


COUNCIL COMMUNICATION

	Number:	25-061	Meeting:	February 10, 2025
	Agenda Item:	25	Roll Call:	25-0189
	Submitted by:	Cody Christensen, Development Services Director		

AGENDA HEADING:

Resolution approving the preliminary terms of an Urban Renewal Development Agreement with Newbury Management Company and Newbury Commons Associates, L.P. for the construction of Newbury Commons, a 49-unit apartment building located at 401 SE 7th Street.

SYNOPSIS:

Newbury Management Company and Newbury Commons Associates, L.P. (Frank Levy, President, Newbury Living, 3408 Woodland Avenue, West Des Moines, IA 50266) is proposing the construction of Newbury Commons, a three (3)-story, 49-unit apartment building at 401 SE 7th Street, located on a .82-acre infill site. Total project cost is estimated at \$13.83 million. Construction is anticipated to begin in early 2026, with completion anticipated in summer 2027.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Newbury Management Company and Newbury Commons Associates, L.P. 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 \$560,000 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 1 through 8, 60% in Years 9 and 10, 40% in Years 11-13, 30% in Years 14 and 15. TIF is estimated to comprise 4% of the total project financing. The financial terms also include a forgivable loan in the amount of \$376,320 for the acquisition of an adjacent City-owned, 16,800 square-foot remnant parcel that will be included as part of the development plans.

The current assessed value of the existing property is \$127,400. Upon completion of the project, the total assessed value of the property including building and land is estimated at \$2,386,839.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$ 22,799	\$ 965,799	\$1,021,170	(\$ 55,371)
Sum 20 Years	\$ 50,587	\$2,144,951	\$1,175,893	\$ 969,058
Sum 30 Years	\$ 84,457	\$3,581,225	\$1,175,893	\$2,405,332

*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:

\$2,300,000 building valuation

\$86,839 land assessment

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

ADDITIONAL INFORMATION:

- The proposed \$13.83 million project is located north of East Martin Luther King Parkway, between SE 7th and SE 8th Street and will include a total of 49 dwelling units.
- The project is located within the Thriving Communities Designation boundary provided by the Iowa Finance Authority (IFA) to the City of Des Moines. The project will be applying to the Low-Income Housing Tax Credits (LIHTC) Program through IFA.
- The project is geared toward senior living and will feature both one (1) and two (2)-bedroom unit types. The mix will include 41 one (1)-bedroom units, and eight (8) two (2)-bedroom units.
- Affordability requirements will target households earning 40% and 60% of Area Median Income (AMI).
- Key features include a community room and fitness room, good proximity to public transportation and essential services, environmental sustainability based upon stormwater detention measures and energy-efficient construction practices, and green space available for tenant recreation.



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- City Council – Final Terms of a Development Agreement and Certificate of Completion
- Urban Design Review Board – Preliminary and Final Design Review

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