

Date April 12, 2010

**RESOLUTION APPROVING MLK BRICKSTONE II, L.L.C. APPLICATION
FOR ENTERPRISE ZONE BENEFITS FOR A HOUSING PROJECT IN THE
DRAKE PARK/SHERMAN HILL /WOODLAND HEIGHTS 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 October 27, 2008 by Roll Call No. 08-1909, the City Council designated the Drake Park/Sherman Hill/Woodland Heights Enterprise Zone, which the State of Iowa subsequently certified, all pursuant to Iowa Code sections 15E.191-96 (2001); and

WHEREAS, MLK Brickstone II, L.L.C., a developer, requests approval of its application for enterprise zone benefits for a project in the Drake Park/Sherman Hill/Woodland Heights Enterprise Zone involving investment of approximately \$5.5 million into the construction of 30 apartment units at 1051 19th Street; and

WHEREAS, MLK Brickstone II, L.L.C. application appears to meet all of the requirements for enterprise zone benefits; and

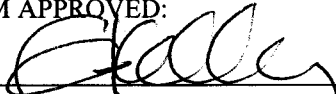
WHEREAS, Council is requested to recommend approval of the MLK Brickstone II, L.L.C. application for Enterprise Zone benefits to the Commission as well as the Iowa Department of Economic Development (“IDED”), which administers the State of Iowa Enterprise Zone Tax Credits.

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

1. The application describing how the MLK Brickstone II, L.L.C. project meets the requirements for enterprise zone benefits, herein referenced as Exhibit “A”, is accepted.
2. The MLK Brickstone II, L.L.C. 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 and directed to execute and the City Clerk is directed to attest to his signature on any documents necessary for MLK Brickstone II, L.L.C. to receive enterprise zone benefits.

(Council Communication No. 10- *182*)

FORM APPROVED:



Michael F. Kelley, Assistant City Attorney

Moved by _____ to adopt.

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
GRIESS				
HENSLEY				
MAHAFFEY				
MEYER				
MOORE				
TOTAL				
MOTION CARRIED			APPROVED	

CERTIFICATE

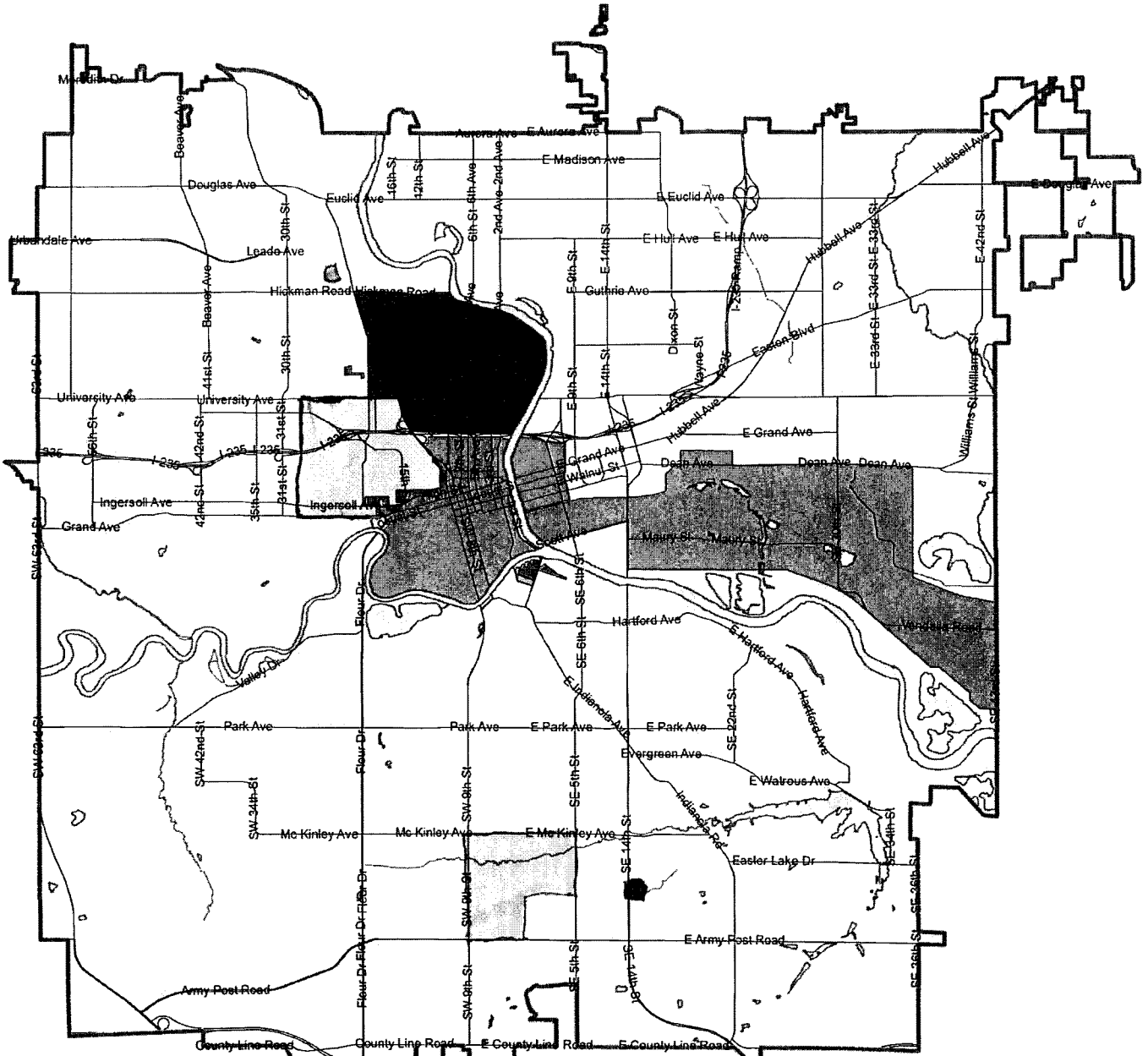
I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

