

COUNCIL COMMUNICATION

	Number:	21-217	Meeting:	May 10, 2021
	Agenda Item:	36	Roll Call:	21-0703
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving preliminary terms of an urban renewal development agreement with Urban Campus Apartments L.L.P. for the multi-family new construction project at 1230 6th Avenue.

SYNOPSIS:

Urban Campus Apartments L.L.P. (Jack Hatch, Principal, Hatch Development Group, 696 18th Street, Des Moines, Iowa 50314 and Michael Kiernan, President and Owner, Kiernan Development and Construction, LLC, 696 18th Street, Des Moines, IA 50314) has proposed a new construction multi-family housing project at 1230 6th Avenue. This project is a partnership between Hatch Development Group and Youth and Shelter Services to provide housing to homeless youth in the Foster Care Program of Iowa. A portion of the 42 apartments will be reserved for YSS youth who have been homeless and are in the foster care program. The project is anticipated to cost \$9.2 million. Construction is expected to start in May 2021 and will be complete by June 2022.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Urban Campus Apartments L.L.P., which provides for a forgivable loan to serve as a mechanism for responding to a financing gap, as presented by the development team. Additional details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The project will be eligible for the multi-family residential tax abatement schedule (schedule 4D). The preliminary terms propose a forgivable loan in the amount of \$164,000, which is equivalent to 100% of the project generated TIF in years 9-15 of the project on a net present value (NPV) at a 4.5% discount rate. The forgivable loan would be issued at full value upon issuance of the certificate of completion, but not before July 1, 2022 due to TIF reporting requirements.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$38,498	\$60,329	\$164,000	\$-103,671
Sum 20 Years	\$85,421	\$619,458	\$164,000	\$455,458
Sum 30 Years	\$142,613	\$1,351,103	\$164,000	\$1,187,103

*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:

\$1,039,726 building valuation (90% rollback)

\$83,200 land assessment

Funding Source: Tax increment generated by the project in the Metro Center Urban Renewal Area.

ADDITIONAL INFORMATION:

- This project, known as the Sixth Avenue Flats, is a 5-story, 42-unit multi-family residential project, to be located at 1230 6th Avenue, an urban infill site just north of University Avenue. The street level along 6th Avenue will include a minimum of 5 live/work loft storefront apartments. The residential units will be one (1), two (2), and three (3) bedroom units.
- The developers have partnered with Youth and Shelter Services to provide housing intended for young adults who have aged out of foster care, and the developers are working with DMACC to provide educational opportunities, through the State of Iowa's All Iowa Opportunity Scholarships program. A portion of the 42 apartments will be reserved for YSS youth who have been homeless and are in the foster care program. The remaining apartments will be available for any adult at 60% AMI.
- This project has secured Low Income Housing Tax Credits (LIHTC) as a funding mechanism. The original intent was to pursue and receive HOME funds as well, but the environmental review process is prohibitive in the timeline for project completion. This project will also pursue the Workforce Housing Tax Credit program through Iowa Economic Development Authority, which opens in the fall of 2021.
- This project is participating in the MidAmerican Energy Commercial New Construction program. Because of the LIHTC designation, the project will have a full energy efficiency compliance model and report created by a third party, who will inspect installation during construction and verify performance at completion.
- Fifteen years following project completion, Youth and Shelter Services plans to purchase the building from Urban Campus Apartments L.L.L.P.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Final design and financial assistance recommendations.
- City Council – Final terms for urban renewal development agreement.

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