



# Council Communication

Office of the City Manager

Date

June 4, 2007

Agenda Item No. 63  
Roll Call No. 07-  
Communication No. 07-314  
Submitted by: Matthew A. Anderson  
Economic Development Administrator

## AGENDA HEADING:

Communication from the Office of Economic Development regarding preliminary terms of agreement with Opus\_001, LLC for development of a mixed-use project to be located at 15<sup>th</sup> and Walnut Streets.

## SYNOPSIS:

City Manager to proceed with negotiations and final document preparation with Opus\_001, LLC, (Jeffrey Morgan and Steve Finnegan, Co-Managers, 304 15th Street, Box 104, Des Moines, Iowa 50309) for the development of a mixed-use development on the irregularly shaped block bound by Walnut, 15<sup>th</sup> and 16<sup>th</sup> Streets. The \$31.5 million project will feature 96 residential units, 60,000 square feet of commercial/retail space, and 113 structured parking spaces.

The Office of Economic Development has been working with the development team to identify a strategy to fill the project's financing gap. The preliminary solution, presented in greater detail below, will utilize the new property taxes generated directly from the project to fill the gap.

## FISCAL IMPACT:

Amount: \$2.96 million

An economic development grant is proposed in an annual amount equal to 95% of the incremental property taxes generated by this project (net of 5-year residential abatement) in years 1 – 10. The net present value of these grant installments equals \$2.96 million or 9.42% of the total project cost. This proposed payment stream is presented in greater detail below.

Funding Source: This assistance package will be funded entirely through new property taxes generated directly from the project. If approved by City Council, the Finance Department will create a new URR account code for this project.

## ADDITIONAL INFORMATION:

Opus\_001 will continue to build upon the momentum created by the development of Western Gateway Park and Martin Luther King Jr. Parkway. The prime location will allow the project to serve as a landmark structure to those entering downtown on Martin Luther King Jr. Parkway from the west. The proposed 7-story building will take advantage of the site's topography and sit atop 2 levels of structured parking. The building features 96 residential units, 60,000 sq.ft. of commercial space, and 113 structured parking spaces. The average residential units will feature approximately 850 sq.ft. Smaller 585 sq.ft. flats will be available for approximately \$130,000 and larger 7th floor units will be available for those seeking more space.

The following Sources and Uses Statement and Financial Assistance Analysis provide greater detail into the project’s financing.

The following assumptions are factored into the analysis:

- The project will not apply for tax abatement on the commercial space.
- Residential tax abatement will be limited to 5-year 100% rather than the 10-year 100% schedule for which the project is currently eligible.
- The annual assistance installments will be capped at the amounts shown, regardless of the actual assessed value.

**Opus \_001 Sources and Uses**

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**Sources**

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Equity	\$6,200,000
Enterprise Zone	\$1,403,801
Construction Financing	\$20,887,046
NPV of City Assistance	<u>\$2,962,193</u>
Total Sources	\$31,453,040

**Uses**

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Land and Buildings	\$1,500,000
Hard Construction	\$24,959,840
FF&E	\$103,200
Soft Costs	\$3,140,000
Construction Interest	<u>\$1,750,000</u>
Total Uses	\$31,453,040

**Opus\_001 Financial Assistance Analysis**

<b>Assumptions:</b>		
Inflation		1%
Commercial Abatement		No
Residential Abatement		5-Year

Year	Anticipated Tax Increment	Less Residential Abatement	Net Increment Available for Assistance	Assistance Percentage	Annual Assistance	Net to the City
2007					-	
2008					-	
2009					-	
2010	785,138	427,993	357,146	95%	339,288	17,857
2011	792,990	427,993	364,997	95%	346,747	18,250
2012	800,920	427,993	372,927	95%	354,281	18,646
2013	808,929	427,993	380,936	95%	361,889	19,047
2014	817,018	427,993	389,026	95%	369,574	19,451
2015	825,188		825,188	95%	783,929	41,259
2016	833,440		833,440	95%	791,768	41,672
2017	841,775		841,775	95%	799,686	42,089
2018	850,192		850,192	95%	807,683	42,510
2019	858,694		858,694	95%	815,760	42,935
2020	867,281		867,281		-	867,281
2021	875,954		875,954		-	875,954
2022	884,714		884,714		-	884,714
2023	893,561		893,561		-	893,561
2024	902,496		902,496		-	902,496
2025	911,521		911,521		-	911,521
2026	920,637		920,637		-	920,637
2027	929,843		929,843		-	929,843
2028	939,141		939,141		-	939,141
2029	948,533		948,533		-	948,533

NPV @ 7.50% \$2,962,193

Total Project Costs \$31,453,040  
Assistance as a % of total project costs 9.42%

**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S): Urban Design Review Board**

Date: May 1, 2007

Roll Call Number: N/A

Action: Preliminary design review and final financial assistance approval.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Urban Design Review Board recommendation on conceptual development plan, developer-initiated agreement presented to the City Council, submittal of State of Iowa Enterprise Zone application.