

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	November 17, 2014
	Agenda Item No.	27
	Roll Call No.	<u>14-1778</u>
	Communication No.	<u>14-547</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approval of Urban Renewal Development Agreement with R & T Lofts, L. P. for the redevelopment of the former Des Moines Register buildings, at 717 Locust Street and 421 8th Street and approving proposed conceptual development plan.

SYNOPSIS:

TWG Development, LLC of Indianapolis, IN (Joseph Whitsett, CEO) doing business as R & T Lofts, L. P., is proposing conversion of the former Des Moines Register buildings for a mixed-use development with commercial space on the basement and first levels with approximately 164 units of market-rate and affordable housing on floors 2-15. 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 (20) 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 bedrooms (950 square feet) with no more than 90 of the units as affordable units with rents of \$700-900/month and the remaining units at market-rate.

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. The overall \$35 million 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 Low Income Housing Tax Credit (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 changed to a first-come, first-served basis with an overall \$20 million program cap/no more than \$1 million per project 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 (architecture, engineering, 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.

The final development agreement requires:

- The project to be undertaken in accordance with state and federal historical preservation standards;
- Project start by April 1, 2015 (defined by obtaining a building permit) and completion 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 be used for commercial use which shall become a separate tax parcel once the housing tax abatement ends in 2026;
- The skywalk access and corridor within the building to be maintained and upgraded, including the addition of special lighting on Locust Street frontage to identify the public access location which shall be open 24 hours/day, an open connection between the first floor lobby and the skywalk lobby via the historic stairwell subject to Fire Code regulations; and
- Twenty (20) 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.

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):

Date: October 20, 2014

Roll Call Number: [14-1640](#)

Action: [Preliminary](#) Terms of Agreement with TWG Development, LLC represented by Joseph Whitsett, CEO, for redevelopment of the R & T Lofts, the former Des Moines Register buildings, at 717 Locust Street and 421 8th Street. ([Council Communication No. 14-507](#)) Moved by Hensley to receive, file and approve the preliminary terms of agreement as set forth in Council Communication No. 14-507, and to direct the City Manager's Office to proceed with negotiation of a formal agreement with TWG Development, LLC consistent with the terms set forth in Council Communication No. 14-507. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: November 4, 2014

Resolution Number: N/A

Action: The proposed financial assistance and preliminary site and building conceptual design plans were recommended for approval the October 21, 2014 meeting. At its November 4, 2014 meeting, the Board recommended approval of the final conceptual plans, including the skywalk area improvements.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

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

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