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

Mayor

City Clerk

City of Des Moines Enterprise Zone Map



Legend

- Agri-Business Enterprise Zone
- Enterprise Community
- Forest Avenue Corridor Enterprise Zone
- Gateway Enterprise Zone
- High Street Enterprise Zone
- Ingersoll Enterprise Zone
- River South One Enterprise Zone
- River South Two Enterprise Zone

- SW 9th / MCKINLEY
- WOODLAND HEIGHTS / SHERMAN HILL
- SE 14th Street
- 24th Street



IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT

APPLICATION for ENTERPRISE ZONE BENEFITS

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: **MLK Brickstone II, LP**

Contact Name & Title: **Ryan Galloway; Registered Agent for MLK Brickstone Phase II, LLC (General Partner of MLK Brickstone II, LP).**

Address: **1312 Locust Street**

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

Telephone: **515-243-4675**

Fax: **515-244-2002**

E-mail Address: **ryan.galloway@hatchdevelopment.com**

Taxpayer Identification No.: **27-1814624**

Local Enterprise Zone Commission

Enterprise Zone Commission Name: **Drake Park/Sherman Hill/Woodland Heights Enterprise Zone**

Contact Name & Title: **Rita Conner, Economic Development Coordinator**

Organization: **City of Des Moines**

Address: **400 Robert D. Ray Dr.**

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:

Ryan Galloway, MLK Brickstone II, LP
Signature, Title

Ryan Galloway, Member of the MLK Brickstone II, LP's General Partner: MLK Brickstone Phase II, LLC
Print name and title

March 24, 2010
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.
Designed to replicate an early 20th century row home, the three story MLK Brickstone apartments will consist of seven brick facades with varying designs. Off street parking will be directly behind the building.

The project has 12 Two Bedroom apartments with an average of 905 Square Feet and 18 One Bedroom apartments with an average of 664 Square Feet.

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

Name: Drake Park/Sherman Hill/Woodland Heights Enterprise Zone

Number: Qualified Census Tract 26; Enterprise Zone Number 13

Size: 0.48 Acres (1051 19th Street, 1000 block of 19th and 18th Streets)

Date Certified: By Roll Call No. 08-1909 on October 27, 2008, the Des Moines City Council designated the area an Enterprise Zone subject to IDED certification.

3. Does the project involve new construction or rehabilitation?
The project will be new construction.

4. How many single-family homes or multi-family units are proposed?
30 multi-family units (18 One Bedroom Units and 12 Two Bedroom Units).

