

**Date** February 22, 2010

**RESOLUTION APPROVING BROWNSTONES ON GRAND APPLICATION FOR ENTERPRISE ZONE BENEFITS FOR A HOUSING PROJECT IN THE GATEWAY ENTERPRISE ZONE**

WHEREAS, on September 14, 1998 by Roll Call No. 98-2603, the Des Moines City Council established the Des Moines Enterprise Zone Commission (“Commission”), and on May 18, 2009 by Roll Call No. 09-865, the City Council designated the Gateway Enterprise Zone, which the State of Iowa subsequently certified, all pursuant to Iowa Code sections 15E.191-96 (2001); and

WHEREAS, Brownstones on Grand, a developer, requests approval of its application for enterprise zone benefits for a project in the Gateway Enterprise Zone involving investment of approximately \$3.35 million into the construction of 16 residential units at 3<sup>rd</sup> Street and Watson Powell Drive; and

WHEREAS, Brownstones on Grand’s application appears to meet all of the requirements for enterprise zone benefits; and

WHEREAS, Council is requested to recommend approval of the Brownstones on Grand application for Enterprise Zone benefits to the Commission as well as the Iowa Department of Economic Development (“IDED”), which administers the State of Iowa Enterprise Zone Tax Credits.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Des Moines, Iowa, that:

1. The application describing how the Brownstones on Grand project meets the requirements for enterprise zone benefits, herein referenced as Exhibit “A” is accepted.
2. The Brownstones on Grand application is recommended for approval to the Des Moines Enterprise Zone Commission and to IDED.
3. The Office of Economic Development is directed to transmit a copy of this Roll Call to the Commission and to IDED and to conduct project compliance monitoring.
4. Upon IDED approval of the application, the Mayor is authorized to execute and the City Clerk is directed to attest to his signature on any documents necessary for Brownstones on Grand to receive enterprise zone benefits.

(Council Communication No. 10-078 )

APPROVED AS TO FORM:

Moved by \_\_\_\_\_ to adopt.

  
 \_\_\_\_\_  
 Michael F. Kelley, Assistant City Attorney

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
GRIESS				
HENSLEY				
MAHAFFEY				
MEYER				
MOORE				
<b>TOTAL</b>				

MOTION CARRIED

APPROVED

\_\_\_\_\_  
 Mayor

**CERTIFICATE**

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

\_\_\_\_\_  
 City Clerk

IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT

**APPLICATION for ENTERPRISE ZONE BENEFITS**

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**Housing Development**

Iowa Department of Economic Development  
Division of Community Development  
200 East Grand Avenue  
Des Moines, Iowa 50309

FEBRUARY 2006

**INTENT:** The Enterprise Zone Program was established by the Iowa Legislature with the intent of promoting new economic development in economically distressed areas of Iowa by encouraging communities to target resources in ways that attract productive private investment.

**PROJECT INITIATION:** Projects that have already been initiated before receiving formal application approval by the Iowa Department of Economic Development shall not be eligible for tax incentives and assistance under this program.

“Project initiation” means any one of the following: the start of construction of new or expanded buildings; the start of rehabilitation of existing buildings; the purchase or leasing of existing buildings; or the installation of new machinery and equipment or new computers to be used in the operation of the business’ project. The purchase of land or signing an option to purchase land or earth moving or other site development activities not involving actual building construction, expansion or rehabilitation shall not constitute project initiation.

### **GENERAL INSTRUCTIONS**

1. If more than six months has elapsed since the date on the front of this application, please contact IDED to see if this version of the application is still current.
2. Before filling out this application form, please read Iowa Code Sections 15E.191 through 15E.196, as amended and the Enterprise Zone administrative rules.
3. Only typed or computer-generated applications will be accepted and reviewed. *(Contact the IDED to have an electronic copy of this application e-mailed to you.)* Any material change to the format, questions or wording of questions presented in this application, will render the application invalid and will not be accepted.
4. Complete the application fully; if any questions are left unanswered or required attachments are not submitted, an explanation must be included.
5. Use clear and concise language. Attachments should only be used when requested or as supporting documentation.
6. Any inaccurate information of a significant nature may disqualify the application from consideration.
7. Send the original plus two copies of the completed application form and all required attachments to:

Kent Powell  
Housing Fund Compliance Specialist  
Iowa Department of Economic Development  
200 East Grand Avenue  
Des Moines, Iowa 50309  
Phone: (515) 242-4786  
Fax: (515) 242-4809  
E-mail: kent.powell@iowalifechanging.com

It is not necessary to bind the application and/or the required attachments. Staples and/or binder clips may be utilized. Please provide photocopies of any documents, which in their original form, IDED would not be able to 2-hole punch for purposes of creating the applicant’s file.

