

COUNCIL COMMUNICATION

	Number:	21-189	Meeting:	April 19, 2021
	Agenda Item:	25	Roll Call:	21-0624
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolutions approving final terms of two (2) separate Urban Renewal Development Agreements with Hilltop Housing, LLC for the new construction two (2) 3-story multi-family apartment buildings, each containing 42 dwelling units, located in the vicinity of the 3600 block of Hubbell Avenue.

SYNOPSIS:

Hilltop Housing LLC (J.B. Conlin, Conlin Properties, 3721 SW 61st Street, Suite A, Des Moines, IA 50321), are proposing the phased 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 development site. The buildings would 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 developer 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 final terms. The applicant intends to make their housing tax credit application in May of 2021, with an award date for the upcoming round of tax credit allocations 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 final 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. Each building or phase of the project will require a separate development agreement for project financing/tax credit financing purposes. Additional details on the proposed preliminary terms are provided in the fiscal impact and additional information sections below.

FISCAL IMPACT:

Amount: The final terms propose a 6-year, 100% project-generated tax increment financing (TIF) economic development grant with an estimated value of \$816,315, or \$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.

The financial projections below are the cumulative total of both phases of the Hilltop housing development.

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	\$816,315	\$2,412,371
SUM 30 Years	\$749,262	\$5,586,444	\$816,315	\$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 projects consist 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. A new playground facility will be constructed south of the family apartment building and an outdoor patio space to the south of the senior apartment building.
- 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 affordable multi-family housing prohibitive without addressing a project construction cost gap. The proposed TIF incentive negotiated is meant to replicate the value that would have previously been provided with residential tax abatement as a means of helping to respond to the financing gap.
- The site is proximate to commercial services along Hubbell Avenue and East 33rd Street, and recent improvements to the Hubbell Avenue corridor have improved the walkability of the area. DART Transit service is provided on Hubbell Avenue.

Roll Call Number: [21-0496](#), [21-0497](#), [21-0498](#), [21-0499](#), and [21-500](#)

Action: On the proposed Hilltop Urban Renewal Plan for the Hilltop Urban Renewal Area in the 3500-3600 block of Hubbell Avenue at the intersection of E. Douglas Avenue and Kennedy Drive; ([Council Communication No. 21-145](#))

- A. [Recommendation](#) of the Plan and Zoning Commission. Moved by Westergaard to receive and file the communication from the Plan and Zoning Commission. Motion Carried 7-0.
- B. [Resolution](#) of Necessity for the Hilltop Urban Renewal Plan. Moved by Westergaard to adopt. Motion Carried 7-0.
- C. [Closing](#) the hearing and adopting the Urban Renewal Plan. Moved by Westergaard to adopt. Motion Carried 7-0.
- D. [First](#) consideration of ordinance designating the area as a TIF district. Moved by Westergaard that this ordinance be considered and given first vote for passage. Motion Carried 7-0.
- E. [Final](#) consideration of ordinance above (waiver requested by Erin Olson-Douglas, Development Services Director), requires six votes. Moved by Westergaard that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#15,995](#). Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: April 5, 2021

Resolution Number: N/A

Action: A consensus of the members present voted to approve the final design review of the Hilltop Apartments project, subject to condition that the site plan with details such as final landscaping plan and grading plan come back to the Board for further review.

Board: Plan and Zoning Commission

Date: March 4, 2021

Resolution Number: N/A

Action: The Plan and Zoning Commission voted 10-0 in support of a motion to recommend APPROVAL of a determination that the proposed Hilltop Urban Renewal Plan, for proposed urban renewal area of approximately 23.7 acres in the 3500-3600 block of the north side of Hubbell Avenue at East Douglas Avenue and Kennedy Drive and containing the Hilltop Legacy Planned Unit Development (PUD) and the Sargent Park II Legacy Planned Unit Development (PUD), is in conformance with the PlanDSM: Creating Our Tomorrow Comprehensive Plan.

Board: Urban Design Review Board

Date: March 2, 2021

Resolution Number: N/A

Action: Motion to recommend approval of the financial assistance as presented by Hanley. Seconded by Wilke-Shapiro. Motion carried. Yes = 7, No = 0, Abstain = 0, Absent = 2. Motion to recommend approval of the preliminary design noting the Board's comments with respect to the site plan specific to the family building and topography of the site by Nagle. Seconded by Morgan-Huggins. Motion carried. Yes = 7, No = 0, Abstain = 0, Absent = 2.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Issuance of Certificate of Completion upon construction of the project being satisfactorily finished.

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