



Council Communication

Office of the City Manager

Date January 22, 2007

Agenda Item No. 48
Roll Call No. 07-
Communication No. 07-042
Submitted by: Rick Clark, City Manager

AGENDA HEADING:

Resolution approving an urban renewal development agreement with High Land Co., L.C. for development of the Ingersoll Square residential condominium project.

SYNOPSIS:

High Land Co., L.C. (John C. Kline, Managing Member, 2171 Grand Avenue, West Des Moines, IA 50265) has proposed a \$23.7 million, 138-unit residential condominium project on the northerly 2/3 of the block located at the northeast corner of the intersection of MLK and Ingersoll, formerly known as the Thompson Trust property.

Financial assistance to the project has been negotiated as outlined below. The assistance is needed to address unexpected site development costs and to help cover interest carrying costs during an anticipated 5-year sell-out of the units. In lieu of taking the last 5 years of tax abatement, the developer will receive a portion of the tax increment captured from the project.

FISCAL IMPACT:

Amount: Not to exceed \$1,500,000. At the conclusion of a 5-year tax abatement period for each phase of development, the developer will receive 60% of the actual increment as an economic development grant. It is anticipated that the tax increment generated from the project will be approximately \$500,000 per year.

Funding Source: The project will be funded through new property taxes generated directly from the project. The project is located in a 10-year residential tax abatement area; however, the developer will forego the last 5 years of tax abatement to allow the City to capture the TIF revenue generated from the project during that time period to assist the project. The developer has agreed to wait to receive payments on the economic development grant until the increment becomes available at the expiration of the 5-year tax abatement periods for each phase of development.

The Finance Department will establish a new URR account code for the project.

ADDITIONAL INFORMATION:

Ingersoll Square consists of two connected, three-story residential condominium buildings. The first building will be completed by December 31, 2007 and the second building completed by December 31, 2010. The southerly portion of the block, along Ingersoll Avenue, will be developed in a future phase as a mixed-use residential/commercial project and is not part of this financial assistance package; however,

the developer has agreed to development covenants on this southerly parcel that disallow freestanding fast food restaurants or drive-up banking facilities among other things.

The proposed condominium project consists of 138 one- and two-bedroom condominium units. The project totals over 156,000 square feet with units varying in size from 665 to 1,392 square feet. The project will provide underground parking for all units with additional surface parking for overflow and visitors. The loft-type units will have 10' ceiling heights, large window openings and individual balconies. Project amenities include a swimming pool, hot tub, fitness facility and flex-space community room. The exterior materials will include concrete, brick masonry, concrete block masonry and ornamental steel and aluminum.

The project has been reviewed and approved by the Sherman Hill Neighborhood Association, the Enterprise Zone Commission and the Urban Design Review Board.

Economic Development Assistance

The proposed financial assistance for this project is needed to provide the developer a reasonable rate of return on the investment. Due to unanticipated sheet piling along the public right-of-way, auger cast pilings for construction of the buildings and the interest carrying costs during an anticipated 5-year sell-out of the units, tax increment financing has been requested. The project pro-forma provided by the developer indicates a 12.65% Internal Rate of Return with the proposed financial assistance. Without public financial assistance, the return would be 7.85%.

The negotiated development agreement provides for the following:

- Residential units will be restricted to 5-year, instead of 10-year, tax abatement.
- Total assistance will not exceed \$1,500,000 and will be paid out in 10 semi-annual installments anticipated during years 2014-2020.
- In lieu of receiving 10 years of tax abatement, the developer will receive economic development grants equaling 60% of the new tax increment during the last 5 years of the abatement period; the City will receive the remaining 40% of the new increment.
- Net new tax revenue generated by the property during the last 5-years is estimated to be \$2,465,370. The economic development assistance is fully funded from the project's new tax increment.
- The developer guarantees that both phases of the development will be completed by December 31, 2010. No financial assistance will be provided to the project and the contract will be cancelled if both phases are not timely completed.

PREVIOUS COUNCIL ACTION(S):

Date: August 8, 2005

Roll Call Number: 05-1945

Action: On request from High Land Company, LC, to rezone property at 2019 Ingersoll Avenue, from "C-2" (General Retail and Highway Oriented Commercial) and "C-3A" (Central Business District Support Commercial) to Limited "NPC" (Neighborhood Pedestrian Commercial). Moved by Hensley to adopt and approve the rezoning, subject to final passage of the rezoning ordinance. Motion Carried 7-0.

Date: August 8, 2005

Roll Call Number: 05-1946

Action: First consideration of ordinance above. Moved by Hensley that this ordinance be considered and given first vote for passage. Motion Carried 7-0.

Date: August 8, 2005

Roll Call Number: 05-1947

Action: Final consideration of ordinance above (waiver requested by applicant), requires six votes. Moved by Hensley that the rule requiring that ordinances must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, #14,477. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: September 5, 2006

Roll Call Number: NA

Action: Urban Design Review Board (UDRB) approved the project design and TIF financial assistance subject to final review of the exterior courtyard design plans.

Date: October 19, 2006

Roll Call Number: NA

Action: Urban Design Review Board (UDRB) approved final review of the exterior courtyard design plans.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Payments of semi-annual economic development grants (anticipated in years 2014–2020) to the developer if all conditions of the contract are met.