**PUBLIC RECORDS POLICIES**

The Iowa Department of Economic Development (IDED) is subject to the Open Records law (2001 Iowa Code, Chapter 22). Treatment of information submitted to IDED in an Enterprise Zone application is governed by the provisions of the Open Records law. All public records are available for public inspection. Some public records are considered confidential and will not be disclosed to the public unless ordered by a court, the lawful custodian of the record, or by another person duly authorized to release the information. Copies of Iowa's Open Records law and IDED's administrative rules relating to public records are available from the Department upon request.

**APPLICANT INFORMATION**

Name of Housing Business: Brownstones on Grand, L.L.C.

Contact Name & Title: Rick Tollakson, President & CEO Hubbell Realty Company

Address: 6900 Westown Parkway

City, State & Zip Code: West Des Moines, IA 50266

Telephone: 515-280-3228

Fax: 515-280-2000

E-mail Address: rick.tollakson@hubbellreatly.com

Taxpayer Identification No.: 20-3402312

***Local Enterprise Zone Commission***

Enterprise Zone Commission Name: Des Moines Enterprise Zone Commission

Contact Name & Title: Rita Conner, Economic Development Coordinator

Organization: City of Des Moines, Office of Economic Development

Address: 400 Robert D. Ray Drive

City, State & Zip Code: Des Moines, IA 50309

Telephone: 515-283-4019

Fax: 515-237-1667

E-mail Address: RAConner@dmgov.org

**CERTIFICATION & RELEASE OF INFORMATION**

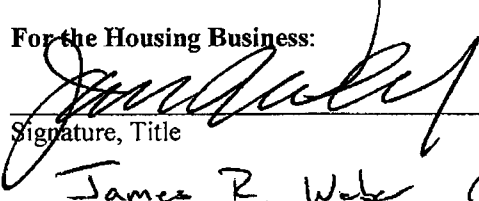
I, the undersigned, on behalf of the Housing Business identified above, hereby submit the following application under Iowa Code Sections 15E.191 through 15E.196. I certify that the Housing Business is in good standing, and has complied or will upon receipt of approval by the Department, with all applicable laws of the State of Iowa to conduct business within the State. I certify that all information, representations, or statements provided to the Iowa Department of Economic Development (IDED), in connection with this application, are true and correct in all material respects.

I certify and understand that in order to receive benefits under the Enterprise Zone Program that the project described in this application has not been initiated and that the project will not be initiated until the business receives final approval of this application from the IDED.

I hereby give permission to IDED to make credit checks, contact the company's financial institution(s), and perform other related activities necessary for reasonable evaluation of this application.

I understand this application is subject to final approval by the Department and am aware that Enterprise Zone benefits are not available until final Department approval is secured and an agreement is executed with the Housing Business, IDED and the Community, within a reasonable time period following approval. This application will be used as the basis for the Enterprise Zone agreement.

