

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 19th 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 19th 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.


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 19th 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

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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

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

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

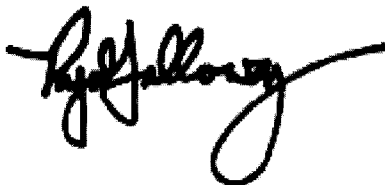
I, the undersigned, on behalf of the Housing Business identified above, hereby submit the following application under Iowa Code Sections 15E.191 through 15E.196. I certify that the Housing Business is in good standing, and has complied or will upon receipt of approval by the Department, with all applicable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

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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?

Description of Capital Expenditure	Amount
Building Acquisition	\$ 211,000
Construction Costs	\$ 1,894,000
Professional Fees	\$ 97,200
Finance Fees & Permits	\$ 124,000
Reserves, Developer Fees, Soft Costs	\$ 375,000
Total	\$ 2,701,200

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.)

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

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	<u>(1,061,298)</u>
Eligible Basis for EZ:	<u>1,639,902</u>

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

