


COUNCIL COMMUNICATION

	Number:	19-556	Meeting:	December 16, 2019
	Agenda Item:	33	Roll Call:	[]
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Bridge District Level, LLC, for the new construction of a 5-story, 114-unit multi-family housing project known as the “Level Apartments at the Bridge District” (Level Apartments), located in the 300 block of Maple Street.

SYNOPSIS:

Hubbell Realty Company, d/b/a Bridge District Level, LLC (Joe Pietrusinski, Officer, 6900 Westown Parkway, West Des Moines, IA 50266) proposes to construct a new 114-unit multi-family residential project called Level Apartments, located on a vacant site in the 300 block of Maple Street. This visible redevelopment site is located immediately south of I-235, and represents the next phase of redevelopment for Hubbell Realty Company’s master planned “Bridge District” community. The \$26.9 million apartment project contains a mix of one (1) through 4-bedroom units within five (5) stories. Parking needs will be accommodated by a combination of indoor climate controlled parking and surface parking.

Additionally, the project will contain 25 owner-occupied rowhome units, representing a portion of the second and third phases of “The Banks” townhome development, located south of the proposed Level Apartments project.

The Office of Economic Development has negotiated preliminary terms of an Urban Renewal Development Agreement with Bridge District Level, LLC, which provides for tax increment from the Metro Center Tax Increment Financing (TIF) district and increment generated by the project proposed over a 20-year period to serve as the core mechanism for responding to a financing gap presented by the Developer. Additional details are in the fiscal impact section below.

FISCAL IMPACT:

Amount: The proposed terms provide for non-project generated Metro Center TIF in the amount of \$1.5 million, and project-generated tax increment in the amount of \$3.3 million, granted over a 15-year time frame. The projected total amount of TIF assistance is capped at \$4.8 million on a cash basis and \$3.27 million on a net present value (NPV) basis (at a 4.5% discount rate). The assistance is estimated at 11.8% of the total project costs. The apartment project would also be eligible for the 10-year declining tax abatement schedule (100% in years 1-8, 60% in year nine {9}, 40% in year 10).

The Developer has agreed to limit the tax abatement received on the proposed and adjacent Phase III of The Banks townhome project to the 6-year declining tax abatement schedule, which will allow the project to come onto the tax rolls sooner and lessen the burden of the non-project generated TIF request.

Projected Assistance:

<u>Years</u>	<u>Amount</u>
1-6	\$1,500,000 million (non-project-generated TIF)
7-10	\$1,000,634 (100% project-generated TIF)
11-15	\$2,300,000 (100% project-generated TIF capped at \$460,000 annually)
Total:	\$4,800,634 (\$3,273,895 on a NPV basis)

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project**	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$239,918	\$2,067,401	\$3,035,217	-\$967,816
Sum 20 Years	\$479,836	\$14,493,583	\$5,335,217	\$9,158,366
Sum 30 Years	\$719,754	\$28,866,542	\$5,335,217	\$23,531,325

*Taxes include all property taxing authorities (not just City property taxes).

*Taxes received estimates used the following assumptions: 1.5% growth in reassessment years, 0% growth in non-reassessment years.

**Land valuation assumptions at completion of construction:

\$18,852,000 commercial building assessment

\$922,600 land assessment

Funding Source: Metro Center TIF—A specific fund code will be assigned by the Finance Department.

ADDITIONAL INFORMATION:

- The \$26.9 million Level Apartments project will include a total of 114 dwelling units spread among a mix of one (1) through 4-bedroom units that each feature outdoor balconies, terraces or patio spaces. Amenity spaces include indoor and outdoor fitness areas, heating indoor parking, bike and kayak storage, a package concierge system, common lobby and lounge space, 3rd and 5th floor outdoor clubhouse with rooftop patios and grilling areas. The development is expected to take advantage of view of the skyline and riverfront. Construction of the apartment project is anticipated to begin in the spring of 2020 with completion in the last quarter of 2021.
- Staff has had several meetings with the Developer and their design team to ensure that the project will be constructed from high quality exterior building materials that include precast concrete panels, commercial grade fiber cement board and durable metal panels. With the site adjacent to and visible from I-235, additional attention was given to the north façade of the building.

- Bridge District Level, LLC has committed to an affordable housing component - 10% of the apartment units will have a rent structure targeted to those earning approximately 80% of the area median income (AMI), expected for a minimum term of the life of the 20-year Development Agreement.
- The Development Agreement will stipulate that at least 25 newly constructed rowhomes in The Banks Phases II and III projects will be constructed prior to January 1, 2023. The rowhomes will be eligible to receive the Citywide 6-year declining tax abatement schedule.
- The Developer will utilize Mid-American Energy's Commercial New Construction Energy Efficiency Program on the apartments and will work with Willdan Group, Inc. (formerly the Weidt Group) prior to final terms of agreement to determine a percentage of energy performance that is achievable above the minimum energy code standards.
- The Bridge District is a large redevelopment area of a former low-intensity flex space office and warehouse park located on the northern end of the Historic East Village Neighborhood, bounded by I-235 on the north, Des Moines Street on the south, between the Des Moines River and East 4th Street. The 18-acre master-planned residential development is anticipated to create a total of 477 new dwelling units that includes a mix of owner-occupied and rental options, and is projected to raise the assessed value of the land from \$6.3 million to \$112 million upon full buildout.
- The Developer's proforma indicated a financial gap largely related to the temporary hiatus of the Iowa Economic Development Authority's Workforce Housing Tax Credit Program, providing an acceptable debt coverage service ratio for the project, an enhanced exterior building design and materials on the project, and increased construction costs in the Des Moines market. This is the first TIF assistance request for a project within the larger Bridge District development. The developer has only received tax abatement for the two multi-family projects and rowhome developments thus far.

Vicinity Map



PREVIOUS COUNCIL ACTION(S): NONE

Date: September 23, 2019

Roll Call: [19-1546](#), [19-1547](#), and [19-1548](#)

Action: **On** City-Initiated request to rezone 720, 727 and 730 E. 2nd Street, 827-861 E. 2nd Street, 205-221 Maple Street, 350 Maple Street, 101-284 E. Center Street, 832-848 E. 4th Street, 225 E. Center Street and 200 Des Moines Street from “D-R” (Downtown Riverfront) to “PUD” (Planned Unit Development) and approve Bridge District PUD Conceptual Plan to create a unified PUD Zoning District for the previously approved Velocity, Bridge District I, II and III projects including 121 existing and future row dwelling units within “The Banks”, 243 existing multiple-family dwelling units within the “Verve” and “Velocity” buildings, and 114 future multiple family dwelling units within the 5-story “Level” building. Moved by Gatto to adopt. Motion Carried 7-0.

- (A) **First** consideration of ordinance above. Moved by Gatto that this ordinance be considered and given first vote for passage. Motion Carried 7-0.
- (B) **Final** consideration of ordinance above (waiver requested by the Community Development Director), 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, [#15,806](#). Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Urban Design Review Board- Design and financial assistance recommendations.
- Plan and Zoning Commission- Approval of development (site) plan in conformance with approved PUD Concept Plan.
- City Council- Approval of final terms of an economic development agreement, approval of the development (site) plan.

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