

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> November 18, 2013
	<b>Agenda Item No.</b> 31 <b>Roll Call No.</b> <u>13-1809</u> <b>Communication No.</b> <u>13-573</u> <b>Submitted by:</b> Matthew A. Anderson, Assistant City Manager; Philip Delafield, Community Development Director

**AGENDA HEADING:**

Resolution approving Urban Renewal Development Agreement with Ingersoll Square Phase III Associates, L.P. for a mixed use development at the northeast corner of Martin Luther King, Jr. Parkway and Ingersoll Avenue. Approving Proposed Conceptual Development Plan and Approving HOME Documents for a \$350,000 below market interest rate loan.

**SYNOPSIS:**

Recommend approval of final terms of an Urban Renewal development agreement with Ingersoll Square Phase III Associates, L.P. (Frank Levy, President, Newbury Management Company 3408 Woodland Avenue, Suite 504, West Des Moines, Iowa 50266) for the construction of an \$8.2 million project containing residential and commercial uses at the corner of Martin Luther King Jr. Parkway and Ingersoll Avenue.

Preliminary terms of agreement approved, by Roll Call No.13-804 on May 20, 2013 provided for an Economic Development Grant equal to 75% of the tax increment generated by the residential portion of the project in years 11-20 (NPV \$1,269,068), an Economic Development Loan for \$400,000, and a preliminary commitment of \$300,000 in HOME funds.

Final cost estimates have been received for the project and were \$2 million over projected numbers. This required a re-evaluation of both the project design and financing structure to keep the project viable. The result of this process is the ability to retain urban density development on the site and a reduction to the overall level of financial assistance to be provided by all City sources. This is the third and final phase of the \$33 million Ingersoll Square development and the only phase that will include tax increment financing assistance.

**FISCAL IMPACT:**

Amount: 58% of project generated tax increment on the residential portion of the building in years 11-20, payments beginning no sooner than November 1, 2024. (NPV \$574,594) \$430,000 supplemental economic development grant, \$350,000 HOME funds.

Funding Source: Metro Center Urban Renewal TIF District tax increment revenues from taxes paid on new valuation generated by the project, \$430,000 economic development grant to be funded with land sale proceeds from the sale of City-owned property at E. 4<sup>th</sup> Street and E. Locust Street, and Fiscal Year

(FY) 2014 Operating Budget, Community Development Department, Special Revenue Fund, HOME2012000, SP036, CDD049900, page 57.

### **ADDITIONAL INFORMATION:**

The original project proposed on the Ingersoll Square III site was a stand-alone single story commercial building. Following input from Restoration Ingersoll, the Sherman Hill Neighborhood Association and City staff to create an urban level of density on this gateway site into downtown Des Moines, the Ingersoll Square III project is now proposed to consist of a total of four (4) floors; three (3) floors will contain 47 residential units, with 5,500 square feet of commercial space on the first floor. The first floor commercial space will consist of a 1,500 square foot retail space and a 4,000 square foot space to be occupied by Veridian Credit Union. Drive through service space programmed for Veridian was 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 \$2 million in cost overruns resulted in design changes that have been reviewed by the Urban Design Review Board. The largest design modification was the elimination of 28 underground parking spaces and a move from a pre-cast structural building frame to a steel column and beam system, which saved the project \$1.1 million. Parking for the residents and commercial patrons will now be accommodated through surface parking spaces, a total number that is more than adequate for the site under City Code requirements. The other modifications included the addition of larger windows in the stair tower, mesh vinyl barriers on the north side of the drive through, wider openings in the drive through area to maintain the rhythm of the retail storefront openings on Ingersoll, and refinement of the cornice locations.

Through negotiation with the developer following the approval of the preliminary terms of agreement, the overall tax increment amount had been reduced from \$1,269,068 to \$574,594. Payment of this amount will not begin until the tax increment financing (TIF) funds are generated by the project starting in year 11. Staff has now worked with Ingersoll III to provide some restructuring to the Economic Development Loan and HOME funds that will assist the project on the acquisition and construction costs involved at the front end. The economic development loan of \$400,000 is now proposed as a \$430,000 Supplemental Grant, with provision for potential repayment to the City after year 11. The original commitment to the project was \$300,000 of HOME funds. An additional \$50,000 is now proposed.

The contract for \$350,000 of City HOME funds requires 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 contract also requires affirmative marketing provisions as well as annual review by City staff of the rent levels to be charged.

A \$300,000 loan was approved by the Neighborhood Revitalization Board (NRB) at its October 2, 2013, for the following reasons:

1. Completes development of the corner of Ingersoll Avenue and Martin Luther King Jr. Parkway;
2. Increases density and offers high quality affordable housing near the downtown; and
3. Furthers the strategies of DART to increase its services and connections along Ingersoll Avenue including future Bus Rapid Transit service.

NRB members did express concern about the small number of affordable units in the project. The HOME program has specific maximums that can be provided per unit based on a 221(d)(3) limit. For a one (1) bedroom apartment that amount is \$145,907 and for a two (2) bedroom apartment that amount is

\$177,422. The project is in compliance with the HOME Statute; however, the City usually limits its assistance for \$50,000 per unit unless there are extenuating circumstances. In this case, the extenuating circumstances are that the restricted rent for additional HOME units would cause the development to have a debt-to-income level unacceptable to conventional lenders.

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.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: May 20, 2013

Roll Call Number: [13-0804](#)

Action: [Preliminary](#) terms of agreement with Ingersoll Square III Investments, LLC for construction of a mixed use development project at Ingersoll Avenue and Martin Luther King Jr. Parkway and authorizing the City Manager to negotiate final contracts. ([Council Communication No. 13-241](#)) Moved by Hensley to receive and file and to authorize the City Manager to negotiate a Home Program Loan Agreement and final development agreement for City financial assistance, based on the preliminary terms of agreement as outlined in Council Communication No. 13-241. Motion Carried 7-0.

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](#)) Moved by Meyer to adopt in accordance with the City Manager's recommendation and to direct the City Manager to look at using the land sales proceeds of approximately \$400,000 and all other available sources to assist the other projects, and to work with HUD to get the restrictions on the Section 108 Loan lifted to allow residential development in the Riverpoint West Area. Motion Carried 7-0.

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

Board: Urban Design Review Board

Date: November 13, 2013

Resolution Number: N/A

Action: N/A

Board: Neighborhood Revitalization Board

Date: October 2, 2013

Resolution Number: NA

Action: Approve HOME loan for \$300,000.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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