

Date January 27, 2012

RESOLUTION APPROVING SOUTHERN MEADOWS HOMES, L.P. APPLICATION FOR ENTERPRISE ZONE BENEFITS FOR A HOUSING PROJECT IN THE RIVER SOUTH 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 January 9, 2012 by Roll Call 12-0044, the City Council designated the River South Enterprise Zone, which the State of Iowa subsequently certified, pursuant to Iowa Code Sections 15E.196 (2001); and

WHEREAS, Southern Meadows Homes, L.P. the developer, requests approval of its application for enterprise zone benefits for the construction of 38 residential units at 2800 S.E. 8th Street Avenue in the River South Enterprise Zone involving a total investment of approximately \$7 million.

WHEREAS, the Developer's application appears to meet all of the requirements for enterprise zone benefits; and

WHEREAS, Council is requested to recommend approval of the Developer's application for Enterprise Zone benefits to the Commission as well as the Iowa Economic Development Authority ("IEDA"), 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 Southern Meadows Homes, L.P. project meets the requirements for enterprise zone benefits, herein referenced as Exhibit "A" is accepted.
2. The Southern Meadows Homes, L.P. application is recommended for approval to the Des Moines Enterprise Zone Commission and to IEDA.
3. The Office of Economic Development is directed to transmit a copy of this Roll Call to the Commission and to IEDA and to conduct project compliance monitoring.
4. Upon IEDA 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 Southern Meadows Homes, L.P. project to receive enterprise zone benefits.

(Council Communication No. 12- 043)

MOVED by _____ to adopt.

★ Roll Call Number

12-_____

Agenda Item Number

3

Date January 27, 2012.....

APPROVED AS TO FORM:



Michael F. Kelley, 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

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 : **Southern Meadows Homes, LP**

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

Address: **2800 SE 8th Street**

City, State & Zip Code: **Des Moines, IA 50315**

Telephone: **515-243-4675**

Fax: **N/A**

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

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

Local Enterprise Zone Commission

Enterprise Zone Commission Name: **City of Des Moines Enterprise Zone Commission**

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

Ryan Galloway, Director of Development, Hatch Development Group
Print name and title

January 18, 2012
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 Southern Meadows Homes, LP is a proposed Low Income Housing Tax Credit (LIHTC) project consisting of 38 single family rent-to-own (ROSE) townhomes on Indianola Avenue and SE 8th Avenue south of downtown Des Moines. Twenty five percent of these homes (10) will be marketed to individuals with mental and physical disabilities.

The design is inspired to fit in with the new and existing neighborhood housing stock, in an effort to assist the city with revitalization efforts in the core neighborhoods. The Southern Meadows Homes, LP will be located in the Indianola Hills Neighborhood on a 3.5 acre site consisting of six adjoining parcels assembled by the City of Des Moines.

The Renter to Ownership Savings Equity (ROSE) is IFA's rent-to-own program to assist lower income persons with their first home purchase over a 15 year period. For each month that the tenant resides in a Unit, \$50 will be placed in an account to be used by the tenant, at the completion of a lease term, for the purpose of securing homeownership. If a tenant leaves a Property without securing homeownership, the residual of the deposits made on behalf of the tenant are to be shared among the remaining tenants. Interest earned on the account shall go to the tenant, or be used by the Owner to assist with the cost of providing homeownership education and credit counseling.

2. In which Enterprise Zone will this project occur (include the zone's name, number, size in acres, and date certified)?
3. Does the project involve new construction or rehabilitation?
New construction
4. How many single-family homes or multi-family units are proposed?
38 single family townhomes
5. What will be the per unit value of the housing?
Total Development Cost: \$7,029,624
Per Unit Construction: \$184,990
Total Development Cost per Unit: \$140,171
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 homes will comply with the Iowa Finance Authority's Minimum Development Characteristics. Each home will have washer, dryer, range, oven, microwave, dishwasher, refrigerator, kitchen exhaust fan, garbage disposal, and access to high-speed internet.
The homes will be modest as they will not contain unnecessary design elements such as granite countertops, furniture, or excessive exterior décor.
7. Will the project meet U.S. Department of Housing and Urban Development Housing Standards and applicable local codes?

Yes, 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 is applying for Low Income Housing Tax Credits from the Iowa Finance Authority on February 3, 2012. If the project is awarded tax credits by IFA in May 2012, the anticipated construction start date would be either November, 2012 or March, 2013, depending upon the weather at the time of closing on the Limited Partnership Agreement . The anticipated completion date would be either December 31, 2013 or May, 2014, depending upon the construction start date.

