

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> April 25, 2011
	<b>Agenda Item No.</b> 35 <b>Roll Call No.</b> <u>11-0687</u> <b>Communication No.</b> <u>11-250</u> <b>Submitted by:</b> Phil Delafield, Community Development Director

**AGENDA HEADING:**

Amending Loan Contract Documents with ANAWIM (dba Anawim Housing) for new construction of 16 units of rental housing at 2201 and 2223 Forest Avenue for additional \$50,000 of HOME funds.

**SYNOPSIS:**

Allocating additional HOME funding will fill a gap that has arisen due to environmental issues on the site of 16 new units at 2201 and 2223 Forest Avenue. The City Council purchased and demolished blighted properties on this site including a gas station/radiator shop. On September 27, 2010 by Roll Call 10-1601 Council held a public hearing to convey the site to Anawim Housing for development of rental housing. On October 25, 2010 by Roll Call 10-1769, the City Council approved an agreement with Anawim for \$1,730,000 to help finance 16 townhouses. Unfortunately, additional costs have arisen because of unsuitably compacted soils that needed to be replaced and upgrades to iron piping and gaskets to eliminate any risk of pollution into the water system. This action will increase the amount of City Contribution by \$50,000 to \$1,780,000.

**FISCAL IMPACT:**

Amount: CDBG-DR: \$960,000  
City of Des Moines HOME Funds: \$300,000  
City of Des Moines Neighborhood Stabilization Funds: \$520,000  
Total of all sources - \$1,780,000

Funding Source:

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

The Iowa Department of Economic Development is providing funding from the Federal Neighborhood Stabilization Program Fund Title III of the Housing and Economic Recovery Act of 2008 (PL 110-289).

Special Revenue Funds HOME Grants – SP036 CDD049900 HOME Funds

**ADDITIONAL INFORMATION:**

Anawim Housing and Hubbell Construction have been under construction on the townhouse project at 22nd and Forest since December, with some shut downs due to severe weather. Unfortunately even with Environmental reviews two unknown tanks on the site were discovered. Those are in the process of tank registration and remediation working through the Department of Natural Resources (DNR) Processes with licensed remediation contractors. The City will advance the money for this cost but will be reimbursed through DNR.

In addition, there have been cost overruns on the project:

1. Poorly compacted fill soils were discovered after construction began, up to 6' deep in places. This problem was solved by removing 12' of existing soil on each building slab and replacing with 12" of rock. The cost of the overrun was \$41,626.00.
2. Although this site is labeled low risk there are hydrocarbon odors in the soil. The City of Des Moines is requiring conformance with DNR guidelines. The project changed from PVC to cast iron pipe with nitro gaskets on the sanitary line under the building and out on the street. The cost of this work was \$33,351.00.

The total cost of the above two items is \$74,978. City staff has identified an additional \$50,000 of HOME funds that can be used to make sure the project does not take on too much debt and create a problem for the development's cash flow. The housing is making a great physical impact on the street and it is important that the project is well built and correctly financed

Anawim Housing and City Staff have been able to assemble several different sources of funding to build a high quality housing development on the site of formerly blighted properties. This is a major step forward in supporting the efforts of Drake University's improvements to the stadium and Knapp Center. The development will not only complement the streetscape of Forest Avenue but will bring a mixture of incomes to the street. The tenants will bring more eyes on to the street to lessen any undesirable activity. This site it was the former site of a gas station, a burned-out single family home and a vacant plumbing store. With this development, sixteen families will have 3 bedroom/2 bathroom units with over 1600 square feet.

Overview of Funding and Program Guidelines:

By Roll Call 05-2584 on October 24, 2005, the City Council approved the Forest Avenue Urban Renewal Plan which contained as a goal the acquisition of underutilized lots and properties for redevelopment. By Roll Call 06-1810 on September 11, 2006, the City Council amended the Forest Avenue Urban Renewal Plan to allow for the acquisition of these vacant lots and voluntary acquisition of properties for redevelopment of housing.

