

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	May 20, 2013
	Agenda Item No.	34
	Roll Call No.	<u>13-804</u>
	Communication No.	<u>13-241</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution approving Preliminary Terms of Agreement for City assistance for the development of a mixed use project at the northeast corner of Ingersoll Avenue and Martin Luther King Jr. Parkway.

SYNOPSIS:

Recommend approval of preliminary terms of an Urban Renewal development agreement with Ingersoll Square III Investments, L.L.C. (Frank Levy, President, Newbury Management Company 3408 Woodland Avenue, Suite 504 West Des Moines, Iowa 50266) for the construction of an \$8.5 million project containing residential and commercial uses at the corner of Martin Luther King Jr. Parkway and Ingersoll Avenue.

The Ingersoll Square III project was one of the applicants for Community Development Block Grant Disaster Recovery (CDBG-DR) funds in early 2013, but was not one of the two (2) projects selected for recommendation to the Iowa Economic Development Authority. A purchase agreement is in place to move forward with a single story stand alone retail building at this site, which would close the window of opportunity for more dense urban development at this key entrance into downtown Des Moines. Following input from city staff, Restoration Ingersoll and the Sherman Hill Neighborhood Association on the strong preference for a higher density project on the site, the development team for Ingersoll Square III went to work to develop an alternative financing structure to make the preferred project possible.

Staff is recommending the use of project generated tax increment financing, an economic development loan, and HOME funds to assist the project. Details on the proposed project design and financial assistance are provided below. Final approval of recommended financial assistance is subject to obtaining approval from the Plan & Zoning Commission for the increase in the total number of residential units from what was originally approved for the site. The project is anticipated to begin work in summer 2013.

FISCAL IMPACT:

Amount: 75% of project generated tax increment on the residential portion of the building in years 11-20, payments beginning no sooner than November 1, 2024; \$400,000 0% interest economic development loan; \$300,000 HOME funds

Funding Source: Metro Center Urban Renewal Tax Increment TIF District tax increment revenues from taxes paid on new valuation generated by the project, \$400,000 economic development loan to be funded with anticipated land sale proceeds from the sale of City owned property at East 4th and East

Locust Streets, and FY2014 Operating Budget, Community Development Department, Special Revenue Fund, HOME2012000, SP036, CDD049900, page 57

ADDITIONAL INFORMATION:

The first phase of the Ingersoll Square master plan was constructed as for-sale condominiums in 2007, but the 2008 economic downturn prompted the developers to offer the units for rent. The first phase has been successful as a rental project and is currently fully occupied. The development team pursued various concepts over the last five (5) years to complete the master plan with additional phases, and proposed a 63 unit apartment building as the second phase in 2012, which is currently under construction.

The \$8.5 million Ingersoll Square III project is proposed to consist of a total of four (4) floors; three (3) floors containing 47 residential units, with commercial space on the first floor. Underground parking will be in place to serve the residential units. The site has been approved for a density not to exceed 39 units by the Plan & Zoning Commission. The increased density will need to be approved by the Commission prior to finalizing the development agreement terms.

Ingersoll Square III's residential floors will consist of 32 one (1) bedroom units, six (6) one (1) bedroom lofts and nine (9) two (2) bedroom units. The first floor commercial space will consist of a 1500 square foot retail space and a 4000 square foot space to be occupied by Veridian Credit Union. Drive through service space programmed for Veridian is designed with the flexibility to be enclosed with glass and provide square footage for other potential users in the future, should the Veridian business model change to de-emphasize auto banking.

The Office of Economic Development and the Community Development Department have worked with the Ingersoll Square III development team closely over the last several weeks to be able to present preliminary terms of agreement to City Council for project generated tax increment financing assistance, to finalize recommendation for an economic development loan and determine the ability to recommend City HOME funds to the project.

The assistance package is recommended to be organized as follows:

- 1.) 75% project generated tax increment will be paid out over 10 years following the conclusion of the tax abatement for the project. The developer commits to commercial classification for the property.
- 2.) \$400,000 economic development loan to be funded with anticipated land sale proceeds from the sale of City owned property for the Locust Home project. A bridge source of funds is needed for these land sale proceeds, which may not be obtained until early fall, following final approval of CDBG-DR awards by the Iowa Economic Development Authority. A bridge source has been identified as the land sale proceeds from the recent sale of City owned land to Helena Industries.
- 3.) \$300,000 in HOME funds

This is a preliminary commitment of \$300,000 of City HOME funds which will require that at least three (3) units will be affordable to low income households for 20 years. All three (3) units must be rented to persons/households below 60% of median income with rent restrictions. The current pro-forma shows the HOME loan structured a 1% rate with interest payable annually and a balloon payment in Year 30.

The final HOME commitment is dependent upon a market study, review of developer capacity, final underwriting and subsidy layering per the HOME regulations and review by the Neighborhood Revitalization Board. As the project is further developed, the final loan may be modified in the amount committed, interest rate and/or length of amortization.

The HOME commitment represents approximately 60% of the City's 2013 HOME allocation that can be used for projects. The HOME funding has been cut significantly in the past two (2) years. The City has not yet received its allocation of funds, but estimates the funds will be available in July.

Urban Design Review Board will review the revised proposed financial assistance package and design and provide recommendation. Final terms of agreement will be brought back to Council for review.

PREVIOUS COUNCIL ACTION(S):

Date: February 20, 2013

Roll Call Number: [13-0267](#)

Action: [Approve](#) the submittal of two (2) applications for multi-family housing projects to the Iowa Economic Development Authority for Community Development Block Grant-Disaster Relief (CDBG-DR) Round V Funding. ([Council Communication No. 13-074](#))

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board review of preliminary design and financial assistance package.
- Review of proposed density change by Plan & Zoning Commission.
- Finalization of contract for City HOME funds.
- Final development agreement preparation and Council approval.

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