



# Council Communication

Office of the City Manager

Date

January 7, 2008

Agenda Item No. 33  
Roll Call No. ~~08-~~  
Communication No. 08-021  
Submitted by: Matthew A. Anderson  
Economic Development Administrator

## AGENDA HEADING:

Resolution approving an Urban Renewal Development Agreement with Brownstones on Grand, LLC and Conceptual Development Plan Approval for pending phases of Brownstones on Grand.

## SYNOPSIS:

On July 9, 2007, by Roll Call 07-1343, the City Council directed the City Manager to remove the downtown core area from the Targeted Residential Area of the City-wide Urban Revitalization Plan. The result of this action would mean the expiration of downtown's 10-year 100% tax abatement schedule and would replace it with a 5-year 100% abatement schedule.

Hubbell Realty Company (Steven L. Niebuhr, Senior Vice President, 6900 Westown Parkway, West Des Moines, IA 50266) expressed concern over this action because their multi-phase Brownstones on Grand project is not likely to be completed in time to qualify for the 10-year schedule.

At the direction of the City Council, the City Manager has reexamined the schedules and has proposed extending the 10-year schedule for another two years. Under this revised schedule, a project will qualify for 10-year abatement if construction commences prior to December 31, 2010 and is completed prior to December 31, 2011. Based on construction and absorption schedules provided by Hubbell Realty Company, certain units in the Brownstones on Grand project still may not qualify for the 10-year schedule.

Upon further examination of unintended consequences that could occur by changing the tax abatement schedule midway through a multi-phase project, City staff recommends the following economic development assistance package. The economic development assistance will provide a grant payment equivalent to the property taxes paid in the non-abated years 6 through 10. Hubbell Realty Company then intends to pass that payment along to the individual residents who own the units.

## FISCAL IMPACT:

Amount: Up to approximately \$653,500. Actual amount will vary based on the assessed value of the completed units and whether certain units are completed in time to qualify for 10-year 100% abatement.

Annual property tax payments are estimated at \$5,228 per unit. The assistance payments, which Hubbell Realty intends to pass on to the residents, are presented in greater detail below. The analysis demonstrates the highest potential incentive assuming neither phase is completed in time to qualify for 10-year abatement. Should a unit qualify for the 10-year abatement schedule, it will be removed from the incentive calculation.

	<u>Phase 2</u>	<u>Phase 3</u>
Anticipated Annual Property Tax	\$5,228	\$5,228
Multiplied by 5 years	x 5	x 5
Total Incentive per Unit	\$26,140	\$26,140
Multiplied by the Number of Units	x 9	x 16
Total Incentive Over 5 Years	\$235,260	\$418,240
Total for Both Phases	\$653,500	

Funding Source:

FY 07/08 – FY 12/13 Capital Improvement Program, Economic Development Improvements Page 5, URR099 CP065 CMO990000. The Finance Department is hereby requested to establish a new URR project account for Brownstones on Grand.

**ADDITIONAL INFORMATION:**

Brownstones on Grand is a 43 unit rowhouse development on a site bound by Grand Avenue, 2nd Avenue, Watson Powell Jr. Way and 3rd Street. Phase 1 (18 units) has been completed. Phase 2 (9 units) and Phase 3 (16 units) are scheduled to begin construction in winter 2008 and summer 2011 respectively. Construction phasing is dependent upon market absorption. Based on this schedule, Phase 2 will qualify for 10-year 100% abatement but Phase 3 will not.

The proposed economic development incentive is applicable to units in either Phase 2 or Phase 3 that do not meet the deadlines required for 10-year abatement.

Total development costs for Phases 2 and 3 are estimated at \$9.6 million.

**PREVIOUS COUNCIL ACTION(S):**

Date: July 9, 2007

Roll Call Number: [07-1343](#)

Action: Directing City Manager to prepare an amendment to the City-wide Urban Revitalization Plan to remove the downtown core area from the Targeted Residential Area and extend the City-wide tax abatement program for residential development for another 5 years. ([Council Communication No. 07-387](#)) Moved by Hensley to direct the City Manager to prepare and present for further consideration by the City Council at the earliest practical time, an amendment to the City-wide Urban Revitalization Plan to remove the downtown core area from the Targeted Residential Area, and to extend the City-wide tax abatement program for residential development for another 5 years. City Manager will arrange a meeting with the Downtown stakeholders within 30 days. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S):**

Date: December 4, 2007

Roll Call Number: N/A

Action: By 6-0 vote, the Urban Design Review Board recommended approval of the Conceptual Development Plan and financial assistance package as presented.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**