9. Attach a legal description of the business site on which the project will occur.
2800 SE 8th Street – Lot 5 Southern Meadows
2810 SE 8th Street – Lot 6 Southern Meadows
2839 Indianola Ave.- Lot 6 Southern Meadows Plat 2
2843 Indianola Ave.- Lot 5 Southern Meadows Plat 2
2933 Indianola Ave.- Lot 1 & 2 Jefferson Heights Replat
Broad Street (no address) – Vacated roadway

Please see Exhibit 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 Exhibit 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?

<u>Description of Project Financing</u>	<u>Amount</u>
First and 2nd mortgage	\$ 1,289,704
Enterprise Zone	\$ 135,415
Polk County Housing Trust Fund	\$ 120,000
City Grant #1	\$ 400,000
General Partner/Deferred Developer Fee	\$ 40,000
Net Equity to Project	\$ 5,044,505
Total	\$ 7,029,624

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>Description of Expenditures</u>	<u>Amount</u>
Acquisition/Demo	\$ 43,500
Building Construction	\$ 5,326,498
Professional Services	\$ 264,026
Interim Costs	\$ 19,000
Financing Fees	\$ 337,100
Other soft costs	\$ 914,500
Reserves	\$ 125,000
Total	\$ 7,029,624

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 project's total capital investment should be eligible for the investment tax credit since none of the loans are forgivable and there are no grants. Below is the calculation of the investment tax credit:

Eligible Basis for Section 42	\$	6,594,124.00
+ Plus Land Costs		43,500.00
- Less Section 42 Equity		(5,044,505.00)
Eligible Basis EZ		<u>1,593,119</u>
Times 10% of EZ Basis		159,311.90
Pricing	\$	<u>0.85</u>
State EZ Equity	\$	<u>135,415.11</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 D for the 15 Year Pro Forma.

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

The project will bring new residents and quality affordable housing to the Indianola Hills Neighborhood and will help transform a blighted site into a thriving neighborhood. The new residents will spend their incomes in the neighborhood and contribute to local economic growth. The new properties will add 38 single-family townhomes to the property tax rolls following the abatement period. Additionally, many new construction-related jobs will be created and maintained during construction.

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 residents. The housing will utilize geothermal heating and cooling, which will reduce the residents' utility bills and all of the homes are located within walkable neighborhoods that are in close to proximity to most necessities due to their central Des Moines locations.

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 E for the Affidavit.

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

The economic incentive to develop housing is less in the proposed site plan than in wealthier suburban neighborhoods as the project is located in a blighted site, which makes it difficult to develop affordable housing projects with high-quality construction standards without the benefits of the Enterprise Zone program's state income tax credits and sales tax rebates.

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

State Sales, Service, and Use Tax Refund: \$71,000.00

Investment Tax Credit: \$159,311.90

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.

Exhibit A

LEGAL DESCRIPTION

The following five parcels comprise the site plan for the Southern Meadows Homes, LP:

2800 SE 8th Street – Lot 5 Southern Meadows
2810 SE 8th Street – Lot 6 Southern Meadows
2839 Indianola Ave.- Lot 6 Southern Meadows Plat 2
2843 Indianola Ave.- Lot 5 Southern Meadows Plat 2
2933 Indianola Ave.- Lot 1 & 2 Jefferson Heights Replat
Broad Street (no address) – Vacated roadway



