


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	23-443	Meeting:	October 2, 2023
	Agenda Item:	48	Roll Call:	23-1338
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

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 15 years.

FISCAL IMPACT:

Amount: \$500,000

Funding Source: CDBG from HUD

ADDITIONAL INFORMATION:

- The total project cost is anticipated to be over \$3.8 million.
- 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, Greyfield/Brownfield Tax Credits, 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 15 years. See below for the FMR by unit size.

Unit Size	FMR
Efficiency	\$ 833
1 Bedroom	\$ 899
2 Bedroom	\$1,080
3 Bedroom	\$1,477
4 Bedroom	\$1,481

- After rehabilitation, each property will be affordable to households at or below 80% of the 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: August 21, 2023

Roll Call Number: [23-1174](#)

Action: [Preliminary](#) Commitment of \$500,000 in CDBG Funds to 36 on 6th, LLC for rehabilitation of the Klein Building at 3614 6th Avenue, resulting in upper-story affordable rental units. ([Council Communication No. 23-391](#)) 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: NONE

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