


COUNCIL COMMUNICATION

	Number:	21-285	Meeting:	June 28, 2021
	Agenda Item:	32	Roll Call:	21-0981
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

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

SYNOPSIS:

Urban Campus Apartments L.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 (YSS) to provide housing to homeless youth in the Foster Care Program of Iowa. The project is anticipated to cost \$9.2 million. Construction started in May 2021 and will be complete by June 2022.

The Office of Economic Development has negotiated final terms of an Urban Renewal Development Agreement with Urban Campus Apartments L.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 Tax Increment Financing (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 five (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 YSS to provide housing intended for young adults who have aged out of foster care, and the developers are working with Des Moines Area Community College (DMACC) to provide educational opportunities, through the State of Iowa's All Iowa Opportunity Scholarships program. Preference for a portion of the 42 apartments will be given to YSS youth who have been homeless and are in the foster care program. The remaining apartments will be available for any adult at 60% area median income (AMI).
- This project has secured Low Income Housing Tax Credits (LIHTC) as a funding mechanism. The original intent was to pursue and receive HOME Investment Partnerships Program (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 summer 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. This project will also incorporate the provision of one (1) electric vehicle (EV) charging station on site.
- Fifteen years following project completion, YSS plans to purchase the building from Urban Campus Apartments L.L.P.
- This project was recommended for final design approval from the Urban Design Review Board, subject to exploration of the use of modular brick in lieu of utility brick, and modification of bay windows and color matching mortar. The developers have agreed to incorporate these alternatives into the final project.

PREVIOUS COUNCIL ACTION(S):

Date: May 10, 2021

Roll Call Number: [21-0703](#)

Action: [Preliminary](#) terms of an urban renewal development agreement with Urban Campus Apartments LLLP (Jack Hatch, Michael Kiernan) for the construction of a multi-residential housing project at 1230 6th Avenue. ([Council Communication No. 21-217](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: May 18, 2021

Resolution Number: N/A

Action: Motion to recommend approval of the final design as presented, subject to exploration of the use of modular brick in lieu of utility brick, modification of bay window base, and color matching mortar by Allen. Seconded by Hielkema. Motion carried. Yes – 8, No – 0, Absent – 2, Abstain – 0. Motion to recommend approval of the financial assistance as presented by Hanley. Seconded by Hielkema. Motion carried. Yes – 8, No – 0, Absent – 2, Abstain – 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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