Address 2800 SE 8th St
Des Moines, IA 50315

Get Google Maps on your phone
Text the word "GMAPS" to 466453


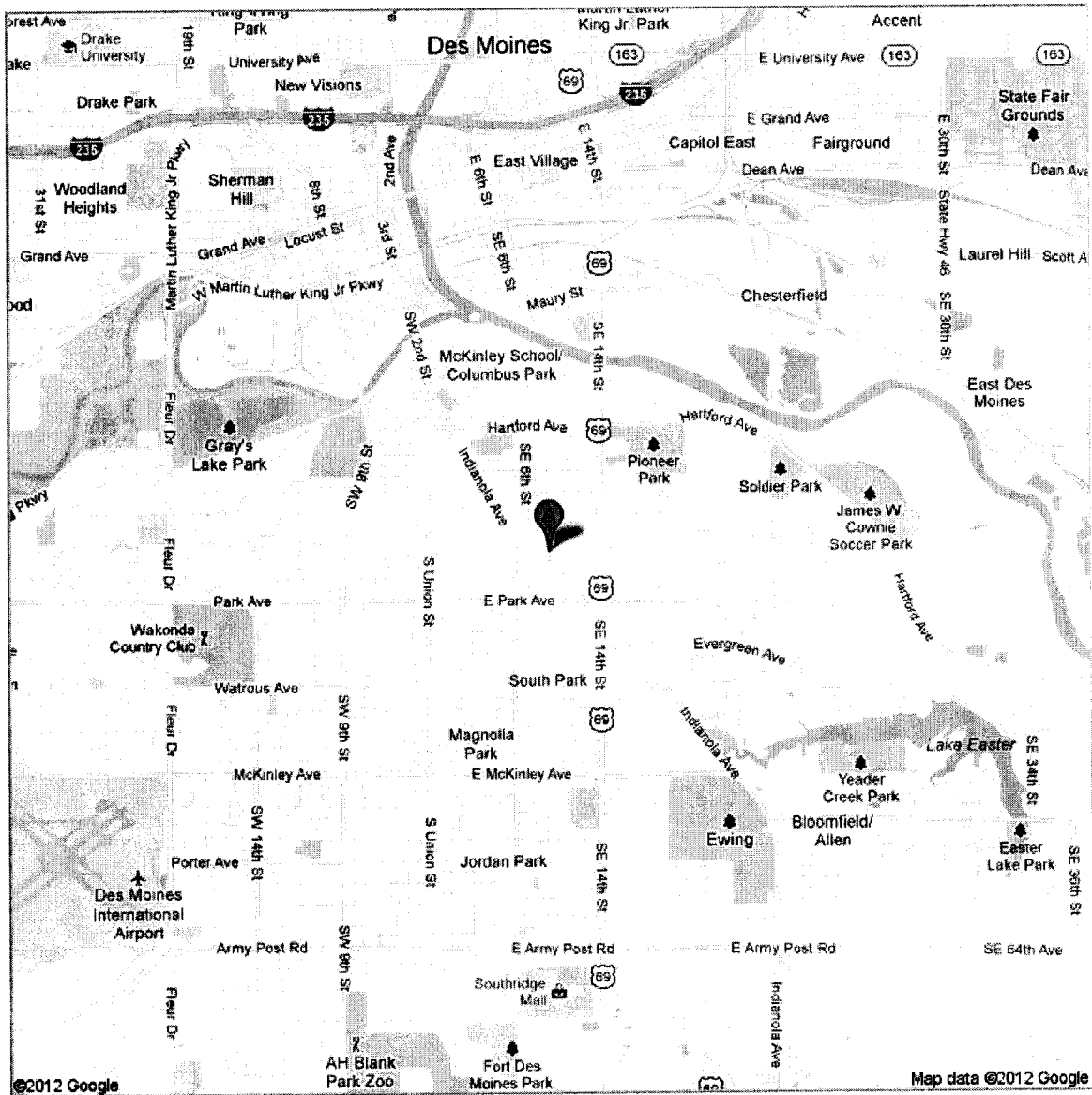



Exhibit C

Southern Meadows Homes, LP

Hatch Development Group

Enterprise Zone Application

- **Long term strategic plan, which includes labor and infrastructure needs.**

The long-term plan of the Southern Meadows Rose Homes, LP is to be an affordable housing project for the 15 year compliance period. The Iowa Finance Authority will monitor the project for the 15 year period to ensure that proper rent restrictions are complied with. After Year 15, each home will be sold to qualified residents at the Fair Market Value as determined by IRS guidelines.

The labor needs of the project's construction will be supplied by Skogman Homes. Hatch Development Group, in conjunction with Perennial Properties Management Services, will provide the long term labor/maintenance needs for the project.

The infrastructure needs of the project will be met by the project's Operating and Replacement Reserves, budgeted to be \$75,000 and \$15,200 annually, respectively. These Reserves will provide all capital improvements and expenditures for the 15 year compliance period. Additionally, the project's site plan already has city utilities, water and paved roads, so no additional city infrastructure is needed for construction.

