



**Date** July 11, 2011

RESOLUTION APPROVING APPLICATION OF WELLSPORT PORTWELL  
FLATS, LLC, 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, Wellsport Portwell Flats, LLC, organized by Hatch Development Group, LLC, represented by Ryan Galloway, CFO, has submitted an Application for Enterprise Zone Benefits for a housing project in the Drake Park/Sherman Hill Enterprise Zone involving investment of approximately \$2.7 million into the construction of 13 apartment units at 1821 Woodland Avenue and 641 19<sup>th</sup> Street; and,

WHEREAS, Wellsport Portwell Flats, LLC, has requested that the City Council recommend approval of its Application to the Commission as well as the Iowa Department of Economic Development ("IDED"), which administers the State of Iowa Enterprise Zone Tax Credits; and,

WHEREAS, the City Manager recommends that the Application for Enterprise Zone Benefits be found to meet all of the requirements for enterprise zone benefits.

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

1. The accompanying Application for Enterprise Zone Benefits from Wellsport Portwell Flats, LLC, for a housing project at 1821 Woodland Avenue and 641 19<sup>th</sup> Street, meets the requirements for enterprise zone benefits, and is hereby accepted.
2. The said Application is recommended for approval to the Des Moines Enterprise Zone Commission and to the Iowa Department of Economic Development.
3. The Office of Economic Development is directed to transmit a copy of this Resolution to the Commission and to the IDED and to conduct project compliance monitoring.



**Roll Call Number**

11- \_\_\_\_\_

**Agenda Item Number**

27


**Date** July 11, 2011

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 Wellsport Portwell Flats, LLC, to receive enterprise zone benefits for the housing project at 1821 Woodland Avenue and 641 19<sup>th</sup> Street.

(Council Communication No. 11- 496 )

MOVED by \_\_\_\_\_ to adopt.

FORM APPROVED:

  
 Roger K. Brown  
 Assistant City Attorney

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

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

APRIL 2008

**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:

Julie Lunn  
Iowa Department of Economic Development  
200 East Grand Avenue  
Des Moines, Iowa 50309  
Phone: (515) 725-3082  
Fax: (515) 725-3010  
E-mail: [Julie.lunn@iowa.gov](mailto:Julie.lunn@iowa.gov)

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: **Wellsport & Portwell Flats**

Contact Name & Title: **Ryan Galloway, CFO, Hatch Development Group**

Address: **1312 Locust Street, Suite 300A**

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

Telephone: **515-314-5481**

Fax: **515-244-2002**

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

Type of Housing Business (circle one): **Corporation**, Partnership, Sole Proprietorship, Trust

## ***Local Enterprise Zone Commission***

Enterprise Zone Commission Name: **Drake Park/Sherman Hill #7**

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**

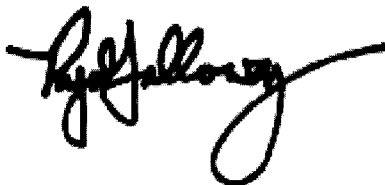
I, the undersigned, on behalf of the Housing Business identified above, hereby submit the following application under Iowa Code Sections 15E.191 through 15E.196. I certify that the Housing Business is in good standing, and has complied or will upon receipt of approval by the Department, with all applicable 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:**



\_\_\_\_\_  
Signature, Title (CFO, Hatch Development Group)

Ryan Galloway, CFO, Hatch Development Group  
\_\_\_\_\_  
Print name and title

July 8, 2011  
\_\_\_\_\_  
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 Portwell Flats (641 19th Street) and Wellsport Flats (1821 Woodland Avenue), circa 1902 – 1903, are “Renaissance Classic” twin flat buildings with mirror image interior layouts that are arranged on a common raised lot located on a prominent corner of the National Historic Registered neighborhood of Sherman Hill. The buildings are three stories in height with an original floor plan of six apartments in each, plus a small manager’s located in the basement level of the Wellsport, for a total of thirteen units.**

