

**CITY COUNCIL  
COMMUNICATION:**

**03-341**

**AGENDA:**

JULY 18, 2003

**SUBJECT:**

HAWTHORN HILL  
(MISSION HILLS, L.P.)  
ENTERPRISE ZONE  
APPLICATION

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**SUBMITTED BY:**

RICHARD CLARK  
DEPUTY CITY  
MANAGER

**ITEM 3**

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

**SYNOPSIS —**

On the July 18, 2003 Council agenda is a roll call that recommends approval of Mission Hills, L.P.'s application for Enterprise Zone benefits. Wayne Hoffman is the Managing Member of Mission Hills, L.P. and is authorized to sign the Enterprise Zone application. Mission Hills, L.P. is a partnership between Turning Point Ministries Charitable Trust and an equity partner to be named. The Developer for the project is Preservation Properties Development Company (Bernie Van Til, 400 Locust, Des Moines, Iowa).

The project will consist of the rehabilitation/conversion of an historic building into 45 residential units.

**FISCAL IMPACT —**

Mission Hills, L.P. will be eligible for up to \$630,000 of investment tax credits as well as \$123,750 in sales tax refund from the State of Iowa Enterprise Zone Program.

**RECOMMENDATION —**

**Approval.**

**BACKGROUND —**

Hawthorn Hill is an historic building located at 921 Pleasant. Originally used as a dormitory for single working women, the property has been vacant for more than a decade. Mission Hills, L.P. will rehabilitate/convert the structure into 45 rental units. All of the units will be affordable for persons at 40 percent to 50 percent of median income. Several service groups will provide support services.

This project is designed to equip and serve a portion of the special needs population. Turning Point Ministries—the majority General Partner—has a long-range mission to provide affordable housing.

The Downtown Des Moines Neighborhood Association reviewed the application at their June 17, 2003 meeting.

The Developer for this project is Preservation Properties Development Company, Bernie Van Til, Principal. Mr. Van Til is also the Managing Member of Preservation Properties I, LLC, the Developer of 501-507 East

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Locust (formerly known as the McCoy Building). The City of Des Moines entered into a Development Agreement with Preservation Properties I, LLC for the rehabilitation of this property in April 2000. In accordance with this agreement, the City provided \$415,000, of which \$300,000 was in the form of a grant and \$115,000 was in the form of a loan.

Although it is recommended that the Enterprise Zone Application for Hawthorn Hill be approved, it is important to note that issues concerning 501-507 East Locust have not been resolved.

A major source of project financing for 501-507 East Locust (the McCoy Building) was federal historic tax credits. Upon review of the rehabilitation, the National Park Service denied issuance of the historic tax credits, thereby creating a funding shortfall of almost \$500,000. In addition, the original general contractor for the project, Hart Meyer, has sued the Developer to foreclose its mechanic's lien due to nonpayment. The Developer and their legal counsel are currently working through options to resolve the funding issue. It is expected that an amendment to the Development Agreement will be required once a course of action is identified.

At this time, the Developer is in default of the City's Agreement. Repayment of the \$115,000 loan was to begin in June 2003.

