

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: October 20, 2014
	Agenda Item No. 29 Roll Call No. <u>11-1640</u> Communication No. <u>14-507</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Preliminary Terms of Agreement for Redevelopment of the R & T Lofts, the former Des Moines Register buildings, at 717 Locust Street and 421 8th Street.

SYNOPSIS:

TWG Development, LLC of Indianapolis, IN (Joseph Whitsett, CEO) is proposing conversion of the former Des Moines Register building for a mixed-use development with commercial space on the first and skywalk levels and approximately 164 units of market-rate and affordable housing for floors 3-15. This iconic building has been vacant since the Des Moines Register operations moved to Capital Square in mid- 2013.

The project is anticipated to cost over \$35 million and the company has requested economic financial assistance from the City.

FISCAL IMPACT:

Amount: Twenty semi-annual payments of \$185,000 beginning in November 2019 for a total of \$3,700,000.

Funding Source: Metro Center Urban Renewal Area tax increment revenues. A project account will be opened when payments begin.

ADDITIONAL INFORMATION:

The former Des Moines Register property is located on the west half of the block bounded by Locust Street and Grand Avenue between 7th and 8th Streets. The various buildings that comprise the overall property date from 1916 to the 1960s. In 1962, the 717 Locust Street building was re-clad in a limestone and glass façade and is often cited as the first project in the downtown to make Des Moines look modern. The proposed renovation will be undertaken in accordance with federal and state historic preservation standards.

Marketing of the housing units will be geared to young professionals with a variety of types ranging from studio (550 square feet) to two (2) bedrooms (950 square feet) with about half of the units at market-rate and the remaining units as affordable units with rents of \$700-900/month.

Financial Assistance

The developer, TWG Development, LLC, is proposing a major renovation of the buildings (about 290,000 square feet) for an estimated \$35 million plus.

The overall \$35 million plus project is projected to be funded from:

- Federal historic tax credit equity \$5.7 million;
- State historic tax credit equity \$5.5 million;
- Sales tax refund \$688,000*;
- State Workforce Housing tax credits \$345,000*;
- State brownfields tax credits \$850,000;
- Federal LIHTC 4% credit equity \$5.2 million;
- City of Des Moines economic development assistance \$3.7 million (10 years); and
- Developer equity and permanent financing \$14.5 million.

* Funding for these items is projected to be awarded from the former State of Iowa Housing EZ program which is currently being remodeled into a first-come, first-served basis with an overall program cap and will not be open for applications until January 2015 or later. The City will make every attempt with the developer to process the new application form and complete submission process as expeditiously as possible to obtain a project award.

Funds will be used for “hard” costs (construction, acquisition, etc.) of about \$25 million and “soft” costs (interim financing, developer fee, required reserves, etc.) of \$10 million.

The proposed financial assistance package, with about 10% of the total project cost from the City of Des Moines, will use Metro Center Urban Renewal tax increment revenues. The development will also be eligible for 10 year, 100% property tax abatement.

A final development agreement will require:

- The project to be undertaken in accordance with state and federal historical preservation standards;
- Project will be started by May 1, 2015 (defined by obtaining a building permit) and completed by December 31, 2016;
- No more than 55% (up to 90 units) of the total number of residential units be subject to LIHTC requirements;
- The basement and first floors for commercial use with the second (skywalk level) floor to be used for commercial and/or residential use;
- The skywalk access and corridor within the building to be maintained and upgraded; and
- Twenty semi-annual annual payments of \$185,000 starting in 2019. The semi-annual payments are based on the semi-annual collection of property tax payments made by September 30 and March 30 of each tax year.

Timing

This overall size and financial resources required to undertake this project has created a complex timeline that must be met by the developer in order to secure the required state and federal assistance. It is anticipated construction work will begin by early spring 2015 and be completed by fall 2016.

Developer Background

TWG Development, LLC, based in Indianapolis, is new to the Des Moines market. The firm has extensive experience in housing with over 30 housing projects including new construction and historic

rehab in and near Indianapolis. TWG Development is currently working as the contractor on Commonwealth Senior Apartments historical project in Cedar Rapids.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Urban Design Review Board - The proposed financial assistance and site and building design review is scheduled for the October 21, 2014 meeting.

Downtown Neighborhood Association - Project presentation will be made within the month.

Plan and Zoning commission - Review of proposed change in use; meeting to be scheduled.

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