

COUNCIL COMMUNICATION

	Number:	21-011	Meeting:	January 11, 2021
	Agenda Item:	21	Roll Call:	21-23
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Tree House Partners, LLC, for the historic renovation of three (3) multi-family residential apartment buildings located at 2315 Grand Avenue.

SYNOPSIS:

Tree House Partners, LLC (Tim Rypma, Paul Cownie and Jeremy Cortright, Development Members, 512 ½ East Grand Avenue, Des Moines, IA 50309) is proposing a historic renovation of three (3) multi-family residential apartment buildings located at 2315 Grand Avenue. The buildings contain a total of 93 apartment units that are a mix of efficiencies, 1-bedroom and 2-bedroom units. Total project costs are estimated at \$16.9 million and anticipates construction to begin in fall of 2021.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Tree House Partners, LLC, which provides for tax increment to serve as a core mechanism for responding to a financing gap, as presented by the development team, in renovating and preserving 20% of the apartment units at a variety of affordable rates. Additional details on the proposed preliminary terms are provided in the fiscal impact and additional information sections below.

FISCAL IMPACT:

Amount: The improvements will be eligible for the 10-year, 100% residential rehabilitation tax abatement schedule. The financial terms propose \$2,400,000 in tax-increment financing incentives (\$200,000 annually) on a cash basis (\$1,877,015 on a net present value {NPV} at a 4% discount rate) to be paid in years one (1) through 12 after completion of the project, and to coincide with the 12 years remaining within the Ingersoll Grand Commercial Urban Renewal Plan.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$655,767	\$760,687	\$1,600,000	\$(839,313)
Sum 20 Years	\$1,471,563	\$4,185,181	\$2,400,000	\$1,785,181
Sum 30 Years	\$2,484,699	\$8,727,605	\$2,400,000	\$6,327,605

*Taxes include all property taxing authorities (not just City property tax dollars).

*Taxes received estimates used the following assumptions: 2.5% growth in re-assessment years, 1.5% growth in non-re-assessment years.

*Building and land valuation assumptions at completion of construction:

\$10,440,000 multi-residential building valuation

\$ 1,120,000 land assessment

Funding Source: Tax Increment generated by the Ingersoll Grand Commercial Urban Renewal Area.

ADDITIONAL INFORMATION:

- The buildings were originally constructed in 1923. The property has a current assessment of \$1,080,000 for the buildings and \$1,120,000 for the land for a total current assessment of \$2,200,000.
- The development team is seeking State and Federal Historic Tax Credits, and all work will be undertaken following the Secretary of the Interior's Standards and Guidelines for Historic Rehabilitation. The development team is currently working with the State Historic Preservation Office (SHPO) on design requirements.
- The Development Agreement will include an affordability component that requires a minimum of 10% of the units, nine (9) units, to be capped at the 50% HOME rent limits and restricted to households earning 50% or less of the area median income. A minimum of 10% of the units, 10 units, will be capped at the 65% HOME rent limits and will be restricted to households earning 80% or less of the area median income. The remaining 80% of the units, 74 units, will be market driven and will have no development agreement restrictions on rents or incomes.
- The Polk County Housing Trust Fund has expressed an interest in working with the development team to potentially buy down additional levels of affordability in the project.
- The development team is also exploring a potential partnership with Des Moines Area Regional Transit (DART) in their Unlimited Access Partner program.
- The Development Agreement will require participation in and compliance with MidAmerican Energy's Commercial New Construction Energy Efficiently Program.
- The Development Agreement will also require the installation of a minimum of two (2) electric vehicle charging stations on site

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – design and financial assistance reviews
- City Council – final terms of an urban renewal development agreement

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