


COUNCIL COMMUNICATION

	Number:	20-463	Meeting:	October 19, 2020
	Agenda Item:	26	Roll Call:	20-1663
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with 3801 Grand Associates, L.P. for the construction of a new 56-unit multi-residential apartment building located at 3705-3707 Grand Avenue.

SYNOPSIS:

3801 Grand Associates, L.P. (Ownership Entity) and Newbury Management Company (Developer) d/b/a Newbury Living (Frank Levy, President, Newbury Management Company, 3408 Woodland Avenue, Suite 504, West Des Moines, IA 50266) are proposing the construction of a new 4-story, approximately 130,000-square-foot multi-residential building with 56 apartment units. The apartments will include a mix of studios, 1-bedroom, 2-bedroom, and 3-bedroom units. The project includes approximately 69 below grade parking stalls. The total \$33.5 million project includes acquisition of the 3801 Grand Avenue campus, land acquisitions of 3705-3707 Grand Avenue and the new construction multi-residential project. Construction is anticipated to begin in early 2021 and has a 15-month construction schedule.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with 3801 Grand Associates, L.P., which provides for tax increment to serve as a core mechanism for responding to a financing gap, as presented by the development team. Additional details on the preliminary terms are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The improvements will not be eligible for the declining residential tax abatement due to the location of the project. The financial terms propose an economic development grant to be paid with the tax increment financing (TIF) dollars generated from the building valuations (exclusive of land) of approximately \$4.7 million on a cash basis (\$3.3 million on a net present value {NPV} at a 4.5% discount rate) to be paid with 100% of the project generated building TIF in years 1-11.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project**	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$32,661	\$4,381,239	\$3,777,313	\$603,926
Sum 20 Years	\$68,587	\$10,248,821	\$4,711,834	\$5,536,987
Sum 30 Years	\$108,107	\$17,400,512	\$4,711,834	\$12,688,678

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

**Taxes received estimates used the following assumptions: 2.5% growth in re-assessment years, 1.5% growth in non-re-assessment years.

Building and Land Valuation Assumptions at Completion of Construction:

\$17,237,680 Commercial Building Assessment

\$ 122,300 Land Assessment

Funding Source: Tax increment generated by the project in the 38th and Grand Urban Renewal Area TIF District No. 2.

ADDITIONAL INFORMATION:

- This site was identified as a potential redevelopment opportunity through the 38th and Grand Urban Renewal Area planning work.
- All buildings on the previously developed 3705-3707 Grand Avenue properties have been demolished. The properties currently have a building valuation of \$0 and a land valuation of \$122,300.
- The new 56-unit multi-residential apartment building proposes to offer a mix of unit types including three (3) studios, 15 1-bedroom units, 27 2-bedroom units and 11 3-bedroom units.
- Three (3) of the studio units will be restricted to a maximum of the 65% HOME rent limits annually as determined by the U.S. Department of Housing and Urban Development for the Des Moines-West Des Moines metropolitan statistical area, and restricted to households earning at or below the HOME 80% income limits. The affordability restrictions on the three (3) studio units will remain in effect for 15 years.
- Newbury Management Company has agreed to enter into a trial partnership with the Des Moines Area Regional Transit (DART) Authority starting in January 2021, as a partner in their Unlimited Access Program, to provide its approximately 588 residents and its employees free use of DART buses for four (4) of its properties in and near downtown. 3801 Grand Associates, LP, will commit to provide its residents with access to the Unlimited Access Program or similar service to the residents of this project as well. This partnership will be the first of its kind for DART with an apartment operator.
- The project will utilize Mid-American Energy's Commercial New Construction Energy Efficiency Program and the development agreement will require that the new multi-residential apartment building exceed applicable energy codes by a minimum of 20%.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – project design and financial assistance reviews
- City Council – Final terms of an urban renewal development agreement

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