

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	October 22, 2012
	Agenda Item No.	23
	Roll Call No.	<u>12-1622</u>
	Communication No.	<u>12-550</u>
	Submitted by:	Phillip Delafield, Community Development Director

AGENDA HEADING:

Approval of \$3,000,000 Community Development Block Grant Disaster Recovery Loan and Contract Documents with Ingersoll Square II, L.P. for development of 63 units of housing at 2000 High Street.

SYNOPSIS:

By Roll Call No. 12-0660, at a May 3, 2012 Special Council Meeting, the City of Des Moines authorized submittal of four (4) multi-family housing development proposals in response to a notification from the Iowa Economic Development Authority (IEDA) of additional funds for production of new multi-family housing units. On July 13, 2012, the City was notified that it received an allocation of \$9,000,000 for three (3) projects. This action approves the loan contracts and final terms for one (1) of the three (3) projects: Ingersoll Square Phase II.

FISCAL IMPACT:

Amount: \$3,000,000

Funding Source: The IEDA is administering the Federal Community Development Block Grant Disaster Recovery (CDBG-DR) Funds per a statewide allocation plan approved by the Department of Housing and Urban Development. Supplemental funds have been amended into existing contract Number 08-DHR-209 between the City of Des Moines and IEDA.

ADDITIONAL INFORMATION:

Ingersoll Square Phase II is a 63 unit housing project proposed to be located at 2000 High Street, a corner infill site at MLK Jr. Parkway and High Street just north of Ingersoll Avenue. The site is part of a larger development parcel that already contains 70 housing units and a retail center.

Ingersoll Square Phase II is a three (3) story new construction building that will house 63 apartments, consisting of 39 one (1) bedroom units, and 24 two (2) bedroom units. Of the units, 34 units will be reserved for households below 80% of median income for a period of ten (10) years with rents at or below the 65% HOME program rents. The 34 income restricted units are comprised of 22 one (1) bedroom units and 12 two (2) bedroom units.

The loan agreement is structured as a non-receding lien for a period of ten (10) years, at which point it is forgiven in full if all the conditions of the funding are met per the requirements of Community Development Block Grant Disaster Recovery Contract (08-DRH-209). The City and Iowa Economic

Development Authority amended this agreement for the additional funding by Roll Call No. 12-1349 on August 27, 2012.

The new building is similar in general form and detailing to the first phase of units, with a three story wood frame construction over underground parking, a flat roof, an L-shaped building connecting at the existing clubhouse/gym, and loft-style interior finishes. There will be seven (7) fewer units, the building is 6' narrower and the new building has 9' vs 10' ceilings, the balconies are identical to the balconies on the existing structure but the building will incorporate some hardiplank on two (2) bays that are cantilevered from the basic structure. The building will be approximately 77% brick.

The owner of the development is Ingersoll Square Phase II, L.P. The Guarantor(s) of the loan and development are Robert Caluzzi, Craig Mettillie, Frank Levy, and James F. Levy Marital Trust. Ingersoll Square Phase II, L.P. has an address of 1906 Ingersoll Avenue, Suite 2, Des Moines, Iowa 50309. Mr. Levy's offices are located at Newbury Development & Management, 3408 Woodland Avenue, Suite 504, West Des Moines, Iowa 50266.

The project was originally proposed to cost \$10,356,800. The cost of the total development has been reduced by \$442,337 or -10% to \$9,914,463 for two (2) main reasons.

1. The appraisal was lower than expected resulting in a lower bank loan; and
2. The developer had hoped to incorporate a nonprofit into the ownership structure that would have allowed them to use more Enterprise Zone Credits.

To make up for the shortfall:

1. Recovery costs anticipated for the second phase of the development (such as the pool, gym, and site work) will not be reimbursed to the ownership until some point in the future;
2. Marketing and Rent up reserves are substantially reduced;
3. Of the \$200,000 developer fee, \$160,000 is pledged to the bank until project stabilization (three consecutive months in which the Debt Service Coverage is equal to 1:1); and
4. \$37,500 in cost reductions are yet to be identified.

The current market makes development very difficult. This project would not proceed without the \$3,000,000 of CDBG-DR funding. Staff is comfortable in proceeding with the project because of the personal guarantees of the owners and developer and the strong market identified in the market study. In addition, the on-going project does show the project succeeding at the proposed rents and expenses in compliance with the requirements imposed by the Iowa Economic Development Authority

The developers have worked closely with the Urban Design Review Board and Plan and Zoning Commission to ensure high quality development on this very visible corner. Staff has also cautioned the developer that any of the cost reductions yet to be identified should not come out of the design, construction, or site development.

Uses of Funds	\$ Amount		Sources	\$ Amount	Type	Rate
Land Acquisition	\$1,087,000		Bankers Trust	\$6,287,050	Loan	5.75%
Construction	\$7,500,000		IEDA	\$3,000,000	Loan	0.00%
Furnishings	\$5,000		Enterprise Zone Credits	\$404,546	Equity	
Architect & Engineering	\$300,000		State Sales Tax Rebate	\$180,000	n/a	
Soil Survey	\$25,000		Energy Rebates	\$42,867	n/a	

Energy Audit	\$3,500				
Constr Loan Origination	\$62,871				
Const Interest	\$310,000				
Property taxes during	\$20,000				
Appraisal, rent comp study	\$5,000				
Market Study	\$5,000				
Phase I Environmental	\$5,000				
Title and Recording	\$15,000				
Operating Reservices	\$44,540				
rent up and Marketing	\$2,500				
Legal Fees and Acc	\$36,000				
Draw Inspections	\$3,600				
Office and Misc	\$7,000				
contingency	\$315,000				
Developer Fee	\$200,000				
cost reductions	-\$37,548				
Total	\$9,914,463		Total	\$9,914,463	

PREVIOUS COUNCIL ACTION(S):

Date: August 27, 2012

Roll Call Number: [12-1349](#)

Action: [Amendment](#) to Des Moines Community Development Block Grant Disaster Recovery (CDBG-DR) Contract to accept a supplemental award for multi-family housing new production in an amount not to exceed \$9,000,000 for three projects plus general administration not to exceed \$180,000. ([Council Communication No. 12-443](#)). Moved by Meyer to adopt. Motion Carried 7-0.

Date: May 3, 2012

Roll Call Number: [12-0660](#)

Action: [Approving](#) submitting four applications for housing projects to Iowa Economic Development Authority for Community Development Block Grant-Disaster Relief (CDBG-DR) funding. ([Council Communication No. 12-197](#)). Moved by Hensley to adopt. Motion Carried 5-2. Nays: Coleman and Moore.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: September 18, 2012

Action: Approval of Final Design

Board: Plan and Zoning Commission

Date: September 6, 2012

Action: Approve amendments to NPC site plan guidelines dependent upon conditions and Final Urban Design Review Board Action.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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