



**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

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

**02-446**

**SYNOPSIS -**

**AGENDA:**  
  
AUGUST 19, 2002

On the August 19, 2002 Council agenda are two roll calls related to the new residential housing project to be constructed at 15th Street and Woodland Avenue.

**SUBJECT:**  
  
WOODLAND  
AVENUE  
BRICKSTONES  
DEVELOPMENT  
AGREEMENT AND  
HOME AGREEMENT  
APPROVAL

Woodland Avenue Partners, L.P. (Jack Hatch, Developer, 696 - 18th Street, Des Moines) proposes to construct a mixed-income project at 15th and Woodland in the Sherman Hill neighborhood. The total project cost is \$5,505,035. Bob Mickle, Jack Porter, and Dave Mowitz are members of the General Partner and U.S. Bancorp, C.D.C. is the Limited Partner.

Actions before the Council include:

**TYPE:**

1. Approval of the HOME Agreement between the City of Des Moines and Woodland Avenue Partners, L.P.
2. Approval of the Development Agreement between the City of Des Moines and Woodland Avenue Partners, L.P.

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**FISCAL IMPACT -**

**SUBMITTED BY:**

RICHARD CLARK  
DEPUTY CITY  
MANAGER

The City's development agreement with Woodland Avenue Partners, L.P. allocates \$183,757 to the project in the form of an Economic Development Grant, payable to U.S. Bancorp, C.D.C., the limited partner of developer. The Economic Development Grant proceeds shall be used exclusively for repayment of the construction loan for the improvements. It is estimated that the after-construction assessed value of the property will be \$2,500,000. The project is eligible for ten-year 100 percent tax abatement. Based on an estimated value of \$2.5 million, the project will generate \$112,500 in property tax revenues after the tax abatement expires.

The City's HOME Agreement allocates \$200,000 in HOME funds to the project. The funds are in the form of a loan with an interest rate established by the federal government.

**RECOMMENDATION -**

**Council is asked to approve the HOME Agreement and the Development Agreement, and to authorize the City Manager to execute the required documents.**

**BACKGROUND -**

In early 1999, the City Council approved a Tax Increment Financing (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 July 26, 1999, by Roll Call No. 99-2357, the City Council approved the Sherman Hill Neighborhood Action Plan. This plan identifies new residential housing as one of its highest priorities.

The Woodland Avenue Brickstone consists of two low-rise three-story Victorian style row-house apartment buildings. The 54 units will be in the two row-house style buildings. The buildings will be faced with brick and designed to be in concert with Hoyt Sherman Place across the street and the rest of Sherman Hill. As the project is located in a National Register Historic District, the State Historic Preservation Office had reviewed the project to ensure that it did not negatively impact the historical character of the neighborhood.

On November 5, 2001, the Council gave preliminary approval to use TIF Assistance for a proposed housing project at 15th and Woodland Avenue. The sources and uses of financing for Woodland Avenue Brickstones are as follows:

Sources of Funds:	
General Partner Contribution	\$ 100
U.S. Bank, NA (Construction Loan)	2,640,000
U.S. Bank, NA (Term Loan)	1,320,000

U.S. Bank, NA (Tax Abatement Loan)	330,000
Neighborhood Finance Corporation Loan	800,000
General Partner Loan (Woodland Avenue Brickstone, L.L.C.)	350,000
State HOME Loan	800,000
City HOME Loan	200,000
City of Des Moines TIF Funds	183,757
Polk County Housing Trust Fund Loan	234,231
Enterprise Zone Tax Credits	210,224
Federal Tax Credit Equity	1,076,763
<b>TOTAL (Minus Construction Loan)</b>	<b>\$5,505,075*</b>

Uses of Funds:	
Land	\$ 385,000
Construction Costs	4,214,900
Financing Fees	55,650
Soft Costs (appraisal, environmental, etc.)	197,685
Developer Fee and Overhead	397,500
Project Reserves	254,300

<b>TOTAL</b>
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<b>\$5,505,035*</b>
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*\*Totals do not match due to rounding.*

At their October 30, 2001 meeting, the Urban Renewal Board recommended that Council approve the use of TIF funds for this housing project. The Urban Development Board and the Architectural Advisory Committee have preliminarily approved the design of the project. City loan funds will not be released until the Urban Development Board and the Architectural Advisory Committee have reviewed and approved the final conceptual design plan.

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