


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	22-357	Meeting:	August 8, 2022
	Agenda Item:	38	Roll Call:	22-1256
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Union at River's Edge, LP (The Annex Group), for the new construction of a 216-unit multi-family apartment project on property located at 214 Jackson Avenue.

SYNOPSIS:

Recommend approval of a resolution for the preliminary terms of an Urban Renewal Development Agreement with Union at River's Edge, LP, a limited partnership created by the developer, The Annex Group, (Kyle Bach, General Partner, 409 Massachusetts Avenue, Suite 300, Indianapolis, IN 46204), for the new construction of a 216-unit, \$56.1 million multi-family apartment project located on vacant ground at 214 Jackson Avenue, to be known as The Union at River's Edge. The project will entail two (2) buildings being constructed simultaneously: including a 6-story building with 192 apartment units, and a 3-story building with 24 apartment units. The developer is seeking the 4% housing tax credit from the Iowa Finance Authority (IFA) for a rent structure of all units within the project to be at the 60% area median income (AMI) level.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Union at River's Edge, LP, which provides for tax increment financing (TIF) to respond to a construction financing gap on the project, as presented by the developer and evaluated by City staff. Additional details on the preliminary terms are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The financial terms propose a project-generated economic development TIF grant commencing in year nine (9) when the residential tax abatement starts declining, running through year 17 of the project. The project is proposed to receive TIF incentives generated from the increment on the new building valuation (exclusive of land) with a schedule proposed at 100% in project years 9-11, 95% in years 12-15, and 90% in years 16-17, with a capped maximum amount of assistance at \$2.9 million on a net present value (NPV) basis. The estimated cash value of the economic grant is \$5,063,720 (\$2.9 million on a NPV basis utilizing a 4.5% discount rate). The TIF assistance is estimated at 5.03% of total project costs.

The project is eligible for and intends to seek residential tax abatement under the 10-year declining schedule with 8-year 100% abatement, 60% abatement in year nine (9), 40% abatement in year 10. The total assessed value for the vacant site is currently \$550,000. Upon completion of the project, the projected total assessed value of both land and buildings are estimated at \$16,108,912.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated TIF Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$188,406	\$ 1,672,660	\$ 700,322	\$ 972,338
Sum 20 Years	\$469,994	\$10,502,700	\$5,063,720	\$ 5,438,980
Sum 30 Years	\$813,207	\$21,237,122	\$5,063,720	\$16,173,402

*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:

\$15,558,912 Building Assessment

\$550,000 Land Assessment

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

ADDITIONAL INFORMATION:

- The subject property is located at the southern foot of the Jackson Avenue pedestrian bridge on a site that is currently vacant. A light industrial building that formerly housed a Siegwirk ink warehouse was demolished in early 2022.
- The project will consist of two (2) buildings: a 3-story building along Indianola Avenue, and a 6-story building containing one (1) floor of first level parking on the interior of the site, a total of 78 one (1) bedroom units, 87 two (2) bedroom units, and 51 three (3) bedroom units. A total of 200 parking spaces are proposed with the development, most of which will be covered indoor parking.
- Proposed project amenities include a community room, on-site leasing office, exercise room, lounge area, and business center. Site amenities include a dog play area, playground, picnic area, and elevated patio space. Pedestrian connections to the adjacent trail are currently being studied.
- The project is anticipated to commence construction in the spring of 2023 with completion in the spring of 2025.
- The project is seeking the 4% housing tax credit from the Iowa Finance Authority, which will provide affordable income-restricted rents to all proposed dwelling units in the project that will correspond with the 60% of the area median income for Polk County.
- The buildings are proposed to be fully electric, will install electrical vehicle (EV) charging stations and infrastructure to supply additional EV charging stations as future demand warrants, and is reviewing the 2021 Energy Code to explore opportunities for compliance. The project will also be required to participate in the MidAmerican Energy Commercial New Construction program, heightening the development's energy efficiency to levels above minimum energy code requirements.
- Outreach to DART is underway to pursue potential participation in the All-Access Partnership program, providing future residents with transit passes.
- The Developer intends to underground the existing overhead utility lines that traverse the site.
- The City is currently reconstructing the adjacent levee on the south bank of the Raccoon River, which will include a new flood wall and trail segment on the top of the levee.

Vicinity Map



Conceptual Rendering



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board - preliminary and final recommendation on design and financial assistance.
- Plan and Zoning Commission - site plan approval.
- City Council - final terms of Urban Renewal Development Agreement.

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