



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 12/06/04

Communication

No.: 04-611

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Resolution approving urban renewal development agreement with East Village Square Apartments, L.P.

SYNOPSIS—

On the December 6, 2004, Council agenda is a roll call to approve the urban renewal development agreement with East Village Square Apartments, L.P. for the construction of mixed-income residential building on the former Dewey Ford Showroom site. The general partner of East Village Square Apartments, L.P. is the Neighborhood Investment Corporation (NIC). NIC has offices at 1620 Pleasant and Robert Mickle is the President.

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.

It is also recommended that Council acquire from Knapp Properties the site along E. Locust Street adjacent to the proposed East Village Square Apartments originally planned as a condominium building. At Council's direction staff will proceed to put together an offering to solicit proposals to develop this property for a mixed-use project including condominiums and commercial retail uses on the street level. The cost of this property is estimated to be about \$350,000.

FISCAL IMPACT—

The structure of the proposed City subsidy is a \$2,555,795 deferred repayment loan, to be advanced in two installments as follows, and repaid from excess cash flow and/or excess proceeds on future sale or refinancing:

1. Land \$693,081 Advanced upon purchase of the property by Developer.
2. Mixed-income Rental Development \$1,862,714 Advanced upon issuance of the Certificate of Completion.

The direct City investment is slightly greater than was identified in the preliminary terms of agreement. Since approval of the preliminary terms of agreement, the land has been surveyed and costs have been assigned to the apartment parcel and the parcel to be redeveloped for condominiums.

Per a letter from Fred Weitz, NIC II, loan funds committed to the Eastern Gateway will be used to acquire the Dewey Fast Lube site and to construct a parking lot with about 43 parking spaces. The City of Des Moines will acquire the parking lot from NIC II within 5 years. The City will use TIF funds for the purchase.

Knapp Properties has decided not to develop the condominium site and thus it is recommended that the City purchase the condo site from Knapp and prepare a re-offering. The funding source to buy the Knapp condo site in the East Village is carryover TIF dollars in the unallocated development opportunities category. These TIF dollars will be reduced to the extent that the City receives NIC or DMDC replacement dollars

RECOMMENDATION—

Approval.

BACKGROUND—

On the July 12, 2004, Council agenda approved the revised preliminary terms of agreement with Neighborhood Investment Corporation, the general partner of East Village Square Apartment, L.P., for the construction of mixed-income residential building on the former Dewey Ford Showroom site. Following is a summary of the major terms of the agreement:

City Responsibilities:

- The Greater Des Moines Partnership or an affiliate will acquire the Dewey Fast Lube property, demolish the building, pave the parking lot, and lease the spaces to the Developer or make available spaces to tenants at a prevailing market rate. The City will also make available spaces to tenants for daytime parking in the City-owned lot on the northwest corner of East Grand and East 4th at the prevailing market rate. Tenants may

park for free after 5:00 pm in the City-owned lot on the northeast corner of East Grand and East 4th or in the lot on the northwest corner of East Grand and East 4th. Due to urban renewal constraints, the City lease will not be a long-term lease but the City will pledge assistance identifying needed parking spaces after the expiration of the lease.

- City will provide an economic development loan in the amount of \$2,555,795. The City's funds shall be advanced in two payments--\$693,081 upon purchase of the property and \$1,862,714 upon issuance of the certificate of completion. As partial consideration for receipt of the loan, the Developer shall pay a portion of annual cash flow and net proceeds to the City.
- City will provide a HOME loan in the amount of \$1,050,000 (\$250,000 in City HOME funds and \$800,000 in State of Iowa HOME funds). This loan will be repaid from excess cash flow.
- City to grant ten-year 100 percent tax abatement on the incremental value of the apartments.

Developer Responsibilities:

- The Developer shall construct at least 100 apartment units as a component of a mixed-income development located on the former Dewey Ford Showroom site on the west side of East Fourth Street between East Locust and East Grand.
- The Developer is responsible for all land acquisition.
- At least 40 percent of the units shall be affordable to persons at or below 60 percent of area median income.
- The units on the ground level shall be live-work units or walk-up units.
- The total project cost shall be at least \$14 million.
- Until the project is sold to an unrelated party, Developer shall make annual payments to the City from excess cash flow.
- Upon any sale of the project to an unrelated party, the City shall receive a portion of the net proceeds of sale.
- The Developer shall apply for tax credits through the Iowa Department of Economic Development Enterprise Zone Program.
- The project shall comply with the Eastern Gateway "Area 1" Design Guidelines and Developer shall execute an appropriate declaration of covenants.
- The project may be assigned only upon Council approval.

- The conceptual design plan of the project must be approved by the City Council upon a recommendation from the Urban Design Review Board prior to the release of the second installment of the economic development loan. The neighborhood associations will have a chance to review these plans as well prior to Council action.