**The Sherman Hill Historic District steps up smartly from south to north, the core of the district occupying a plateau. Originally a single-family residential district of middle to upper income families, the district was substantially over-built beginning circa 1900 with a growing number of large named apartment blocks or flats. The largest of these cluster along the south front of the district and are stepped up on the south-facing corner lots. As such, Portwell and Wellsport are descriptive of many of the better designed and more notable multi-unit buildings within the district and are very early examples of a higher density in-filling that occurred.**

**W.A. Wells and M.A. Porter formed the Iowa Security Company, a realty and building company, in 1900 and purchased the undeveloped corner parcel in 1901. The noted Des Moines architect firm of Proudfoot and Bird were commissioned to prepare plans for the twin buildings. The two flats are of particular interest because they are two identical buildings on a shared lot situated on a prominent corner, a rare type of architectural commission by Proudfoot and Bird, and one that came simultaneously with their noted designs for Marsten Hall, Iowa State University and the Polk County Courthouse.**

**Over the years the buildings were eventually sold and the spacious apartments were divided to make 20 smaller units. Deterioration began to fall upon both the interior and exterior of the buildings greatly diminishing the beauty of the once “majestic twins”.**

**Sonja Roberts and Jack Hatch purchased the buildings in 1997 with the intention of restoring them to their original historic condition. Construction on the major renovation will begin in the spring of 2011 taking approximately eight months to complete. Once completed Portwell and Wellsport will provide new rental units and once again stand majestically representing their original character while adding new life to the historic neighborhood.**

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

**Drake Park / Sherman Hill Enterprise Zone #7.**

3. Does the project involve new construction or rehabilitation?

**The project is a rehabilitation of two historic buildings.**

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

**The project will have thirteen (13) units.**

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

**Total Estimated Development Cost: \$2,701,200**  
**Cost per Unit (6 units): \$207,785**

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?

**The apartment units will be modest. The historic integrity of the Wellsport & Portwell Flats will be maintained: the wood floors will be refurbished, the wood trim and exterior crown molding will be repaired, the brick will be tuck-pointed. Each unit will have a refrigerator, oven, microwave, dish washer and washer dryer.**

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

**The Wellsport & Portwell Flats will meet U.S. Department of Housing and Urban Development Housing Standards and applicable 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 is scheduled to begin in September following the closing of the Federal & State Historic Tax Credits with the investor and (hopeful) approval of the Enterprise Zone benefits. The anticipated project completion date is March, 2012.**



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

**Please See Exhibit A for the Legal Description, also described below:**

**S 45F LT 38 & ALL LTS 39 & 40 RICKEYS ADDITION**

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 Exhibit B for the detailed map showing the Wellsport & Portwell Flats in relation to the boundaries of the certified Drake Park/Sherman Hill Enterprise Zone #7.**

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

**No, the project is not located in the 100-year flood plain.**

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>
<b>Building Acquisition</b>	<b>\$ 211,000</b>
<b>Construction Costs</b>	<b>\$ 1,894,000</b>
<b>Professional Fees</b>	<b>\$ 97,200</b>
<b>Finance Fees &amp; Permits</b>	<b>\$ 124,000</b>
<b>Reserves, Developer Fees, Soft Costs</b>	<b>\$ 375,000</b>
<b>Total</b>	<b>\$ 2,701,200</b>

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>
<b>Bank Financing</b>	<b>\$ 1,253,791</b>
<b>State – Historic Tax Credit</b>	<b>\$ 520,244</b>
<b>Federal – Historic Tax Credit</b>	<b>\$ 541,054</b>
<b>Deferred Developer Fee</b>	<b>\$ 250,000</b>
<b>Enterprise Zone Equity</b>	<b>\$ 136,111</b>
<b>Total</b>	<b>\$ 2,701,200</b>

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?