The site for this project sits on the north side of Forest Avenue between 22nd and 23rd streets in the Drake Neighborhood now addressed as 2201 and 2223 Forest Avenue. 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. This site was chosen due to its significant blight and environmental challenges Staff set the fair market value for the three properties and acquired the lots.

The City has also performed environmental clean-up efforts. On May 4, 2010 by Roll Call 10-694 the City Council contracted to remove contaminated soil on the site of 2201 Forest, the former radiator shop. The site is currently vacant, considered "low risk" by the Environmental Protection Agency and the Iowa Department of Natural Resources and ready to develop.

On June 8, 2009, by Roll Call 09-996, the City Council approved the Contract with the Iowa Department of Economic Development (IDED) to implement the Neighborhood Stabilization Program (NSP). Since that time the City has utilized NSP funds to assist in the redevelopment of foreclosed, vacant, and abandoned property. This project will receive \$520,000 of NSP funds.

On June 28, 2010 by Roll Call 10-1095, the City of Des Moines approved a grant application to the Iowa Department of Economic Development (IDED) for Community Development Block Grant – Disaster Relief (CDBG-DR) funding for the construction of rental occupied units at 22nd and Forest Avenue. The grant application was in direct response to a notice of funding by IDED that it had CDBG-DR funds available to replace rental units lost in the floods of 2008 and to have a positive redevelopment impact on the areas hit by the natural disasters of 2008. On September 7, 2010, the City of Des Moines received notice that it would receive \$979,200 for the development of sixteen units of rental housing in the Forest Avenue Urban Renewal Area. (Of the funds \$19,200 will be used for administration and \$960,000 for construction)

#### Site Development

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, no developer was 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—Forest Avenue being one such corridor.

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 Executive Director of Anawim Housing is Russ Frazier and their offices are located at 2024 Forest, very near this particular site.

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 total project is estimated to cost \$2.7 million or \$168,000 per unit. The CDBG-DR funds will bring down the cost of the development to approximately to \$1,740,000. HOME and NSP funds provide an additional \$820,000 of subsidy. The project will carry approximately \$1.0 million debt on a conventional mortgage.

The value of the .82 acre site was appraised at \$40,000. In order to reduce the cost of the development the site will be sold for \$1.00. The development will qualify for ten-year tax abatement. The units will be built as and listed as condominium units by the Polk County Assessor. This will result in less tax revenue to the City in the future but will also allow the units to be sold for owner-occupied housing after the period of affordability has been completed. The owner-occupancy is a goal of the neighborhood organization.

#### Terms of Loan and Affordability Requirements

This project is unique because of the different funding sources that are being combined. The project is

for mixed income rental housing with 5 units to be rented to households below 50% of median income, 4 units to be rented to households below 80% of median income, and 7 units with no rent restrictions.

No repayments will be required for the loan as long as the developer meets all the federal requirements for long-term affordability and affirmative marketing as well as satisfying housing quality standards and Housing Code compliance. The following are the conditions for loan forgiveness over a twenty year period:

A. HOME Units; the Developer will use HOME funds for the development of five (5) units in the project which will be made available to households at or below 50% of median income. The units are assisted with HOME, NSP, and CDBG-DR funds and must conform to the HOME regulations. The units will be floating and will be any of the three-bedroom units in the development. The parties specifically agree that the HOME units will meet the affordability requirements of 24 C.F.R., 92.252 as set out in Exhibit "B" the Restrictive Covenants.

B. NSP Units; the Developer agrees to use NSP funds for the development of nine of the units. Of the units utilizing NSP funding, five will be affordable to households at or below 50% of median income and utilize HOME, NSP, and CDBG-DR funds. These five units will follow the HOME affordability requirements as 24 C.F.R., 92.252 as set out in Exhibit "B" the Restrictive Covenants.

