to families at or below 80% area median income (or \$58,550/year or \$28.15/hour for a family of four). Up to seven of the units do not have to be income or rent restricted. Other funding sources or Anawim as the owner of the property, may require additional units be reserved for low income.

The Community Development Department received a letter of support for this project from the Drake Neighborhood Association. Hubbell Realty Co. and Anawim met with the neighborhood association twice over the past several weeks to discuss the project. Area stakeholders, former members of the Forest Avenue Committee, property owners within 250 feet of the site and the leaders of the neighborhood groups within Drake Neighborhood were invited to the first meeting. Residents made several comments and suggestions. Hubbell Realty Co. and Anawim revised the project to address resident concerns of limited play space, security and parking. Anawim and Hubbell Realty Co. also

attended the June Drake Neighborhood Association Board Meeting where they received the full support of the board.

Application 2: 713 Walnut Street (the former Younkers building)

This Council action will accept the award for \$3 million (plus 2% administration) to convert the former Younkers building to 140 units of rental housing. Alexander Company, based out of Madison Wisconsin, is working with the current owner on this \$44 million redevelopment project.

The project will feature first and second floor commercial space, underground parking, 140 one and two bedroom units and will preserve the Tea Room. This project is being financed through a wide variety of sources including state and federal Historic Tax Credits, Enterprise Zone Credits, Polk County, conventional financing and the leveraging of other sources of equity, including a deferred development fee.

This project will result in mixed income rental units. While 72 of the units will be reserved for and affordable to individuals or families at or below 80% Area Median Income (\$41,000/year or \$19.71/hour for an individual), the remaining 68 units will have no income or rent restrictions. The period of affordability will be ten years after which no units will have income or rent restrictions.

The action before Council will amend the CDBG-DR funds for these two projects into an existing contract with the Iowa Department of Economic Development and extends the contract through March 31, 2012.

PREVIOUS COUNCIL ACTION(S):

Date: October 25, 2010

Roll Call Number: [10-1769](#)

Action: [Loan](#) documents with Anawim d/b/a Anawim Housing for new construction of 16 units of rental housing at 2201 and 2223 Forest Avenue. ([Council Communication No. 10-631](#)) Moved by Griess to adopt. Motion Carried 7-0.

Date: October 25, 2010

Roll Call Number: [10-1782](#)

Action: [Preliminary](#) terms of agreement with The Alexander Company for redevelopment of the former downtown Younkers Department Store at 713 Walnut Street. ([Council Communication No. 10-623](#)) Moved by Hensley to receive, file and approve preliminary terms of agreement set forth in the Council Communication and to direct the City Manager to proceed with negotiations of formal agreements with The Alexander Company consistent with the terms set forth in the Council Communication. Motion Carried 7-0.

Date: September 27, 2010

Roll Call Number: [10-1601](#)

Action: [On](#) conveyance of property located at 2201 and 2217 Forest Avenue and 1405 23rd Street and Residential Development Agreement with Anawim Housing for \$1 for the Forest Avenue Urban Renewal Project. ([Council Communication No. 10-593](#)) Moved by Griess to adopt. Motion Carried 5-2. Absent: Coleman and Hensley.

Date: June 28, 2010

Roll Call Number: [10-1095](#) and [10-1096](#)

Action: Submittal of Multi-Family New Construction Applications for Community Development Block Grant Disaster Recovery (CDBG-DR) funds to the Iowa Department of Economic Development (IDED) for the following: ([Council Communication No. 10-391](#))

- (A) [Construction](#) of 16 rental units in the 2200 block of Forest Avenue, \$979,200. Moved by Griess to approve. Motion Carried 7-0.
- (B) [Redevelopment](#) of 140 rental units at 713 Walnut (Former Younkers Building), \$3,060,000. Moved by Griess to approve. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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