


COUNCIL COMMUNICATION

	Number:	21-082	Meeting:	February 22, 2021
	Agenda Item:	29I	Roll Call:	21-0277
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Hilltop Housing, LLC, for the new construction of two (2) multi-family apartment buildings, consisting of a 42-unit family apartment building, and a 42-unit senior apartment building located in the vicinity of 3600 Hubbell Avenue at the Hilltop Apartments site.

SYNOPSIS:

Hilltop Housing, LLC (J.B. Conlin, Conlin Properties, 3721 SW 61st Street, Suite A, Des Moines, IA 50321), is proposing the construction of two (2) new multi-family apartment buildings on currently vacant ground, which upon completion of construction, would conclude the development plans on the Hilltop Apartments site. The buildings contain a total of 84 apartment units and will include a 42-unit, 3-story senior apartment building and a 42-unit, 3-story family apartment building, built with materials that largely match the architecture of the previously constructed apartments on the Hilltop site. Total project costs are estimated at \$17.1 million. The project is seeking housing tax credits from the Iowa Finance Authority (IFA) and is not likely to move forward without receipt of the tax credits and urban renewal assistance proposed within the preliminary terms. The applicant intends to make their housing tax credit application in April of 2021, with an award date for the upcoming round of tax credit funding expected in September 2021. If awarded this fall, the project would start construction in the spring of 2022 with completion anticipated for the summer of 2023.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Hilltop Housing, LLC, which provides for tax increment to serve as the means to responding to a construction-related financing gap, as presented by the development team. Additional details on the proposed preliminary terms are provided in the fiscal impact and additional information sections below.

FISCAL IMPACT:

Amount: The preliminary terms propose a 6-year, 100% project-generated tax increment financing (TIF) economic development grant with an estimated value of \$816,315, \$641,011 on a net present value (NPV) basis at a 4.5% discount rate. The project is not located in an area eligible to receive residential tax abatement. The TIF assistance represents 3.7% of the total project costs.

Year	Estimated Taxes Received Without Project*	Estimated Taxes Received with Project**	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$202,261	\$1,294,280	\$816,315	\$477,964
Sum 20 Years	\$448,785	\$3,228,686	\$816,335	\$2,412,371
Sum 30 Years	\$749,262	\$5,586,433	\$816,335	\$4,770,118

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

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

*Building and land valuation assumptions at completion of construction:

\$424,000 base land assessment

\$3,519,852 projected valuation for both buildings

Funding Source: Tax Increment generated by the proposed Hilltop Urban Renewal Area.

ADDITIONAL INFORMATION:

- The project site was previously the site of a grocery store that was originally built in the 1960's but shuttered in the early 1990's when the nearby Eastwood Village Commercial Shopping Center was built at East 33rd Street and Hubbell Avenue. The site sat vacant and dilapidated for some time until demolition of the grocery store occurred in the early 2000's. The property remained vacant until the construction of the initial phases of the Hilltop Apartments started in 2013.
- The project consists of one (1) 42-unit mixed-income family apartment building located east of previously constructed phases of the Hilltop Apartments and one (1) 42-unit mixed-income senior (55 plus) apartment building located in the northeast corner of the site. Each apartment will have in-unit laundry, high speed internet access, and includes access to a playground and community center built as part of Hilltop Phase I and has a large meeting room with computers for tenant use, plus an exercise room with 24-hour access.
- Exterior building materials will consist of brick, stone and fiber cement board siding and will be architecturally consistent with previous phases of apartments that have been constructed on the Hilltop site. Both buildings are proposed at three (3) stories in height.
- The first phase of multi-family projects built on the Hilltop property were eligible to receive residential tax abatement. After substantial changes were made to the City's Urban Revitalization Plan in 2015, the area of eligibility for multi-family projects was reduced, including the subject property containing the Hilltop Apartments. Current construction and building materials costs make the development of multi-family prohibitive without addressing a project construction cost gap. The proposed TIF incentive negotiated is meant to replicate the incentive value that would've previously been provided with residential tax abatement as a means of helping to respond to the financing gap.
- The proposed Hilltop Urban Renewal Plan that encompasses this area is drafted and currently underway with the approval process and will have a hearing for final approval on March 23, 2021.

- An amendment to the Planned Unit Development (PUD) Conceptual Plan and comprehensive land use plan is currently pending a hearing before the Plan and Zoning Commission and City Council. The amendment to the plan reflects a change to the original PUD Concept Plan that proposed a row of 1-story bi-attached dwelling units along the eastern periphery of the Hilltop site, which is now proposed to be a 42-unit multi-family building. After several unsuccessful attempts to seek housing tax credits for the project and attempting to get costs in line for the bi-attached housing product, the Developer has opted to move forward with a different plan that results in the same total amount of dwelling units on the entirety of the Hilltop property as what was approved in the original PUD Concept Plan.
- The site is proximate to commercial services along Hubbell Avenue and E. 33rd Street, and recent improvements to the Hubbell Avenue corridor have improved the walkability of the area. Transit service is provided on Hubbell Avenue.
- The project will utilize MidAmerican Energy's Commercial New Construction Energy Efficiency Program on the apartments and will work with the Willdan Group prior to final terms of agreement to determine a percentage of energy performance above energy code that is achievable for the project.
- The project will be seeking participation in the Iowa Finance Authority's Housing Tax Credit program and is looking to utilize the competitive 9% tax credit. Per program requirements, the Developer will be required to ensure that 40% or more of the units in the project will be occupied by individuals or families whose income is 60% or less than the area median gross income (AMI), and the units are rent restricted.

Vicinity Map



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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