


COUNCIL COMMUNICATION

	Number:	20-507	Meeting:	November 23, 2020
	Agenda Item:	29	Roll Call:	20-1885
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Percy's Landing Senior, LP, for the renovation of the 18,904-square-foot vacant school building located at 1801 McKinley Avenue for purposes of converting to a 21-unit senior housing development.

SYNOPSIS:

Percy's Landing Senior, LP (J.B. Conlin, Officer, Conlin Properties, 3721 SW 61st Street, Suite A, Des Moines, IA 50321) is proposing a \$4.5 million renovation to the currently vacant former Percy Hoak Elementary School building located at 1801 McKinley Avenue, and to utilize the building for 21 new senior housing apartment units on a project to be known as Percy's Landing. The project is seeking housing tax credits from the Iowa Finance Authority (IFA) and is not likely to move forward without receipt of the tax credits and urban renewal assistance proposed within the preliminary terms. The applicant intends to make their housing tax credit application in March of 2021, with an award date for the upcoming round of funding expected in September 2021.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Percy's Landing Senior, LP which provides for Tax Increment Financing (TIF) to assist with responding to a financing gap as presented by the development team. The financing gap on the project is largely related to significant asbestos remediation necessary to reoccupy the building, and the scope of work required to convert the building to a residential use. Additional details on the preliminary terms are provided in the fiscal impact sections below.

FISCAL IMPACT:

Amount: The preliminary terms propose a non-project generated economic development grant of approximately \$30,000 paid annually from the Fleur Drive Commercial TIF District over a 6-year period (totaling \$180,000), and an overlapping 10-year, 100% project-generated economic development grant estimated at \$338,728. The estimated cumulative value of the assistance is \$518,278 on a cash value basis, or \$402,802 on a net present value (NPV) basis (at a 4.5% discount rate). The project is not located in area eligible to receive residential tax abatement. The TIF assistance represents 11.6% of the total project costs.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$178,671	\$516,520	\$518,278	-\$1,758
Sum 20 Years	\$396,443	\$1,091,485	\$518,278	\$573,207
Sum 30 Years	\$661,874	\$1,734,277	\$518,278	\$1,215,999

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

*Taxes received estimates used the following assumptions (2.5% growth in reassessment years, 1.5% growth in non-reassessment years).

Building and land valuation assumptions at completion of construction:

\$879,963 commercial building valuation

\$355,000 land assessment

Funding Source: Tax increment from the Fleur Drive Commercial Urban Renewal Area and from increment generated by the project.

ADDITIONAL INFORMATION:

- The former Percy Hoak Elementary School was built in 1960 and served as a public school until it was shuttered in the early 1980's and eventually sold. The building served as the home of the Society of Italian Americans/Stemma D' Italia lodge until it was sold to Conlin Properties in 2013. The building has predominantly sat vacant since that time, with several other redevelopment proposals having been discussed over the past decade, but none have moved forward.
- The conversion of the building into 21 apartments units for senior housing will include a community room along with 2 (two) studio apartments, 13 1-bedroom apartments, and 5 (five) 2-bedroom apartments, each equipped with full set of appliances to include in-unit laundry. Reinvestment in the building will increase the property's valuation and put a vacant building that's falling into disrepair into productive use once again.
- The Developer has sought pricing estimates for demolition including required asbestos remediation work, which is estimated to cost \$450,000. This significant expense on a smaller multi-family project, in conjunction with other necessary improvement to convert the building to residential and bring up to building code have presented a construction cost gap on the project that is intended to be partially addressed with the TIF economic development grant.
- The site is proximate and walkable to commercial services such as a grocery store, pharmacies, restaurants, and other retailers. Transit service is provided on Fleur Drive, with several stops adjacent to the commercial shopping plaza located at Fleur Drive and McKinley Avenue.
- The project will utilize Mid-American Energy's Commercial New Construction Energy Efficiency Program on the apartments and will work with the Willdan Group prior to final terms of agreement to determine a percentage of energy performance above energy code that is achievable for the project.

- The project will be seeking participation in the IFA's Housing Tax Credit program, using a competitive 9% tax credit. Per program requirements, the Developer will be required to ensure that 40% or more of the units in the project will be occupied by individuals or families whose income is 60% or less than the area median gross income (AMI) and the unit is rent-restricted.
- The site is large enough to accommodate future phases of additional development in the future. While specific projects are not under the scope of this agreement and are not known or proposed at this time, the RX1 zoning designation make residential and lighter-intensity commercial uses possible.

Vicinity Map



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board- Design and financial assistance review.
- City Council- Final terms of an Urban Renewal Development Agreement.

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