Total Development Cost	\$2,751,200
Less: EZ Sales Tax & Reserves	(50,000)
Less: Historic Tax Credit	
Equity	(1,061,298)
Eligible Basis for EZ:	<u>1,639,902</u>

Time 10% of EZ Basis	163,990
Pricing	\$0.83
EZ Equity	<u>\$ 136,111</u>

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

**Please see Exhibit C for the Long Term Strategic Plan and Exhibit C.1 for the 15 Year Pro Forma.**

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

**The project will benefit the area by turning a dilapidated structure into a beautiful historic building on a prominent street in the Sherman Hill neighborhood. The Wellsport & Portwell Flats are currently about 50% vacant. Due to its proximity to several businesses and downtown, the rehabilitation of the property will provide a significant boost to the area's attractiveness to residents and customers. The new residents will spend their incomes in the neighborhood and contribute to local economic growth and the construction costs will employ many workers for four months.**

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

**The project will be a good housing development because it will restore two historic and beautiful buildings that are currently 50% vacant into a high quality home for 13 families. Rehabbing older buildings is also inherently more "green" than new construction as the structure is already built so it will essentially be recycled. The Wellsport & Portwell Flat's close proximity to downtown employers, Sherman Hill Neighborhood, the Gateway Market, Restaurants, and cultural venues such as the Hoyt Sherman Place and the Pappajohn Sculpture Garden makes the project a very walkable and enjoyable place to live.**

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 Exhibit D for the Affidavit.**

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

**The Wellsport & Portwell Flats are historic buildings, and the cost of rehabbing it is significantly higher than traditional construction costs. The Enterprise Zone Benefits will be absolutely critical in order to close on the bank loan. The project's Debt Service Coverage Ratio would be too low for the bank if the EZ Benefits were replaced with debt, and the project would not be able to proceed.**

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

State Sales, Service, and Use Tax Refund:	<u>\$50,000 (actual depends upon sales tax incurred)</u>
Investment Tax Credit:	<u>\$163,990</u>

