



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 11/08/04

Communication

No.: 04-580

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Resolution approving urban renewal development agreement with Court Avenue Partners, L.P. for renovation of the Spaghetti Works building.

SYNOPSIS—

On the November 8, 2004 Council agenda is a roll call to approve an urban renewal agreement and utilization of tax increment financing (TIF) funding for the redevelopment of the upper floors of the Spaghetti Works building located at 302-310 Court Avenue. The redevelopment of the upper floors of this historic structure is an important component of the Court Avenue Project. The Developer for the project is Court Avenue Partners I, L.P. (a joint venture of BH Equities-Harry Bookey, President, 400 Locust, Suite 790, Des Moines and Hubbell Realty-James Hubbell III, President, 6900 Westown Parkway, West Des Moines).

Per Iowa Finance Authority's regulations for Low Income Housing Tax Credit project, the Developer must expend 10% of the total project costs by the end of this calendar year. The estimated construction start is March 2005.

FISCAL IMPACT—

Per the Urban Renewal Development Agreement, the City will provide the Developer with an upfront economic development grant in the amount of \$1,146,951. This amount includes the original City subsidy in the amount of \$558,617 as well as funding in the amount of \$588,334

originally committed by the Court Avenue Housing Fund. (The Court Avenue Housing Fund assumed the City's preliminary financial commitment for the Kirkwood in the amount of \$1,000,000). The City will also provide the Developer with an ongoing subsidy in the amount of \$1,066,076. The ongoing grant is based on minimum assessed value and will be paid in 34 equal semi-annual payments of \$31,355.17 beginning July 1, 2007. TIF is the source of the City's financing.

RECOMMENDATION—
Approval

BACKGROUND—

On June 7, 2004 by Roll Call 04-1165, the City Council approved the preliminary terms of agreement with Court Avenue Partners I, L.P. to redevelop the upper three floors of the Spaghetti Works building at 302-310 Court Avenue into 52 residential apartment units.

An Urban Renewal Development Agreement has been negotiated. The major terms of that agreement are as follows:

- Per the Urban Renewal Development Agreement, the City will provide the Developer with an upfront economic development grant in the amount of \$1,146,951. This amount includes the original City subsidy in the amount of \$558,617 as well as funding in the amount of \$588,334 originally committed by the Court Avenue Housing Fund. (The Court Avenue Housing Fund assumed the City's preliminary financial commitment for the Kirkwood in the amount of \$1,000,000). The City will also provide the Developer with an ongoing subsidy in the amount of \$1,066,076. The ongoing grant is based on minimum assessed value and will be paid in 34 equal semi-annual payments of \$31,355.17 beginning July 1, 2007. TIF is the source of the City's financing.
- City will grant ten year/100 percent tax abatement for the residential redevelopment.
- The City will process the Developer's application to the State Enterprise Zone Housing Program.
- The City will provide 75 parking spaces for twenty years for the 52-unit new apartment project at prevailing market rate within the Permitted Parking Location zone as identified in an exhibit to the Urban Renewal Agreement.

Developer Responsibilities:

- Developer will rehabilitate the upper three floors of the Spaghetti Works Building into 52 residential units. 26 units will be rented to tenants at or below 60 percent of area median income.

- The Developer is responsible for building acquisition.
- The total project cost will be at least \$10 million.
- A minimum assessment agreement in the amount of \$2,850,000 million is required.
- The Developer shall apply for tax credits through the Iowa Department of Economic Development Enterprise Zone Program.
- The project shall comply with the design guidelines for the Court Avenue Historic Area, Capitol Center West Urban Revitalization Area D.
- The Developer shall agree to share any excess profits with the City. The terms of this participation are outlined in detail in Article 6 of the Urban Renewal Agreement. In summary, the major concepts of the participation are as follows:

Any excess annual cash flow shall be distributed as follow:

1. The equity investors will be repaid in full with interest at the rate of 15% per year.
2. After the equity investors are repaid, 60% of the annual cash flow will be paid to the equity investors and 40% to the City of Des Moines until the total payments to the City equals \$1,146,951.
3. After the equity investors and the City are repaid, 90% of the excess cash flow will be distributed to the equity investors and 10% will be distributed to the City.

Upon sale of the property, net proceeds will be distributed in the same manner.

The project may be assigned only upon Council approval.