**For the Housing Business:**

  
\_\_\_\_\_  
Signature, Title

James R. Weber, CFO  
\_\_\_\_\_  
Print name and title

2/15/10  
\_\_\_\_\_  
Date

**For the Enterprise Zone Commission:**

\_\_\_\_\_  
Signature, Title

\_\_\_\_\_  
Print name and title

\_\_\_\_\_  
Date

**APPLICATION INFORMATION**

1. Please provide a brief description of the proposed housing development project.

The project is in the heart of downtown on 1.65 acres located between 2<sup>nd</sup> and 3<sup>rd</sup> Streets and Grand Avenue and Watson Powell Drive. This is the second phase of a three phase project. This phase includes 16 for sale Brownstones units. The 16 units will be constructed in 4 buildings with each building having 4 units. The first building will begin as soon as all funding sources are secured. The subsequent buildings will be constructed at a predetermined percentage of sales of the previous building. The two-story brownstones have a traditional urban look. Units feature walkup front steps reminiscent of the East Coast style brownstones with approximately 1,425 square feet of living space. The project features two-car attached garage, two-plus baths, and a second story balcony. Homebuyers can choose from a two-master bedroom plan or a three-bedroom plan. Residents will enjoy maintenance free living as snow removal, lawn irrigation, mowing, and exterior maintenance are covered under the Home Owner's Association. The grounds will also have a common courtyard for the enjoyment of all residents. The project will be within close proximity of the Des Moines Civic Center and the new Principal Riverwalk. The new Wells Fargo Arena and Hy-Vee Convention Center are only blocks away, giving residents prime access to premier events. Featuring quick access to I-235, the Brownstones on Grand also allow for easy commutes to surrounding suburbs. For downtown workers, the skywalk system is easily accessible making parking a problem of the past.

2. In which Enterprise Zone will this project occur (include the zone's name, number, size in acres, and date certified)?

Zone: Gateway Enterprise Zone #3  
Size: 1,217 Acres  
Certified Date: 7/22/99 (As Amended 10/18/01)

3. Does the project involve new construction or rehabilitation?

The project is new construction.

4. How many single-family homes or multi-family units are proposed?

This phase has 16 single family Brownstone units.

5. What will be the per unit value of the housing?

Estimated value will be approximately \$200,000 per unit.

6. The single family homes or multi-family units being constructed or rehabilitated must be modest homes or units and include the necessary amenities. Please explain how the proposed project will satisfy this requirement?

Units will come with standard kitchen appliances as well as central air conditioning and high efficiency furnaces. The finish of the units will be moderate, with standard flooring and wall covering materials being used. HUD housing quality standards and local code requirements will be met.

7. Will the project meet U.S. Department of Housing and Urban Development Housing Standards and applicable local codes?

Yes.

8. What is the current status of the project? When is construction scheduled to begin? What is the anticipated project completion date?

The project is currently going through the process of finalizing the planning and financing. When that is complete the construction will begin. We are estimating construction to begin in the spring of 2010 of the first building (4 units). Sales will dictate when we start the next building. We anticipate that the construction and sale of all 16 units will take 2 years. Occupancy of the first building (4 units) will be in the fall of 2010.

9. Attach a legal description of the business site on which the project will occur.

Please see attachment A.

10. Attach a detailed map (no larger than 8" x 14") showing the housing development site in relation to the boundaries of the certified Enterprise Zone.

Please see attachment B.

11. Is any part of the project located in a 100-year flood plain?

No.

12. Please indicate the total capital investment that will be made as the result of this project?

<b>Description of Capital Expenditure</b>	<b>Amount</b>
Land	\$893,000
Building Hard Costs	\$1,800,000
Professional Fees	\$25,000
Financing Fees	\$105,000
Marketing/Commission	\$215,000
Total	\$3,038,000

13. Please identify the sources of project financing that will be utilized and the amount of the financing. (The total amount of the financing should equal the total expenditures in Question #12.)

<b>Source of Project Financing</b>	<b>Amount</b>
Debt	\$2,200,000
Equity	\$460,000
EZ Tax Credits(Net Amt @ 80% equity rate)	\$179,000
EZ Sales Tax Rebate	\$24,000
Commission (not an upfront cost)	\$175,000
Total	\$3,038,000

- 14. For purposes of determining the amount of investment tax credits the housing business may receive, the Iowa Department of Economic Development cannot include capital expenditures financed through federal, state, and local government tax credits, grants and forgivable loans. Based on this information, what portion of your total capital investment (identified in Question #12) will be eligible for the investment tax credit?

The amount of eligible costs for this project will be limited to the \$140,000 per unit cap. For this phase, that amount will equal 16 units \* \$140,000 = \$2,240,000.

- 15. Please attach a long-term plan for the proposed housing development project including labor and infrastructure needs.

The project will create obvious employment and infrastructure improvements during construction. Once the units are sold, the project will have a Home Owners Association to manage the needs of the project. The ongoing and long term needs of the project will include exterior maintenance, landscaping, snow removal, mowing, drives and sidewalk repairs and other normal community upkeep. Please see attached **(Attachment C)** HOA budget for the first phase of the overall project. This will give you an idea of the average expenses for community management.

