



Agenda Item:

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## COUNCIL COMMUNICATION City Manager's Office

### GENERAL INFORMATION

Agenda Date: 05/09/05  
261

Communication No.: 05-

Agenda Item Type: Resolution  
No.:

Roll Call

Submitted by: Richard Clark, Deputy City Manager

### SUBJECT—

Resolution approving Urban Renewal Development Agreement with Mulberry Development, LLC for the construction of at least 45 residential condominium units at 112 11<sup>th</sup> Street, Des Moines, Iowa.

### SYNOPSIS—

Approval of the Development Agreement with Mulberry Development, LLC (Dick Sontgerath, President, 1932 1<sup>st</sup> Avenue, Suite 800, Seattle, Washington) to construct 45 units with 22 surface parking spaces.

### FISCAL IMPACT—

The City will provide \$332,000 in TIF funds to the Developer. The source of the TIF funds is TIF cash and bonds to be sold in FY 2007.

### RECOMMENDATION—

Approval

### BACKGROUND—

On March 7, 2005 by Roll Call 05-608, the City Council directed the City Manager to proceed with negotiations with Heritage Affordable Housing for the property located at 112 11<sup>th</sup> Street. The Developer proposes to construct 45 condominiums with surface parking. The total construction cost, including surface parking north of the building, is over \$7 million. The requested City subsidy is \$332,000.

This conversion/rehabilitation project will provide housing units in the area of the Western Gateway. Construction costs in the Des Moines area are high compared to other Midwest cities. Current sale prices are not high enough to support these additional costs. In combination, the higher construction costs and lower income results in a funding gap. TIF funds will be used to fill this gap.

**City Responsibilities:**

- City will advance a grant in the amount of \$332,000 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 11<sup>th</sup> into condominium units.
- The Developer shall construct at least 45 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 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.

**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    |

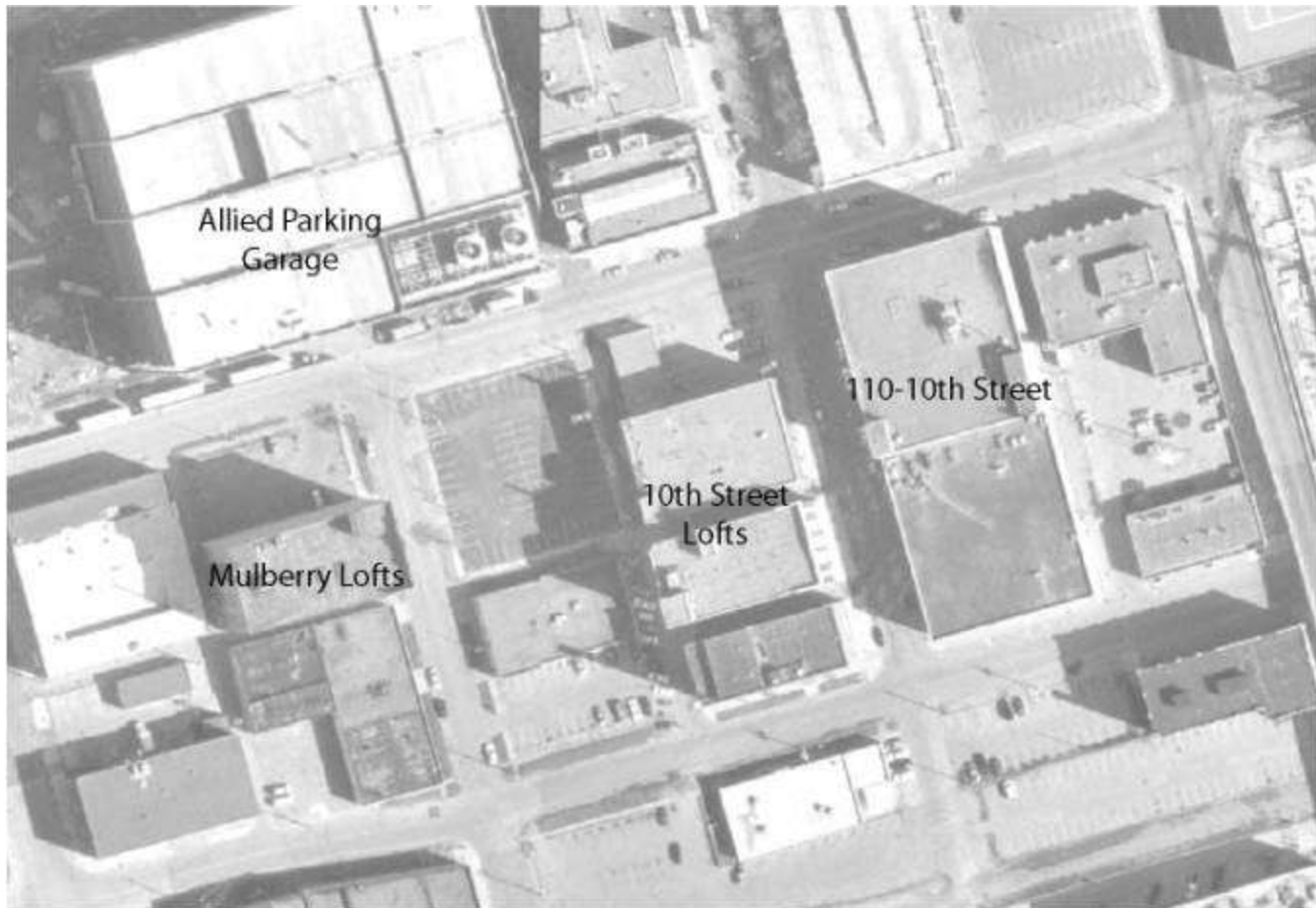
|                              |                    |
|------------------------------|--------------------|
| Project Management           | \$200,000          |
| Advertising/Pre-Marketing    | \$75,000           |
| Construction Period Interest | \$137,958          |
| Bridge Loan Financing        | \$32,000           |
| Fannie Mae Fees              | \$50,000           |
| Construction Loan Fee        | \$24,500           |
| Soft Cost Contingency        | \$92,463           |
| Fannie Mae Contingency       | \$500,000          |
| <b>Total Project Cost</b>    | <b>\$7,032,000</b> |

**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             | \$332,000          |
| <b>Total Project Financing</b> | <b>\$7,032,000</b> |

Like the agreements for Water Street Brownstones and the Court Avenue Partners (Hubbell/Bookey) condominiums, this Development Agreement does not include a Minimum Assessment Agreement. Because this project has 10-year tax abatement and the City dollars are injected more than 2 years after project start, the value of a minimum assessment agreement is minimal.

The Urban Design Review Board reviewed the project at their May 3, 2005 meeting and recommended use of TIF funds for this project. The Conceptual Design Plan will be reviewed by the Urban Design Review Board in late May or June and forwarded to Council for approval.



Allied Parking  
Garage

110-10th Street

10th Street  
Lofts

Mulberry Lofts