

Meeting Agendas/Info

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

01-298

SYNOPSIS -

AGENDA:

JUNE 4, 2001

SUBJECT:

VINE STREET
LOFTS, LLC
PRELIMINARY
PROJECT
APPROVAL

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

On the June 4, 2000 Council agenda are four roll calls for the proposed housing project at 1st and Vine Streets. The developer for the project is Vine Street Lofts, LLC. Vine Street Lofts, LLC is a partnership of Sherman Associates and the Lander Group. The principle contact is George Sherman, Sherman Associates, 1525 South Fourth Street, #200, Minneapolis, Minnesota.

The roll calls are as follows:

1. Roll call to preliminarily approve tax increment financing (TIF) for Vine Street Lofts, LLC.
2. Roll call to review and recommend approval of Vine Street Lofts, LLC's application for Enterprise Zone Tax Credits to the Iowa Department of Economic Development.
3. Roll call to support Low Income Housing Tax Credit (LIHTC) application for Vine Street Lofts, LLC.
4. Roll call to initiate process to rezone area south of Court Avenue to facilitate redevelopment for housing, entertainment, retail, and office uses.

The roll call to support the LIHTC application and the roll call to initiate the rezoning process are detailed in separate blue letters.

By Roll Call No. 00-3729, dated September 11, 2000, Council approved a Master Plan for the area south of Court Avenue. This master plan emphasized the construction of housing on underutilized parcels in the district. As proposed, the Vine Street Lofts project consists of 110 rental and 32 for-sale units on a prime redevelopment parcel at East 1st and Vine Streets on the Des Moines River.

FISCAL IMPACT -

Vine Street Lofts, LLC has requested an annual TIF payment of \$362,680 over 20 years. The net present value of the 20 years of TIF

payments is \$3,087,700. The annual TIF payment is equal to 90 percent of the tax increment generated by the project. All TIF payments will be derived from project-generated revenues, not district-wide revenues.

The enterprise zone benefits are State of Iowa corporate income tax credits and will have no effect on the General Fund. The enterprise zone tax exemption schedule provides for a tax credit equal to 10 percent of the project's cost, excluding land costs, and will have no fiscal impact on the General Fund.

The rezoning and Council's support of the LIHTC application have no fiscal impact.

RECOMMENDATION -

Council is asked to take the following actions:

- 1. Preliminarily approve TIF funding for the Vine Street Lofts project subject to execution of a Development Agreement. The agreement will establish the requirements for the construction and will specify the terms and conditions for the provision and use of the TIF funds.**
- 2. Recommend approval of Vine Street Lofts, LLC's Enterprise Zone Tax Credit application to Iowa Department of Economic Development**
- 3. Support Vine Street Lofts, LLC's Low Income Housing Tax Credit application to Iowa Finance Authority.**
- 4. Refer rezoning of South of Court Area to Plan and Zoning Commission.**

BACKGROUND -

In early 1999, the City Council approved a TIF policy. The policy states that TIF financing 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.

On September 11, 2000, by Roll Call No. 00-3726, the City Council approved the Court Avenue Master Plan. This plan included the development of housing along 1st Street south of 100 Court Avenue. At this time, the Council approved an infrastructure improvement

package. The slated improvements include a riverfront park, a bicycle trail, and streetscape for a four-block area. The Council also committed parking funds and ten-year tax abatement to new housing construction projects. It is proposed that TIF funds be injected into the project in place of parking financing and tax abatement. The goal in establishing the level of TIF funding was to approximate the prior Council commitment.

In the fall of last year, the Downtown Community Alliance (DCA) distributed a Request for Proposals (RFP) to select a developer to construct rental units at 1st and Vine Streets. Members of the Court Avenue Housing District Investment Fund, LLC (managers Randy Minear, Harry Bookey, and Fred Weitz) reviewed the submitted proposals and selected the development team of Sherman Associates and the Lander Group for the project. The Court Avenue District Housing Investment Fund will be a project funder (see sources and uses in background section).

The Vine Street Lofts will consist of the construction of a 110-unit rental building on a vacant parcel. The building will be five stories- the first floor concrete with four floors of wood frame construction over. Geared toward young professionals and empty-nesters, there will be 43 one-bedroom units and 67 two-bedroom units. Forty percent of the units will be affordable to residents at or below 50 percent of the median area income. The project also includes 32 for-sale condominium units adjacent to the apartment building. The buildings will sit on top of an underground parking garage. The apartments and condominiums will partially enclose a landscaped courtyard to provide green space and semi-private outdoor space for the residents. The development will be oriented toward the river and First Street.

The total project cost is \$23,140,040 with construction to begin as soon as financing is in place (estimated to be Spring 2002).

Preliminary revenue sources and expenditure uses for the rental component are:

<u>Funding Source</u>	<u>Amount</u>	<u>Status</u>
HUD 1st Mortgage	\$ 5,100,000	Appl. Submitted
HUD Insured Mortgage	2,230,000	Appl. Submitted
Tax Credit Equity	4,800,000	6/11 Appl. Due Date
EZ Tax Credit Equity	500,000	Appl. In Review

Sales Tax Savings	150,000	Appl. In Review
State HOME Funds	700,000	6/11 Appl. Due Date
City HOME Funds	250,000	7/16 Appl. Due Date
Neighborhood Dev. Fund	500,000	Appl. Submitted
Polk Co. Hsg. Trust Fund	250,000	Appl. Submitted
Court Ave. Distr. Hsg. Inv. Fund	470,040	Funds Committed
TOTAL	\$14,950,040	

The City HOME Fund request will be reviewed as part of the annual CDBG and HOME allocation process. Council will review the applications and approve funding of projects in November.

<u>Proposed Use of Funds</u>	<u>Amount</u>
Land Acquisition	\$ 1,000,000
Construction	10,360,000
Site Work	300,000
Arch/Engineering Fees	510,000
Permanent	253,565
Capitalized Interest/Taxes	309,875
Legal Fees	115,000
Organization	50,000
Cost Certification/Accounting	40,000
Insurance/Bond	80,000
Title Recording	65,000
Syndication Costs	80,000
Contingency	150,000
Developer Fee	1,250,000
Working Capital	146,600
Operating Deficit	240,000
TOTAL	\$14,950,040

Preliminary revenue sources and expenditure uses for the for-sale component are:

<u>Funding Source</u>	<u>Amount</u>	<u>Status</u>
Sale Proceeds	\$7,240,000	
Bank Note	800,000	Under review
Court Ave. Distr. Hsg. Inv. Fund	150,000	Funds Committed
TOTAL	\$8,190,000	

<u>Proposed Use of Funds</u>	<u>Amount</u>
Land Acquisition	\$ 250,000
Construction	5,665,000
Holding Costs	990,000
Developer Fees	1,050,000
Architect Fees	235,000
TOTAL	\$8,190,000