- 16. What economic benefits will the project bring to the area?

The economic benefit to the area will be the increase in residential and business involvement in the downtown area so it does not "shut down" at the end of the business day. The near term benefits include the millions of dollars spent on the construction of the project. The City of Des Moines is trying to attract new residents to downtown to invigorate the area. Increasing the population brings new businesses to the area to serve the population. This ultimately increases the residential and business tax base for the city in the long run. Housing projects such as this help the city reach their goal.

- 17. Explain why the proposed project would be considered a good housing development project.

The uniqueness of the projects design and location make this an attractive project. The project is going to be developed on ground that was used as a surface parking lot. The current use adds no physical attraction to the downtown area. The East Coast style units are attractive and large enough for families. Two car attached garages make parking easy and safe. The location is perfect for downtown professionals as it is close to the skywalk system. Entertainment is also close. The location is within blocks of Court Avenue, Principal Park, the Principal Riverwalk, and the new Wells Fargo Arena.

- 18. Please attach an affidavit that states the Housing Business has not, within the last five years, violated state or federal environmental and worker safety statutes, rules, and regulations or, if such violations have occurred, that there were mitigating circumstances or such violations did not seriously affect public health or safety or the environment.

Please see attachment D.

19. Explain why Enterprise Zone Benefits are needed in order for the project to proceed.

The Enterprise Zone Benefits offer an excellent incentive to develop in the downtown Des Moines area. Because of the expense of developing downtown, the tax credits will provide needed equity to fund the costs of the project. The benefits truly are an incentive to develop this property.

20. Please indicate the amount of Enterprise Zone tax benefits being requested for this project.

State Sales, Service, and Use Tax Refund:     \_\_\_\$24,000\_\_\_\_\_

Investment Tax Credit:                     \_\_\_\$224,000\_\_\_\_\_

21. Please list any additional requirements adopted by the local Enterprise Zone Commission and explain how the Housing Business will meet each requirement.

The project was presented to the Downtown Neighborhood Association (DNA) during its September 14, 2005 Board Meeting. The DNA sent a letter of support to Ellen Walkowiak at the City of Des Moines. The project also received approval from the Des Moines City Council during the 9/26/05 City Council Meeting.

## **ATTACHMENTS**

Please make sure the following items are included with this application:

### ***Housing Business:***

- Legal description of the business site on which the project will occur.
- Detailed map (no larger than 8" x 14") showing the business site in relation to the boundaries of the certified Enterprise Zone.
- Long term strategic plan, which includes labor and infrastructure needs.
- Affidavit that states the Business has not, within the last 5 years, violated state or federal environmental and worker safety statutes, rules, and regulations.

### ***Enterprise Zone Commission:***

- Resolution by the Enterprise Zone Commission approving this application.
- Proof that the meeting, in which this application was approved, was open to the public (i.e. public notice which was published and/or posted).
- Meeting minutes from the meeting, in which this application was approved.

