



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 03/07/05
No.: 05-108
Agenda Item Type: Resolution
No.:

Communication

Roll Call

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Resolution to approve preliminary terms of agreement for a redevelopment project at 112 11th Street, Des Moines.

SYNOPSIS—

On the March 7, 2005 Council agenda is a roll call to approve the preliminary terms of agreement set forth herein for a redevelopment project located at 112 11th Street in downtown Des Moines.

The Developer for the project is Heritage Affordable Housing, Dick Sontgerath, President, 1932 1st Avenue, Suite 800, Seattle, Washington.

FISCAL IMPACT—

City will advance a grant in an amount of \$300,000 plus reasonable accumulated interest on July 1, 2007. The City's funds shall not be released until a certificate of occupancy has been issued for all condominium units. The source of the City funding will be tax increment financing funds.

RECOMMENDATION—

Approval

BACKGROUND—

Based on discussions with Heritage Affordable Housing, preliminary terms of agreement have been reached for the redevelopment of Mulberry Lofts (fka as the Harger Blish) located at 112 11th Street. The following general points comprise the key features that will be defined in detail as part of a formal development agreement between the City and Heritage Affordable Housing.

The following funding estimates are “not to exceed” numbers subject to final financial submissions (cash flow, source and use, underlying assumptions).

- City will advance a grant in an amount of \$300,000 plus reasonable accumulated interest on July 1, 2007. The City’s funds shall not be released until a certificate of occupancy has been issued for all condominium units.
- City will grant ten-year 100 percent tax abatement on the residential units.

Developer Responsibilities:

- The Developer shall rehabilitate a former warehouse at 112 11th into condominium units.
- The Developer shall construct at least 47 residential units.
- The total project cost shall be at least \$7 million.
- The Developer shall apply for tax credits through the Iowa Department of Economic Development Enterprise Zone Program.
- If the actual sale prices exceed projections, the City shall receive a portion of the net revenue. The percentage of the net proceeds to be distributed the City shall be negotiated as a term of the final development agreement.
- The project may be assigned upon Council approval.
- The Developer agrees to apply for tax abatement as administered by the Community Development Department.
- In addition to the routine building permit review and approval requirements, the conceptual and final plans are subject to review by the Urban Design Review Board and to final approval by the City Council.

The preliminary sources and uses are as follows:

Sources:

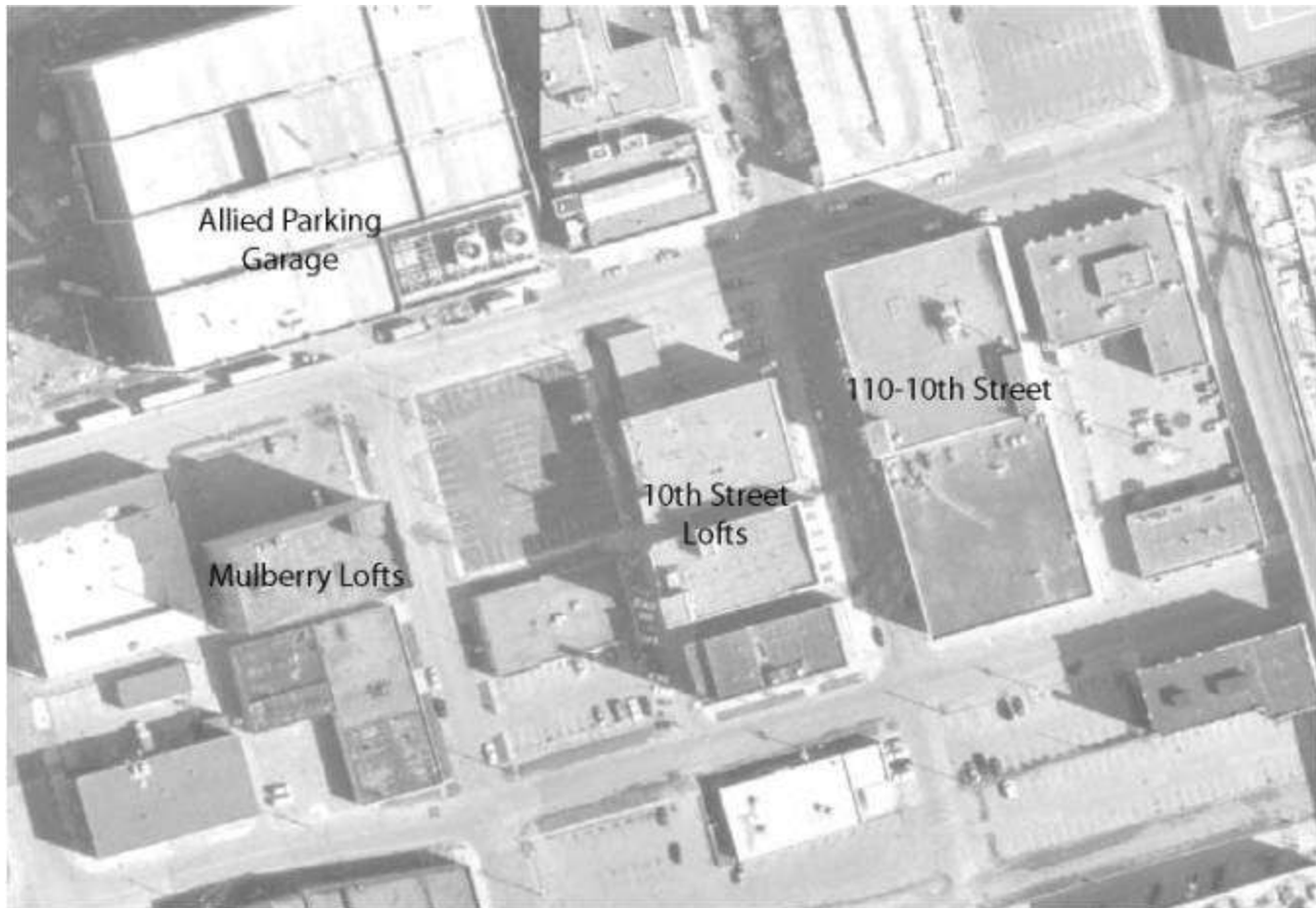
Land/Building	\$550,000
Construction	\$4,800,000
FF&E	\$150,000

Architecture/Engineering/Interior Design	\$200,000
Market Study, Appraisal, Soils, Environmental & Traffic	\$50,000
Legal, Accounting and Loan Closing	\$75,000
Project Management	\$200,000
Advertising/Pre-Marketing	\$75,000
Construction Period Interest	\$137,958
Fannie Mae Fees	\$50,000
Construction Loan Fee	\$24,500
Soft Cost Contingency	\$92,463
<u>Fannie Mae Contingency</u>	<u>\$500,000</u>
Total Project Cost	\$7,000,000

Project Financing

Construction Loan	\$4,300,000
Fannie Mae—Mezzanine Debt	\$1,600,000
Investor Equity	\$500,000
Enterprise Zone Credits	\$300,000
City of Des Moines	\$300,000
<u>Total Project Financing</u>	<u>\$7,000,000</u>

All City terms and conditions of the City's financial participation shall be set out in a development agreement that is subject to final review and approval by City Council.



Allied Parking
Garage

110-10th Street

10th Street
Lofts

Mulberry Lofts