

**CITY COUNCIL
COMMUNICATION:**

REVISED

ITEM _____

00-119

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

AGENDA:

MARCH 27, 2000

SYNOPSIS -

On the March 27, 2000, Council agenda is a roll call for the preliminary approval of a request for Tax Increment Financing (TIF) for the residential rehabilitation project located at 501 East Locust Street in the Eastern Gateway Project Area.

SUBJECT:

PRELIMINARY
APPROVAL OF
REQUEST FOR TIF
FUNDING FOR
RESIDENTIAL
REHABILITATION
PROJECT LOCATED
AT 501 EAST
LOCUST

Preservation Properties L.L.C. will be the project developer; Preservation Properties, LLC (Bernie Van Til, principal investor, 400 Locust, Suite 245, Des Moines) and an equity investor (to be identified) will be the owners.

FISCAL IMPACT -

Preservation Properties L.L.C. has requested \$415,000 in TIF funds to be used as follows:

TYPE:

RESOLUTION
ORDINANCE

RECEIVE/FILE

- **\$300,000** - Equity participation. Form of City participation to be negotiated.
- **\$115,000** - 1 percent loan repaid over 15 years.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

RECOMMENDATION -

The Council is asked to grant preliminary approval of the request for TIF funds and to direct staff to prepare a development agreement. The City TIF funds will be distributed pro-rata with the construction financing. The following conditions must be met before the City TIF funds are released:

1. Preservation Properties L.L.C. must have clear title to the

property. A current title opinion shall be submitted to the City prior to signing of the development contract.

2. Preservation Properties L.L.C. must be awarded and execute contracts for the remaining project funding. This funding includes State Enterprise Zone Tax Credits, City HOME Funds, Historic Tax Credits, Federal Home Loan Bank Funds, and Polk County Housing Trust Fund grant. If funds greater than those amounts listed on the project pro-forma dated February 10, 2000, are received from these funding sources, the City's TIF dollars will be reduced by an equal amount.

3. The Development Agreement must be executed. The agreement will establish the loan dispersal provisions and the security mechanism and contain recapture provisions in the event that the property is sold and/or the return exceeds the pro-forma projections.

BACKGROUND -

In early 1999, Council approved a TIF policy. The policy states that TIF should be used for various kinds of projects with public benefits, including the development/redevelopment of private housing when other private or public financing sources are not available.

The development proposal for the building shows twenty residential units, almost all 1-bedroom, to be constructed on the 2nd and 3rd floors with new commercial businesses on the ground floor. The total project cost for rehabilitating the residential units is \$2,962,978 with construction to begin as soon as financing is in place. Ten of the twenty units will be affordable to persons with low to moderate incomes. The remaining units will be market rate rental units or corporate suites. Following are the sources and uses of project funds:

Sources: Uses:

Equity \$ 222,913 Bldg Purchase \$ 425,100

Bond \$1,481,513 Construction \$1,717,700

City HOME \$ 89,994 Soft Costs \$ 820,178

City TIF \$ 415,000 Total \$2,962,878

EZ Funds \$ 193,241

Po. Co. HTF \$ 150,000

Historic Credit \$ 257,655

Tax Credits \$ 145,635

FHLB \$ 27,500
Total: \$2,983,451

Jackie Nickolaus with the City's Office of Economic Development is coordinating the City activities relative to this project.