31C

## Attachment A

### Legal Description

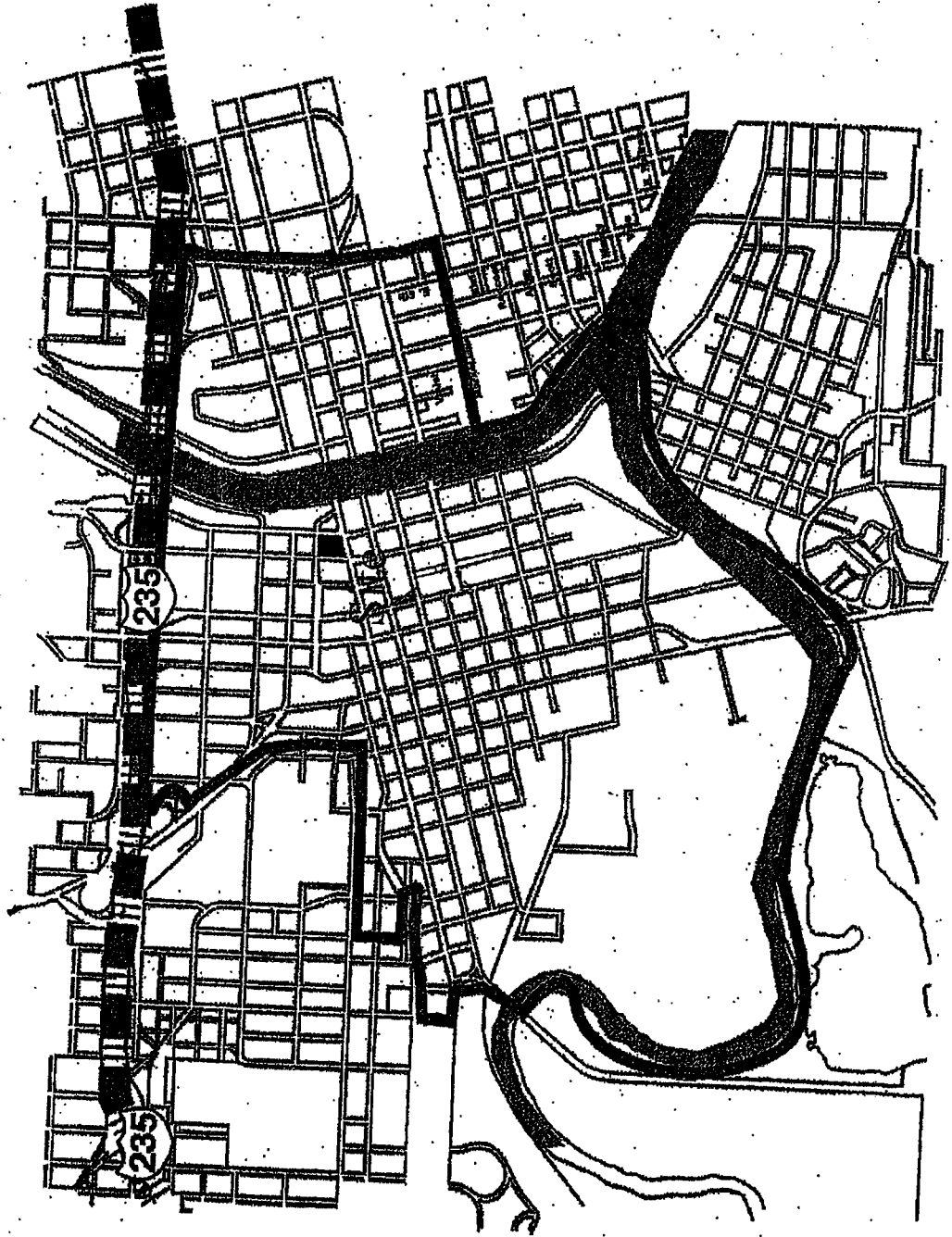
Lots 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42 & 43 Brownstones on Grand.

