

# COUNCIL COMMUNICATION

	Number:	<b>21-059</b>	Meeting:	<b>February 8, 2021</b>
	Agenda Item:	<b>35</b>	Roll Call:	[ _____ ]
	Submitted by:	<b>Erin Olson-Douglas, Development Services Department Director</b>		

**AGENDA HEADING:**

Resolution approving final terms of an Urban Renewal Development Agreement with 3801 Grand Associates, LP and Newbury Management Company for the construction of a 56-unit multi-residential apartment building located at 3705-3707 Grand Avenue.

**SYNOPSIS:**

3801 Grand Associates, L.P. (Ownership Entity) and Newbury Management Company (Developer) d/b/a Newbury Living (Frank Levy, President, Newbury Management Company, 3408 Woodland Avenue, Suite 504, West Des Moines, IA 50266) are proposing the construction of a new 4-story, approximately 130,000-square-foot multi-residential building with 56 apartment units. The apartments will include a mix of studios, 1-bedroom, 2-bedroom, and 3-bedroom units. The project includes approximately 69 below grade parking stalls. The total \$33.5 million project includes acquisition of the 3801 Grand Avenue campus, land acquisitions of 3705-3707 Grand Avenue and the new construction multi-residential project. Construction is anticipated to begin in early 2021 and has a 15-month construction schedule.

The Office of Economic Development has negotiated final terms of an urban renewal development agreement with 3801 Grand Associates, L.P., which provides for tax increment to serve as a core mechanism for responding to a financing gap, as presented by the development team. Additional details on the final terms are provided in the fiscal impact section below.

**FISCAL IMPACT:**

Amount: The improvements will not be eligible for the declining residential tax abatement due to the location of the project. The financial terms propose an economic development grant to be paid with the tax increment financing (TIF) dollars generated from the building valuations (exclusive of land) of approximately \$4.7 million on a cash basis (\$3.3 million on a net present value {NPV} at a 4.5% discount rate) to be paid with 100% of the project generated building TIF in years one (1) through 11.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project**	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$32,661	\$4,381,239	\$3,777,313	\$603,926
Sum 20 Years	\$68,587	\$10,248,821	\$4,711,834	\$5,536,987
Sum 30 Years	\$108,107	\$17,400,512	\$4,711,834	\$12,688,678

\*Taxes include all property taxing authorities (not just City property taxes).

\*\*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:

\$17,237,680 Commercial Building Assessment

\$ 122,300 Land Assessment

Funding Source: Tax increment generated by the project in the 38th and Grand Urban Renewal Area TIF District No. 2.

#### **ADDITIONAL INFORMATION:**

- This site was identified as a potential redevelopment opportunity through the 38th and Grand Urban Renewal Area planning work.
- All buildings on the previously developed 3705-3707 Grand Avenue properties have been demolished. The properties currently have a building valuation of \$0 and a land valuation of \$122,300.
- The new 56-unit multi-residential apartment building proposes to offer a mix of unit types including three (3) studios, 15 1-bedroom units, 21 2-bedroom units and 17 3-bedroom units. Three (3) of the studio units will be restricted to a maximum of the 65% HOME rent limits annually as determined by the U.S. Department of Housing and Urban Development (HUD) for the Des Moines-West Des Moines metropolitan statistical area, and restricted to households earning at or below the HOME 80% income limits. The affordability restrictions on the three (3) studio units will remain in effect for 15 years.
- Newbury Management Company has agreed to enter into a trial partnership with the Des Moines Area Regional Transit (DART) Authority starting in January 2021, as a partner in their Unlimited Access Program, to provide its approximately 588 residents and its employees free use of DART buses for four (4) of its properties in and near downtown. 3801 Grand Associates, LP, will commit to provide its residents with access to the Unlimited Access Program or similar service to the residents of this project as well. This partnership will be the first of its kind for DART with an apartment operator.
- The project will utilize Mid-American Energy's Commercial New Construction Energy Efficiency Program and the development agreement will require that the new multi-residential apartment building exceed applicable energy codes by a minimum of 20%.
- The motion from the Urban Design Review Board at the December 1, 2020 meeting on the recommendation for final design included a condition that the development team work with staff and a subgroup of the Urban Design Review Board to review the connection point between the two (2) buildings and resolving the fiber cement board where it meets grade. The development team has since worked with staff and the subgroup of the Urban Design Review

Board and proposed revisions to the massing on the south and west facing facades, provided additional information for how the remaining fiber cement board material will be lifted above grade, and incorporated changes to the roof design at the intersection of the buildings to alleviate concerns on the connection point.

**PREVIOUS COUNCIL ACTION(S):**

Date: October 19, 2020

Roll Call Number: [20-1663](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with 3801 Grand Associates, LP and Newbury Management Company for the construction of a new 56-unit multi-residential apartment building located at 3705-3707 Grand Avenue. ([Council Communication No. 20-463](#)) Moved by Boesen to adopt. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: December 1, 2020

Resolution Number: N/A

Action: Motion to recommend approval of the financial assistance as presented by Huggins. Seconded by Hanley. Motion carried. Yes = 7, No = 0, Abstain = 0, Absent = 2. Motion to recommend approval of the project design contingent on working with staff and a sub group of the board to review the connection between the two buildings and resolving the fiber cement board where it meets grade by Huggins. Seconded by Clark. Yes = 7, No = 0, Abstain = 0, Absent = 2.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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