

COUNCIL COMMUNICATION

	Number:	21-547	Meeting:	December 20, 2021
	Agenda Item:	40	Roll Call:	21-1923
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

Resolution amending Community Development Block Grant (CDBG) project agreement with 6th Avenue Corridor Inc. (6AC) for redevelopment project at 1714 6th Avenue.

SYNOPSIS:

6AC is utilizing CDBG funding to assist with a mixed-use development project at 1714 6th Avenue. The location was previously home to a blighted structure that has since been demolished. Plans for the new building include up to 12,000 square feet of commercial-use space on the first floor and 32 dwelling units on the second floor. The current restrictive covenant states 51% of the dwelling units will be considered affordable. Affordability is currently determined by the most current 65% HOME Investment Partnership (HOME) rent limit. City staff are seeking authority to amend the restrictive covenant to set a consistent affordable rent limit at \$850.

FISCAL IMPACT:

Amount: N/A

Funding Source: CDBG from the US Department of Housing and Urban Development (HUD).

ADDITIONAL INFORMATION:

- 6AC currently owns the property at 1714 6th Avenue. Approval of a development agreement with 6AC for the acquisition of the property and demolition of the previously existing structure was completed on July 11, 2016.
- \$200,000 of CDBG funding was approved for the rehabilitation project.
- 51% of dwelling units created by a project that utilizes CDBG funding must be reserved for low-and-moderate-income persons. Low-and-moderate-income persons are those that earn less than 80% of the area median income (AMI). This rule is established in the current restrictive covenant for 1714 6th Avenue and will not change.
- Affordable dwelling units must follow the affordability guidelines established by HUD for a minimum of 60-months, once they become occupied, in order to qualify for CDBG funding. This rule is established in the current restrictive covenant for 1714 6th Avenue and will not change.

- The current restrictive covenant requires a rent limit for the affordable dwelling units equal to 65% of the most recent HOME program rent limit. That figure for the Des Moines-West Des Moines Metropolitan Statistical Area (MSA), in 2021, is \$608 for an efficiency and \$738 for a 1-bedroom apartment.
 - For reference, Iowa Finance Authority (IFA) publishes maximum rent limits for households earning 80% of the AMI each year. That figure for Polk County, in 2021, is \$1,280 for an efficiency and \$1,371 for a 1-bedroom apartment. City staff believe that rent limit is too high to add to the restrictive covenant for 1714 6th Avenue.
- 6AC has expressed confusion with the rent limit requirement based on the HOME program because HOME funding is not utilized for this project. Also, after market research and financial analysis, 6AC determined the rent limit required in the current restrictive covenant is not financially feasible.
- The proposed rent limit of \$850 provides a consistent figure for the duration of the 60-month affordability period. It is also a good compromise between HOME rent limit, which 6AC considers too low, and the maximum rent limit published by IFA, which City staff considers too high.

PREVIOUS COUNCIL ACTION(S):

Date: July 11, 2016

Roll Call Number: [16-1130](#)

Action: [Approval](#) of the Community Development Block Grant (CDBG) project agreement with 6th Avenue Corridor, Inc. (6AC) for a redevelopment project at 1714 6th Avenue. ([Council Communication No. 16-380](#)) Moved by Hensley to adopt. Motion carried 7-0.

BOARD/COMMISSION ACTION(S): NONE**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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