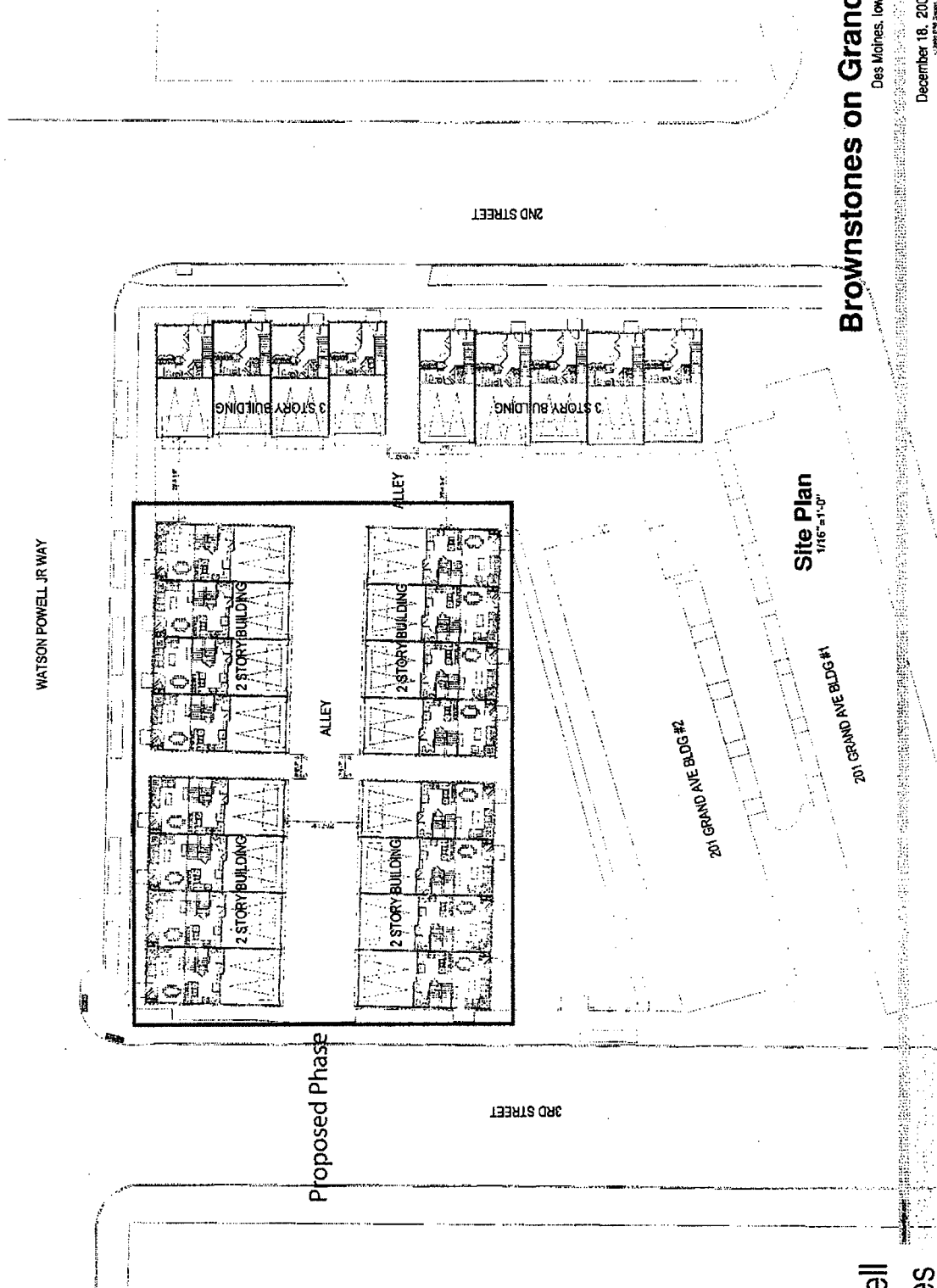
The legal descriptions above are part of the Brownstones on Grand development located in downtown Des Moines between 2<sup>nd</sup> Street on the east and 3<sup>rd</sup> Street on the west and between Watson Powell on the north and Grand Avenue to the south.

Attachment B

State of Iowa Enterprise Zone -

Gateway/Des Moines





Site Plan  
1/16" = 1'-0"

**Brownstones on Grand**

Des Moines, Iowa

December 18, 2009  
© 2009 BSB DESIGN



**BSB**  
DESIGN

**Hubbell  
Homes**

# Brownstones on Grand HOA

Property Operating Statement Detail - Non-GAAP Adjusted

Manager:

