


COUNCIL COMMUNICATION

	Number:	23-513	Meeting:	November 20, 2023
	Agenda Item:	24	Roll Call:	23-1620
	Submitted by:	Cody Christensen, Development Services Director		

AGENDA HEADING:

Resolution approving the preliminary terms of an Urban Renewal Development Agreement with 1435 Mulberry, LLC for the construction of a 202-unit mixed-use apartment building located at 1435 Mulberry.

SYNOPSIS:

Double Eagle Development (Andrew Juris, President, 13075 Manchester Road, St. Louis, MO, 63131) is proposing the construction of a 202-unit apartment building at 1435 Mulberry, a 1.367-acre infill site (former DMARC facility). The 220,010 square foot project will include a mix of studio, junior one (1)-bedroom, one (1)-bedroom, one (1)-bedroom + den, and two (2)-bedroom apartments contained on levels three (3) through seven (7). Total project cost is estimated at \$62 million, and construction is expected to begin in the fall of 2024 with completion anticipated in the spring of 2026.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with 1435 Mulberry, LLC, which provides for tax increment financing (TIF) to serve as a means 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 financial terms propose a capped TIF maximum value of \$5.3 million in project-generated tax increment on a net-present-value (NPV) basis (at a 4.5% discount rate) based on the following schedule: 95% in years nine (9) through 20. The Developer intends to file for 10-year declining residential tax abatement on the project. The TIF is estimated to comprise 8.52% of the total project financing.

The current assessed value of the existing property is \$100. Upon completion of the project, the total assessed value of the property including building and land is estimated at \$39,286,228.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$ 358,770	\$ 2,223,610	\$ 984,595	\$ 1,239,015
Sum 20 Years	\$ 796,057	\$15,146,510	\$10,617,453	\$ 4,529,057
Sum 30 Years	\$1,329,043	\$30,897,559	\$10,617,453	\$20,280,107

*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:

\$37,678,000 building valuation

\$1,608,228 land assessment

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

ADDITIONAL INFORMATION:

- The first and second level will be comprised of resident amenities and 197 structured parking spaces. On-site amenities will include an elevated outdoor resident pool deck, coworking space, dog wash, fitness center, grill station and bike repair room.
- Site context has been a central consideration of this project. In addition to required environmental mitigation, there is no sewer service currently provided at this location which is a challenge unusual to downtown development. These factors constitute extraordinary development costs. The location, however, offers a unique opportunity to bring activation and a mixed-income housing environment to this segment of Mulberry. Luxury housing was identified as a target in a Central Iowa Shelter and Services (CISS) Mulberry Corridor Real Estate Feasibility Study published in 2021.
- Building materiality will include slate, aluminum, stained concrete, FCP and glazing. The entrance is highlighted by slate cladding and a grand glass entry lobby, creating a prominent façade as viewed from 15th Street. The ground level Mulberry Street façade includes a variety of materials and elements, creating an intentional streetscape experience that takes into consideration the site context and recommendations from CISS.
- The Developer will pursue National Green Building Standard sustainability initiatives, construct all-electric residential spaces as well as participate in the MidAmerican Commercial New Construction program. The Developer will provide a minimum of 10 electric vehicle charging stations.
- The Developer has also committed to providing 10% of the residential 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 the life of the development agreement.
- The Developer is pursuing U.S. Department of Housing and Urban Development (HUD) 221(d)4 financing which would include prevailing wage requirements if approved.
- There is not currently suitable sewer infrastructure on this site. Installation of sewer is included as an extraordinary cost of development.
- 1435 Mulberry, 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.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: November 7, 2023

Resolution Number: NA

Action: Informational presentation – no action.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Final design review, review of appropriateness of financial terms.
- City Council – Final Terms of an Urban Renewal Development Agreement; Approval of Certificate of Completion to commence economic development assistance.

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