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

N/A

## **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.

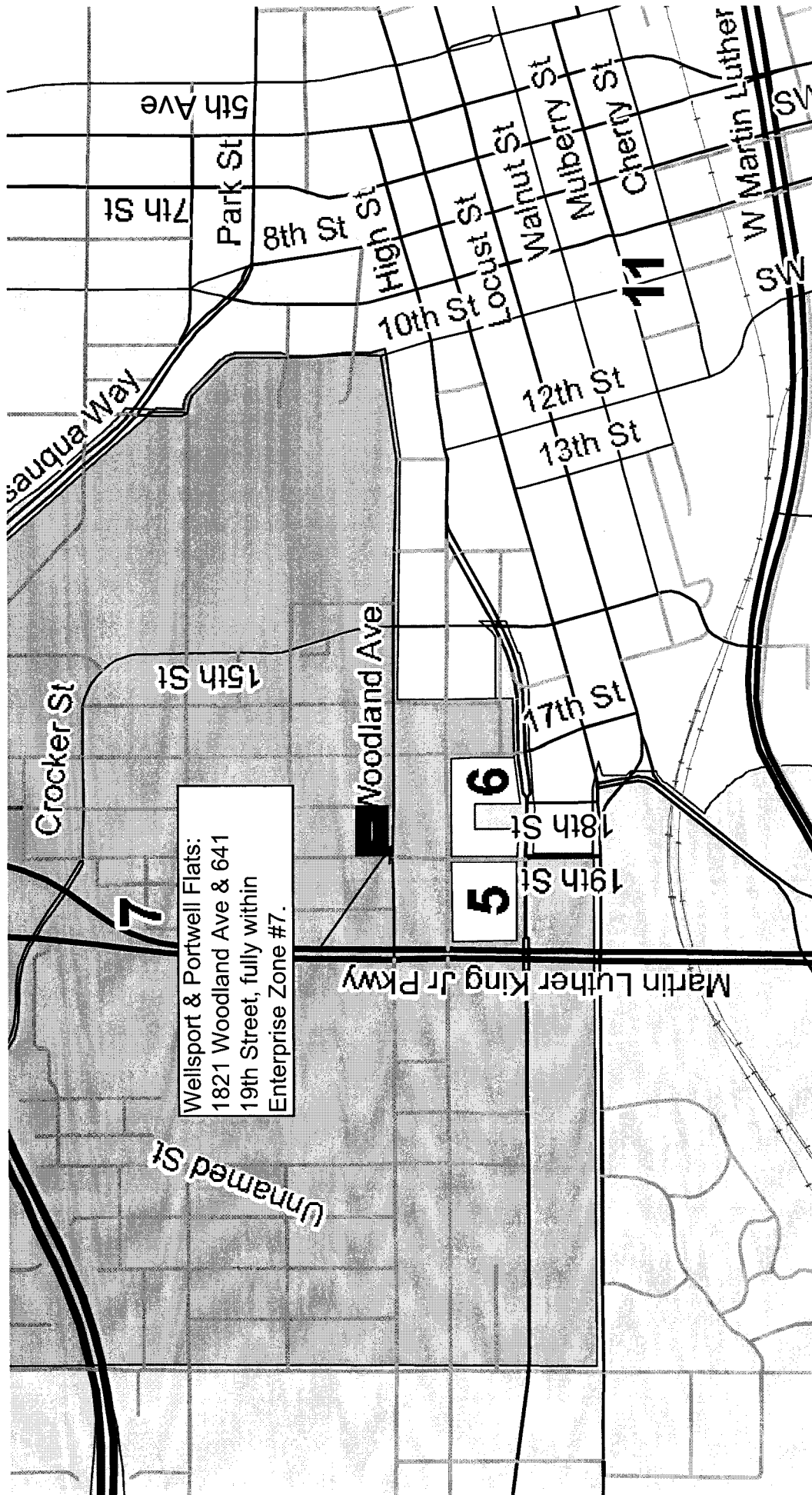
### ***Enterprise Zone Commission:***

- 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.

**Wellsport & Portwell Flats  
Enterprise Zone Application**

**Exhibit A**

**S 45F LT 38 & ALL LTS 39 & 40 RICKEYS ADDITION**



DES MOINES - POLK COUNTY, IOWA



**Exhibit C****Wellsport & Portwell Flats  
Enterprise Zone Application****Long term strategic plan, which includes labor and infrastructure needs:**

The long-term plan of the Wellsport & Portwell Flats is to be a historic apartment building that provides quality housing in the Sherman Hill Neighborhood Association for many years to come.

The labor needs of the project's construction will be supplied by Larry Barry and his construction company, Pacesetters Construction. Perennial Properties Management Services will provide the long term labor/maintenance needs for the project. Sonja Roberts is the President of Perennial Properties and she and her husband, Jack Hatch, are the owners of the Wellsport & Portwell Flats.

The infrastructure needs of the project will be met by the project's Operating Reserves, budgeted to be \$25,000. The project also has \$16,500 budgeted annually for maintenance.

Additionally, the project's site plan already has city utilities, water and paved roads, so no additional city infrastructure is needed for construction.



**Wellsport Portwell, LP****OPERATING CASH FLOW**

1.0200

INCOME	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Rental Income-Low Income Units	193,200	197,064	201,005	205,025	209,126	213,308	217,575	221,926	226,365	230,892
Other Income	-	-	-	-	-	-	-	-	-	-
Gross Potential Residential Income	193,200	197,064	201,005	205,025	209,126	213,308	217,575	221,926	226,365	230,892
Less: Vacancy Loss & Concessions	(7,728)	(7,883)	(8,040)	(8,201)	(8,365)	(8,532)	(8,703)	(8,877)	(9,055)	(9,236)
NET EFFECTIVE INCOME	185,472	189,181	192,965	196,824	200,761	204,776	208,872	213,049	217,310	221,656

1.0300

1.0300

OPERATING EXPENSES	Assumptions	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Subtotal Mgt. & Admin.	500	500	515	530	546	563	580	597	615	633	652
Subtotal Maint & Repairs	16,500	16,500	16,995	17,505	18,030	18,571	19,128	19,702	20,293	20,902	21,529
Subtotal Operating	2,500	2,500	2,575	2,652	2,732	2,814	2,898	2,985	3,075	3,167	3,262
Subtotal Real Estate Taxes	30,500	30,500	31,415	32,357	33,328	34,328	35,358	36,419	37,511	38,636	39,796
Subtotal Management Fees	7,000	7,000	7,140	7,283	7,428	7,577	7,729	7,883	8,041	8,202	8,366
Homeownership Escrow	-	-	-	-	-	-	-	-	-	-	-
Other: Tax Abatement	-	(24,400)	(25,132)	(25,886)	(26,663)	(27,462)	(28,286)	(29,135)	(30,009)	(30,909)	(31,836)
Replacement Reserve	-	-	-	-	-	-	-	-	-	-	-