Last update: 2007 - 2/2/2009 11:51:00 AM

Attachment C

Budget Year: 2009  
Budget Type: CY Budget  
Budget Version: 1

	Annual Total	PSF	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Income</b>														
Rent Income	16,200		1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350
406360 Rent Income - Dues Assessed			1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350
9 units @ \$150	16,200													
<b>Income</b>	16,200		1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350
<b>Expenses</b>														
<b>Repairs &amp; Maintenance Expense</b>	3,500		292	292	292	292	292	292	292	292	292	292	292	292
702140 R&M - General - CAM	3,500		292	292	292	292	292	292	292	292	292	292	292	292
<b>Repairs &amp; Maintenance Expense</b>	3,500		292	292	292	292	292	292	292	292	292	292	292	292
<b>Contract Services Expense</b>	2,500		208	208	208	208	208	208	208	208	208	208	208	208
703101 Contr Svc - General Cleaning - CAM	2,500		208	208	208	208	208	208	208	208	208	208	208	208
703107 Contr Svc - Snow Removal - CAM	18,000		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
703121 Contr Svc - Outdoor Plant/Landscape-CAM	18,000		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
	5,000		417	417	417	417	417	417	417	417	417	417	417	417
	5,000		417	417	417	417	417	417	417	417	417	417	417	417
<b>Contract Services Expense</b>	25,500		2,125	2,125	2,125	2,125	2,125	2,125	2,125	2,125	2,125	2,125	2,125	2,125
<b>Utilities Expense</b>	300		25	25	25	25	25	25	25	25	25	25	25	25
704101 Utility Exp - Electric - CAM	300		25	25	25	25	25	25	25	25	25	25	25	25
704103 Utility Exp - Water/Sewer - CAM	1,000		83	83	83	83	83	83	83	83	83	83	83	83
	1,000		83	83	83	83	83	83	83	83	83	83	83	83
<b>Utilities Expense</b>	1,300		108	108	108	108	108	108	108	108	108	108	108	108

# Brownstones on Grand HOA

Property Operating Statement Detail - Non-GAAP Adjusted  
 Manager:  
 Last update: 2007 - 2/2/2009 11:51:00 AM

Attachment C

Budget Year: 2009  
 Budget Type: CY Budget  
 Budget Version: 1

	Annual Total	PSF	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Insurance Expense</b>														
706008 Ins Exp - General Liability/Umbrella	638		53	53	53	53	53	53	53	53	53	53	53	53
706016 Ins Exp - Commercial Property	2,494		208	208	208	208	208	208	208	208	208	208	208	208
	2,494		208	208	208	208	208	208	208	208	208	208	208	208
<b>Insurance Expense</b>	3,132		261	261	261	261	261	261	261	261	261	261	261	261
<b>Real Estate Tax Expense</b>														
602101 Real Estate Tax Expense - CAM	1,334		111	111	111	111	111	111	111	111	111	111	111	111
602201 Real Estate Tax Expense - Non-CAM	1,373		114	114	114	114	114	114	114	114	114	114	114	114
	1,373		114	114	114	114	114	114	114	114	114	114	114	114
<b>Real Estate Tax Expense</b>	2,707		226	226	226	226	226	226	226	226	226	226	226	226
<b>Professional Services Expense</b>														
809202 Prop Mgmt/Maint Fee Exp - Consolidated	1,000		83	83	83	83	83	83	83	83	83	83	83	83
809206 Prop Mgmt/Maint Fee Exp - Third Party	9,500		792	792	792	792	792	792	792	792	792	792	792	792
808241 Legal Service Fee Exp - Related	9,500		792	792	792	792	792	792	792	792	792	792	792	792
	215		18	18	18	18	18	18	18	18	18	18	18	18
	215		18	18	18	18	18	18	18	18	18	18	18	18
<b>Professional Services Expense</b>	10,715		893	893	893	893	893	893	893	893	893	893	893	893
<b>Expenses</b>	46,854		3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905
<b>Expenses</b>	46,854		3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905
<b>Net Operating Income</b>	(30,654)		(2,555)	(2,555)	(2,555)	(2,555)	(2,555)	(2,555)	(2,555)	(2,555)	(2,555)	(2,555)	(2,555)	(2,555)

**AFFIDAVIT**

State of Iowa  
County of Dallas

I, Jennifer L. Drake, the Assistant Secretary of Hubbell Realty Company, the managing member of Brownstones on Grand, LLC, depose and say that I have examined the following statement and have found it, to the best of my knowledge, to be accurate and true.

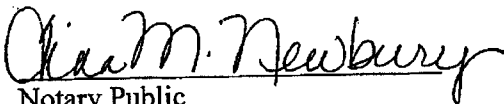
Brownstones on Grand LLC has not, within the last five years, violated state or federal statutes, rules and regulations, including environmental and worker safety regulations, or, if such violations have occurred, that there were mitigating circumstances or such violations did not seriously affect public health or safety or the environment.

I further depose that the signature below is my own proper signature.

Dated February 17, 2010

  
Jennifer L. Drake

Subscribed and sworn to before me on this 17<sup>th</sup> day of February, 2010.



Notary Public  
Dallas County

My Commission expires on 1-10-11