The additional four (4) units, assisted with NSP and CDBG-DR, will be considered only NSP units and will follow the CDBG affordability requirements specifically set forth in the CDBG Program regulations found at 24 CFR 570, as amended or in the Neighborhood Stabilization Program Contract by and between CITY and IDED.

The HOME Units and NSP Units will remain affordable rental housing for a period of twenty years (20) from the time of project completion and provision of final demographic information and construction reports to the CITY.

C. CDBG-DR Units; the remaining seven units assisted with CDBG-DR will have no affordability requirements for income or rental limits. The seven units will remain rental housing for a period of at least ten years (10) from time of project completion and provision of final demographic information and construction reports to the City.

#### Neighborhood Review and Support

The Community Development Department received a letter of support for this project from the Drake Neighborhood Association Board. Hubbell Realty Co. and Anawim representatives met with the neighborhood twice over the past several weeks to discuss the project. Area stakeholders, former members of the Forest Avenue Planning Committee, property owners within 250' of the site and leaders of the neighborhood groups within the Drake Neighborhood were invited to the first meeting. Residents made several comments and suggestions. The design was revised to reflect area resident concerns of limited play space, security and parking. Anawim and Hubbell Realty Co. also attended the June Drake Neighborhood Association Board Meeting where the development received the full support of the board.

#### **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 11, 2010

Roll Call Number: 10-1643

Action: [On](#) vacation and conveyance of north/south alley, west of and adjoining 2201 Forest Avenue, to Anawim Housing for Forest Avenue Urban Renewal Project, \$1, (10-25-10). **Moved by Hensley to receive and file and refer to the Engineering Department, Real Estate Division and to adopt. Motion Carried 7-0.**

Date: September 27, 2010

Roll Call Number: 10-1601

Action: [Action:](#) [On](#) conveyance of property located at 2201 and 2217 Forest Avenue and 1405 23<sup>rd</sup> 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: September 13, 2010

Roll Call Number: 10-1454

Action: [On](#) conveyance of property located at 2201 and 2217 Forest Avenue and 1405 23<sup>rd</sup> Street and Residential Development Agreement with Anawim Housing for the Forest Avenue Urban Renewal Project \$1, (9-27-10). ([Council Communication No. 10-562](#)) **Moved by Hensley to adopt. Motion Carried 7-0.**

Date: June 28, 2010

Roll Call Number: 10-1095

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.**

Date: May 4, 2010

Roll Call Number: 10-694

Action: Approving [Contract](#) and bond, and Permission to Sublet for 2201 Forest Avenue Contaminated Soil Removal, the estimated cost of which is less than the Iowa Code competitive bid threshold, Elder

Corporation (Jared R. Elder II, President), \$31,450. ([Council Communication No. 10-256](#)) **Moved by Hensley to adopt. Motion Carried 7-0.**

Date: June 8, 2009

Roll Call Number: 09-996

Action: [Neighborhood](#) Stabilization Program Contract with the Iowa Department of Economic Development (IDED). **Moved by Vlassis to adopt. Motion Carried 7-0.**

Date: September 11, 2006

Roll Call Number: 06-1810

Action: [On](#) Proposed Amended Forest Avenue Urban Renewal Plan. ([Council Communication No. 06-580](#)). **Moved by Vlassis to adopt. Motion Carried 6-0.**

Date: October 24, 2005

Roll Call Number: 05-2584

Action: Resolution closing hearing and approving the proposed Urban Renewal Plan. ([Council Communication No. 05-601](#)) **Moved by Vlassis to adopt. Motion Carried 6-1. Nays: Brooks.**

#### **BOARD/COMMISSION ACTION(S):**

Board: Plan and Zoning Commission

Date: October 7, 2010

Resolution Number: Recommend approval of alley vacation

Board: Plan and Zoning commission

Date: November 4, 2010

Resolution Number: Approval of site plan for multi-family design guidelines

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the second floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).