Total Expenses	57,000	32,600	33,508	34,442	35,402	36,390	37,406	38,451	39,526	40,631	41,768
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**NET OPERATING CASH FLOW**

	152,872	155,673	158,523	161,422	164,371	167,370	170,421	173,524	176,679	179,888
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**DEBT SERVICE****Construction Loan Amount**

0

Principal

Interest

Total-Payable

**First Mortgage**

Principal

Interest

Total-Payable

**Debt Service Coverage Ratio**

	148%	164%	167%	170%	173%	176%	179%	182%	186%	189%
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**Wellsport Portwell, LP**  
**OPERATING CASH FLOW**

INCOME	2022	2023	2024	2025	2026	TOTAL
Rental Income-Low Income Units	235,510	240,220	245,024	249,925	254,923	3,534,288
Other Income	-	-	-	-	-	-
Gross Potential Residential Income	235,510	240,220	245,024	249,925	254,923	3,534,288
Less: Vacancy Loss & Concessions	(9,420)	(9,609)	(9,801)	(9,997)	(10,197)	(141,372)
NET EFFECTIVE INCOME	226,090	230,611	235,223	239,928	244,726	3,392,916

OPERATING EXPENSES	2022	2023	2024	2025	2026	TOTAL
Subtotal Mgt. & Admin.	672	692	713	734	756	9,341
Subtotal Maint & Repairs	22,175	22,840	23,525	24,231	24,958	308,257
Subtotal Operating	3,360	3,461	3,564	3,671	3,781	46,706
Subtotal Real Estate Taxes	40,989	42,219	43,486	44,790	46,134	569,809
Subtotal Management Fees	8,533	8,704	8,878	9,055	9,236	121,637
Homeownership Escrow	-	-	-	-	-	-
Other: Tax Abatement	-	-	-	-	-	(280,989)
Replacement Reserve	-	-	-	-	-	-

Total Expenses	75,729	77,915	80,166	82,482	84,866	774,760
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NET OPERATING CASH FLOW	150,361	152,696	155,058	157,446	159,860	2,618,156
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**DEBT SERVICE**

**Construction Loan Amount**

Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total-Payable	-	-	-	-	-	-

<b>First Mortgage</b>	1,068,251	1,042,590	1,015,260	986,154	955,157	955,157
Principal	25,661	27,329	29,106	30,998	33,013	331,647
Interest	69,436	67,768	65,992	64,100	62,085	1,102,744
Total-Payable	95,098	95,098	95,098	95,098	95,098	1,434,391

Debt Service Coverage Ratio	158%	161%	163%	166%	168%	
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Exhibit D

AFFIDAVIT

This is to certify that that Hatch Development Group, LLC, developer of the Wellsport & Portwell Flats, of which Jack Hatch is the President of Hatch Development Group, LLC and the owner of the Wellsport & Portwell Flats, has not, within the last five years, violated state or federal environmental and worker safety statutes, rules, and regulations to the best of our knowledge.

Date: July 8, 2011

Signature: \_\_\_\_\_

Ryan Galloway

Exhibit D

AFFIDAVIT

This is to certify that that Hatch Development Group, LLC, developer of the Wellsport & Portwell Flats, of which Jack Hatch is the President of Hatch Development Group, LLC and the owner of the Wellsport & Portwell Flats, has not, within the last five years, violated state or federal environmental and worker safety statutes, rules, and regulations to the best of our knowledge.

Date: July 8, 2011

Signature:

A handwritten signature in black ink, appearing to read "R. Galloway", is written over a horizontal line.

Ryan Galloway

## Exhibit D

## AFFIDAVIT

This is to certify that that Hatch Development Group, LLC, developer of the Wellsport & Portwell Flats, of which Jack Hatch is the President of Hatch Development Group, LLC and the owner of the Wellsport & Portwell Flats, has not, within the last five years, violated state or federal environmental and worker safety statutes, rules, and regulations to the best of our knowledge.

Date: July 8, 2011

Signature: \_\_\_\_\_

A handwritten signature in black ink, appearing to read "Ryan Galloway", written over a horizontal line.

Ryan Galloway