

COUNCIL COMMUNICATION

	Number:	21-550	Meeting:	December 20, 2021
	Agenda Item:	43	Roll Call:	21-1925
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution authorizing the Office of Economic Development (OED) to negotiate a development agreement based on preliminary terms with HOA EVMF, LLC (Heart of America Group) for a proposed 7-story, 110-unit mixed-use apartment building located at 317 East 6th Street.

SYNOPSIS:

HOA EVMF, LLC (Chuck Ullrich, Vice President and Chief Financial Officer, Heart of America Group, 515 East Locust Street, Suite 100, Des Moines, IA 50309) is proposing the construction of a 7-story, 110-unit mixed use apartment building at 317 East 6th Street, located on a .82-acre infill site within the Historic East Village Neighborhood. The first floor will contain at least 4,000 square feet of commercial space. Total project cost is estimated at \$20.06 million. Construction, beginning with the demolition of the existing structure, is anticipated to begin in the spring of 2022 with completion anticipated in late 2023.

OED has negotiated preliminary terms of an urban renewal development agreement with HOA EVMF, LLC, which provides for tax increment financing (TIF) to respond to a financing gap as presented by the development team. Additional details on the preliminary terms are provided in the fiscal impact and additional information sections below.

FISCAL IMPACT:

Amount: The financial terms propose a capped TIF maximum value of \$2.3 million in project-generated tax increment on a net-present-value basis {NPV} (at a 4.5% discount rate) based on the following schedule: 100% in years nine (9) and 10, 90% in years 11-14, 85% in years 15-17 and 75% in years 18-20. Additionally, the Developer intends to file for 10-year declining residential tax abatement on the project. The TIF is estimated to comprise 12.10% of the total project financing.

The current assessed value of the existing property is \$1,391,300. Upon completion of the project, the total assessed value of the property including building and land is estimated at \$20,944,850.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$ 700,005	\$ 1,349,123	\$ 519,601	\$ 829,522
Sum 20 Years	\$1,553,204	\$ 8,225,141	\$4,824,132	\$ 3,401,008
Sum 30 Years	\$2,593,124	\$16,605,960	\$4,824,132	\$11,781,828

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

*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:

\$19,553,850 building valuation

\$1,391,000 land assessment

Funding Source: Tax increment generated by the project in the Metro Center Urban Renewal Area.

ADDITIONAL INFORMATION:

- The \$20.06 million project is located on the northeast corner of the East Walnut and East 6th Street intersection and will include a total of 110 dwelling units containing a mix of studio, 1-bedroom, and 2-bedroom apartment units. The first floor will also contain at least 4,000 square feet of commercial space, primarily along East 6th Street.
- The project will entirely utilize durable steel and concrete construction materials and will not be wood framed. The existing structure on the property, which is currently vacant, will be demolished prior to construction.
- The building height is proposed at a maximum of 75-feet to comply with the Capitol Dominance Overlay District requirements of the zoning code.
- Tenant parking will be provided in the existing privately-owned parking ramp located on the west side of E. 6th Street.
- Proposed exterior materials include a mix of brick, architectural metal panel, stucco, simulated wood siding panel, and large spans of window glazing.
- The project will feature an elevated pool with outdoor amenities above floor one (1), a fitness center, community gathering spaces, dog park, and outdoor kitchen. Sidewalks and property surrounding the building will be brought into conformance with required City landscaping standards.
- The Developer has committed to providing 10% of the residential units (11 units) at an affordable rent structure of 65% HOME Rent Limits and available to households earning 80% or less of the area median income (AMI) levels for a minimum of the 20-year life of the development agreement.
- The Developer will provide a minimum of two (2) electric vehicle charging stations providing service to a total of four (4) parking spots.
- The Developer will also participate in MidAmerican Energy's Commercial New Construction energy efficiency program. Program requirements and the development agreement will necessitate that the new multi-residential apartment building exceed applicable energy codes by a minimum of 20%.
- The Developer will replace the existing traffic signal at the northeast corner of East 6th and East Walnut Streets with an upgraded black pole and mast arm.
- HOA EVMF, LLC's proforma indicates a financial gap created by the continued rise in construction costs on a project of this quality that makes debt coverage and return on investment a challenge without financial assistance.

Vicinity Map:



Architectural Rendering:



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Preliminary and Final Design Review and financial assistance
- City Council –Consideration of Final Terms of Urban Development Agreement
- City Council – Approval of Certificate of Completion to commence economic development assistance

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