5. What will be the per unit value of the housing?
Total Project Cost: \$5,519,103
Cost/unit: \$183,970

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?

Each unit in the project will include: range, oven, microwave, dishwasher, refrigerator, kitchen exhaust fan, garbage disposal, air-conditioning, and access to High-speed internet.

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

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

The project applied for Low Income Housing Tax Credits from the Iowa Finance Authority on March 15, 2010. If the project is awarded tax credits by IFA in May or June, 2010, the anticipated construction start date would be November, 2010. The anticipated completion date would be December 31, 2011.

9. Attach a legal description of the business site on which the project will occur.
The West ½ Vacated Alley lying East & Adjacent Lots 39, 40, 41 & East & Adjacent South 20F Lot 42 & Lots 39, 40, 41 & South 10F Lot 42 in Butlers Addition to Des Moines, an Official Plat, now included in and forming a part of the City of Des Moines, Polk County, Iowa.

Note: MLK Brickstone II, LP is leasing the North 41F of Lot 38 and Vacated Alley lying East & Adjacent North 41F of Lot 38 Butlers Addition from MLK Brickstone Development, LP

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 attached.

11. Is any part of the project located in a 100-year flood plain?
No, the project is not in a 100-year flood plain.

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

<u>Description of Capital Expenditure</u>	<u>Amount</u>
Land	\$63,000
Construction, architecture, engineering, reserves	\$4,275,694
Professional and developer fees	\$663,000
Finance fees and other soft costs	\$517,409
Total	\$5,519,103

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.)

<u>Source of Project Financing</u>	<u>Amount</u>
State HOME Loan	\$600,000
Federal tax credit equity	\$3,623,025
State tax credit equity	\$60,199
Sales tax rebate	\$45,000
CDBG / 1602 Funds	\$1,190,879
Total	\$5,519,103
*Assuming eligible basis of 1,203,979 * 10% * \$0.50 tax credit rate.	

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?

\$1,203,979 * 10% * \$0.50 pricing = \$60,198.95

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

16. What economic benefits will the project bring to the area?
The project will bring new residents and quality affordable housing to the 19th Street and ML King Jr. Boulevard corridor. The residents will spend their incomes in the neighborhood and contribute to local economic growth.

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

The proposed project would provide quality, affordable, and “green” living for the tenants. The project will utilize geothermal heating and cooling, which will reduce the tenants’ utility bills and will be 50% more efficient than traditional systems. The development is also in an easily accessible location close to downtown, Drake University, and Interstate 235. It will be an all brick building that will retain its value over many years, and its location will allow tenants to walk to many areas to meet their daily needs.

The Hatch Development Group held a community meeting on Wednesday, August 20, 2008 at 5:45 PM at the Mickle Center, 1620 Pleasant Street, Des Moines. The MLK Brickstone site plan is not located in a registered neighborhood; therefore, we invited the neighborhood presidents and members from the four contiguous neighborhoods: Drake Park, Sherman Hill, Cheatom Park, and King Irving. All responses from the meeting were positive. The Hatch Development Group believes that the adjacent neighborhood’s support shows that the proposed project will be a good housing development.

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 Attached

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

Land and construction costs in central city neighborhoods are more expensive than rural areas and the economic incentive in terms of cash flow from operations is less at the proposed construction site than in wealthier suburban neighborhoods. The high costs and relatively less profitability of developing in a Qualified Census Tract (QCT) makes it difficult to create low-income housing tax credit projects with high-quality construction standards without the benefits of the Enterprise Zone Program’s state income tax credits and sales tax rebate.

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

State Sales, Service, and Use Tax Refund: \$45,000 (actual depends on sales taxes paid)

Investment Tax Credit:
Actual depends upon the final EZ basis)

\$120,397 (\$1,203,979 EZ Basis *10%:

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

Not Applicable

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.

MLK Brickstone II, LP**Legal Description:**

The West ½ Vacated Alley lying East & Adjacent Lots 39, 40, 41 & East & Adjacent South 20F Lot 42 & Lots 39, 40, 41 & South 10F Lot 42 in Butlers Addition to Des Moines, an Official Plat, now included in and forming a part of the City of Des Moines, Polk County, Iowa.

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