

COUNCIL COMMUNICATION

	Number:	20-143	Meeting:	March 23, 2020
	Agenda Item:	33	Roll Call:	20-0533
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving final 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, and 25 owner-occupied rowhomes comprising the next phase of The Banks at the Bridge District, located in the 300 block of Maple Street.

SYNOPSIS:

Hubbell Realty Company, d/b/a Bridge District Level, LLC (Kris Saddoris, Officer, 6900 Westown Parkway, West Des Moines, IA 50266), proposes to construct a new 114-unit multi-family residential project called the 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 next phase of The Banks townhome development, located south of the proposed Level Apartment project.

The Office of Economic Development has negotiated final terms of an Urban Renewal Development Agreement with Bridge District Level, LLC, which provides for a combination of tax increment in the form of an economic development grant 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 primary means of responding to a financing gap presented by the Developer. Additional details of the terms are found in the financial 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 estimated at \$4.8 million on a cash basis, which is projected to be capped at \$3.27 million on a net present value (NPV) basis (at a 4.5% discount rate). The assistance is estimated at 11.8% of total project costs. The apartment project would also be eligible for the 10-year declining tax abatement schedule (100% in year 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 next phase of The Banks townhome project to the 6-year declining tax abatement schedule, which will allow this component of the project to come onto the tax rolls sooner and lessen the burden of the non-project generated TIF request.

Projected Assistance:

Years	Amount
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 (on a cash value basis)	Estimated Net Taxes Received
Year 10	\$239,918	\$ 1,058,526	\$2,500,634	-\$ 1,442,108
Year 20	\$479,836	\$ 8,333,471	\$4,800,634	\$ 3,532,837
Year 30	\$719,754	\$16,857,709	\$4,800,634	\$12,057,075

*Includes both the apartment project and 25 owner occupied rowhomes.

*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 multi-family building assessment and \$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 next phase of The Banks project will be constructed prior to January 1, 2024. The rowhomes will be eligible to receive the Citywide 6-year declining tax abatement schedule, but the TIF grant will not be utilized as gap financing for the construction of the rowhomes.
- The Developer will utilize Mid-American Energy's Commercial New Construction Energy Efficiency Program on the apartments and has worked with Willdan Group, Inc. (formerly the Weidt Group) prior to final terms of agreement to determine the percentage of energy performance that is achievable above the minimum energy code standards. The multi-family building will exceed the minimum applicable energy code by at least 20%.
- The Developer has agreed to add a total of two (2) electric vehicle charging stations to the project; one (1) outdoor and one (1) in the indoor parking area, serving four (4) parking spaces. The Developer will also install electrical conduit to serve an additional 10 parking spaces in the outdoor parking area, with charging stations added as demand/market conditions dictate.
- The Bridge District is a large redevelopment of a former low-intensity office and flex space 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, the need to provide an acceptable debt coverage service ratio for the project, the 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 (2) multi-family projects and rowhome developments constructed thus far.

Vicinity Map



PREVIOUS COUNCIL ACTION(S):

Date: January 13, 2020

Roll Call Number: [20-0058](#) and [20-0059](#)

Action: Items requested by Bridge District II, LLC (Kris Saddoris, Officer) for 220 Maple Street:

- (A) [Receive](#) and file communication from Plan and Zoning Commission regarding approval of the Preliminary Plat “Level” to allow Outlot C of Bridge District Plat 2 to be re-platted as a development lot.
- (B) [Approval](#) of a PUD Development Plan for “Level” to allow development of a 5-story, 121-unit multiple-family dwelling with 53 indoor parking spaces and 153 surface off-street parking spaces.

Date: December 16, 2019

Roll Call Number: [19-2018](#)

Action: [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 in the 300 block of Maple Street. ([Council Communication No. 19-556](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: January 21, 2020

Resolution Number: N/A

Action: Motion to approve the financial assistance as presented by Clark. Seconded by Hielkema. Motion carried. Yes = 6, No = 0, Abstain = 1, Absent = 1.

Motion to approve the final design as presented by Morgan-Huggins. Seconded by Clark. Motion carried. Yes = 6, No = 0, Abstain = 1, Absent = 1.

Board: Plan and Zoning Commission

Date: December 19, 2019

Resolution Number: N/A

Action: The Plan and Zoning Commission voted 12-0 to approve the site plan and preliminary plat subject to conditions and compliance with all administrative review comments of the City’s Permit and Development Center.

Board: Urban Design Review Board

Date: December 17, 2019

Resolution Number: N/A

Action: The Urban Design Review Board voted 5-0-1 (one abstention) to approve and make recommendations to the City Council on the preliminary design of the Level Apartments project.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval of the development (site) plan, and approval of the Certificate of Completion when the project is finished.

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