

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	December 18, 2017
	<b>Agenda Item No.</b>	<b>30</b>
	<b>Roll Call No.</b>	<b><u>17-2150</u></b>
	<b>Communication No.</b>	<b><u>17-865</u></b>
	<b>Submitted by:</b>	<b>Erin Olson-Douglas, Economic Development Director</b>

**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 multi-family housing project in the City of Des Moines, located at 110 SE 7th Street, proposed by Nelson Construction & Development, d.b.a. Rowat Lofts, LLC.

**SYNOPSIS:**

Recommend approval of an application for WHTC benefits for a project proposed by Rowat Lofts, LLC at 110 SE 7th Street.

An estimated total of 158 housing units will be added through this multi-family housing 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 estimated construction cost of the project is \$27.1 million.

A resolution of support from the City Council and an identification of the local match for each project, at 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 no fiscal impact on the City of Des Moines general fund. Information on the project application is detailed below.

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

Funding Source: State of Iowa WHTC program. Rowat Lofts, LLC, \$1,000,000 estimated WHTC benefit; local match estimated at \$4,371,000 provided by 10-year, declining tax abatement on the value added to the property as a result of improvements made.

**ADDITIONAL INFORMATION:**

- The WHTC program provides for 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 for rural projects, which makes this program highly competitive for other proposed development projects across the state.

- Below are the additional details on this project:
  - The proposed \$27.1 million project is located at 110 SE 7th Street on the site of the former Rowat Cut Stone will consist of a 4-story building containing a total of 158 apartments, with a targeted market consisting of the local workforce, employees of nearby businesses.
  - Of the 158 Apartments, approximately 142 units will be market rate apartments, with a set aside of 16 apartments that will be affordable at the 80% Area Medium Income (AMI) range.
  - The developer of the project is Nelson Construction & Development, d.b.a. Rowat Lofts, LLC.
  - The previous dilapidated industrial structure on this site has been demolished; however, the developer has salvaged portions of cut stone from the façade of the building and the historic crane structure for future reuse.
  - The new development will contain 96 1-bedroom apartment units, 20 2-bedroom apartment units, and 42 studio apartment units.
  - Proposed resident amenities include a ground-level outdoor courtyard with community garden space and a dog park, indoor community room spaces such as a fitness center, theater room, craft room, co-working space, demonstration kitchen, rooftop amenity decks, and secure surface parking.
  - The applicant will be utilizing the City's residential tax abatement program for the required local match of the WHTC's, which has an estimated valuation of \$4,371,000 over the 10-year term of the declining abatement (eight {8} years at 100%, 60% abatement in year nine {9}, 40% abatement in year 10).
  - It is anticipated that the developer will also be seeking tax increment financing (TIF) to assist with a financial gap on the project. The preliminary terms of an Urban Renewal Development Agreement will be forthcoming at a future City Council meeting.

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

Date: September 11, 2017

Roll Call Number: [17-1604](#), [17-1605](#), and [17-1606](#)

Action: [On](#) request from Nelson Development 1, LLC to rezone 110 SE 7th Street from "M-2" (Heavy Industrial) and Ltd. "C-3B" (Central Business Mixed-Use) to "C-3B" (Central Business Mixed-Use) to allow for development of a 4-story, 149-unit multiple-family residential structure. Moved by Gatto to adopt. Motion Carried 6-1. Nays: Cownie.

- (A) [First](#) consideration of ordinance above. Moved by Gatto that this ordinance be considered and given first vote for passage. Motion Carried 6-1. Nays: Cownie.

(B) Final consideration of ordinance above, requires six votes. Moved by Gatto that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#15,611](#). Motion Carried 6-1. Nays: Cownie.

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

Board: Plan and Zoning Commission

Date: August 17, 2017

Resolution Number: N/A

Action: Plan and Zoning Commission voted 15-0 in support of a motion to recommend approval of a request from Nelson Development 1, LLC, to rezone property at 110 SE 7<sup>th</sup> Street from “M-2” Heavy Industrial District to Limited “C-3B” Central Business Mixed-Use District, to allow for development of a 4-story, multi-family residential structure subject to conditions.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

The Office of Economic Development will provide a resolution of support to project representatives that are filing the WHTC program application to IEDA.

For more information on this and other agenda items, please call the City Clerk’s Office at 515-283-4209 or visit the Clerk’s Office on the first floor of City Administration Building, 400 E. Court Avenue Ste.116. Council agendas are available to the public at the City Clerk’s Office on Thursday afternoon preceding Monday’s Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk’s Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).