

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	September 25, 2017
	Agenda Item No.	32
	Roll Call No.	<u>17-1657</u>
	Communication No.	<u>17-701</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution in support of Workforce Housing Tax Credit (WHTC) benefit application to be submitted to the Iowa Economic Development Authority (IEDA) for a project in the City of Des Moines located at 401 SE 6th Street.

SYNOPSIS:

Recommend approval of one (1) application for WHTC benefits to the IEDA for a multi-family housing project for Market District One, LLC (Frank Levy, Partner), with a project name known as the “Connolly Lofts”, subject to the project meeting all other applicable City requirements, including local zoning requirements, design guidelines, and funding requirements. Details of the proposed changes to this project are found in the “Additional Information” section.

An estimated total of 59 housing units will be added through this project, providing living opportunities that are proximate to employment centers, shopping, restaurants, schools and transportation. The housing units will provide homes for varied sectors of the population of the City of Des Moines, including entry-level work force, students, seniors, disabled citizens and families. The total construction of the project is \$10.6 million.

A resolution of support from the City Council and an identification of the local match for each project, with a minimum of \$1,000 per dwelling unit is required for submittal of applications to the WHTC program, which replaced the former IEDA Enterprise Zone housing benefit program that ended on July 1, 2014.

FISCAL IMPACT:

WHTC are State of Iowa tax credits and have not fiscal impact on the City of Des Moines general fund. Information on the project application is detailed below:

Amount: WHTC benefits are estimated at \$1,000,000.

Funding Source: State of Iowa WHTC program. Market District One, LLC; \$1,000,000 estimated WHTC benefit; local match estimated at \$489,281 provided by project-generated TIF (Tax Increment Finance) assistance.

ADDITIONAL INFORMATION:

- The WHTC program provides the same benefits as the former Enterprise Zone program; a refund on state sales, service and use taxes paid during construction, and a state investment tax credit of up to 10% of the investment directly related to the construction of the project. The WHTC program has an annual cap of \$20 million for the entire State of Iowa, with a \$5 million set aside from rural areas, which makes the program highly competitive for other proposed development projects across the state.
- The Connolly Lofts project was previously registered for WHTC's in 2015, however, registered projects must be completed within 3-years per program requirements with the State of Iowa. Since the previous resolution of support was approved in 2015, the project has significantly changed in scope, and in conjunction with multi-family market conditions, caused a delay in the construction of the project. The developer has elected to rescind the previously awarded WHTC's to the State of Iowa since construction could not be completed prior to the expiration date, and will reapply again with a modified scope of the project.
- Below are additional details on the Market District One, LLC project:
 - The project will consist of a 59-unit, 4-story multi-family residential building located at the intersection of SE 6th Street and East Martin Luther King Jr. Parkway on a remnant City-owned parcel, with a projected construction value of \$10.6 million.
 - The developer is Market District One, LLC (Frank Levy, Partner, 3408 Woodland Avenue, Suite 504, West Des Moines, IA 50266).
 - The project will include a mix of 30 market rate apartments and 27 affordable apartments at 80% area median income (AMI) and two (2) units at 30% AMI, which will include 40 1-bedroom units and 19 2-bedroom units.
 - Project amenities include a community room, exercise room, bike storage room, rooftop patio space along SE 6th Street, and a ground level patio space with a hot tub.

PREVIOUS COUNCIL ACTION(S):

Date: April 3, 2017

Roll Call Number: [17-0588](#)

Action: [First](#) Amendment to Urban Renewal Development Agreement in the Metro Center Urban Renewal Area with Market District One, LLC for 401 SE 6th Street and 400 SE 7th Street. ([Council Communication No. 17-342](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: December 6, 2016

Resolution Number: N/A

Action: Urban Design Review Board recommended approval of the final design review of the Connolly Lofts project with Board comments. Motion by Reynolds, seconded by Heiman-Godar. Motion Carried 7-0.

Board: Plan and Zoning Commission

Date: December 1, 2016

Resolution Number: N/A

Action: Plan and Zoning Commission approved request from Market District One, LLC (developer) for review and approval of a Site Plan for “Connolly Lofts” on property located at 400 SE 6th Street and 401 SE 7th Street. Corigliano moved staff recommendation for approval subject to conditions. Motion carried 11-0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- The Office of Economic Development will provide a resolution to project representatives with WHTC program applications to the IEDA.
- 3rd Amendment to Urban Renewal Development Agreement for Market District One, LLC to revise project scope and amend timelines.
- Closing on the sale of City owned property to Market District, LLC.

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