IOWA FUND VI

Southern Meadows Homes, LP
OPERATING CASH FLOW

Income Escalator 1.0200

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
INCOME												
Rental Income-Low Income Units	323,760	330,235	336,840	343,577	350,448	357,457	364,606	371,898	379,336	386,923	394,662	402,555
Other Income	-	-	-	-	-	-	-	-	-	-	-	-
Gross Potential Residential Income	323,760	330,235	336,840	343,577	350,448	357,457	364,606	371,898	379,336	386,923	394,662	402,555
Less: Vacancy Loss & Concessions	(22,663)	(23,116)	(23,579)	(24,050)	(24,531)	(25,022)	(25,522)	(26,033)	(26,554)	(27,085)	(27,626)	(28,179)
NET EFFECTIVE INCOME	301,097	307,119	313,261	319,527	325,917	332,435	339,084	345,865	352,782	359,838	367,036	374,376

Expense Escalator 1.0300

Property Tax Escalator 1.0300

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
OPERATING EXPENSES												
Subtotal Mgt. & Admin.	9,500	9,785	10,079	10,381	10,692	11,013	11,343	11,684	12,034	12,395	12,767	13,150
Subtotal Maint & Repairs	68,500	70,555	72,672	74,852	77,097	79,410	81,793	84,246	86,774	89,377	92,058	94,820
Subtotal Operating	20,250	20,858	21,483	22,128	22,792	23,475	24,180	24,905	25,652	26,422	27,214	28,031
Subtotal Real Estate Taxes	38,500	39,655	40,845	42,070	43,332	44,632	45,971	47,350	48,764	50,214	51,703	53,227
Subtotal Management Fees	21,750	22,185	22,629	23,081	23,543	24,014	24,494	24,984	25,484	25,993	26,513	27,043
Homeownership Escrow	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,300
Other: Tax Abatement	(30,000)	(30,000)	(31,212)	(31,836)	(32,473)	-	-	-	-	-	-	-
Replacement Reserve	15,200	15,656	16,126	16,609	17,108	17,621	18,150	18,694	19,255	19,833	20,428	21,040

Total Expenses 168,000 172,394 176,920 181,585 186,391 224,465 230,230 236,163 241,322 246,622 252,065 257,657

NET OPERATING CASH FLOW 133,097 134,726 136,340 137,942 139,526 107,970 108,854 109,702 111,460 113,217 114,970 116,718

1.020

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
DEBT SERVICE												
First Mortgage	1,214,704	1,200,193	1,184,811	1,168,507	1,151,224	1,132,905	1,113,486	1,092,902	1,071,083	1,047,954	1,023,438	997,452
Principal	14,511	15,382	16,304	17,283	18,320	19,419	20,584	21,819	23,128	24,516	25,987	27,546
Interest	72,882	72,012	71,089	70,110	69,073	67,974	66,809	65,574	64,265	62,877	61,406	59,847
Total Payable	87,393	87,393	87,393	87,393	87,393	87,393	87,393	87,393	87,393	87,393	87,393	87,393

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt Service Coverage Ratio	152%	154%	156%	158%	160%	124%	125%	126%	128%	130%	132%	134%
Tax Abatement Loan	75,000	62,100	48,427	33,933	18,570	2,284	2,421	2,567	2,721	2,884	3,057	3,240
Principal Paid	12,900	13,673	14,494	15,364	16,285	-	-	-	-	-	-	-
Interest Accrued	-	-	-	-	-	137	145	154	163	173	183	194
Interest Paid	4,500	3,726	2,906	2,036	1,114	-	-	-	-	-	-	-
Total Payable	17,400	17,400	17,400	17,400	17,400	-	-	-	-	-	-	-

PCHTF												
Principal-Paid	120,000	126,000	132,300	138,915	145,861	153,154	160,811	168,852	177,295	186,159	195,467	205,241
Interest-Accrued	-	-	-	-	-	-	-	-	-	-	-	-
Interest-Paid	6,000	6,300	6,615	6,946	7,293	7,658	8,041	8,443	8,865	9,308	9,773	10,262
Total Payable	-	-	-	-	-	-	-	-	-	-	-	-

All In Debt Service Coverage Ratio 127% 129% 130% 132% 133% 124% 125% 126% 128% 130% 132% 134%

TOTAL DEBT SERVICE 104,793 104,793 104,793 104,793 104,793 104,793 87,393 87,393 87,393 87,393 87,393 87,393 87,393

NET OPERATING CASH FLOW 28,304 29,933 31,548 33,149 34,734 20,577 21,461 22,309 23,167 24,067 24,923 25,777 26,625

IOWA FUND VI

Southern Meadows Homes, LP

OPERATING CASH FLOW

	2026	2027	2028	2029	TOTAL
INCOME					
Rental Income-Low Income Units	410,606	418,818	427,194	435,738	6,034,655
Other Income	-	-	-	-	-
Gross Potential Residential Income	410,606	418,818	427,194	435,738	6,034,655
Less: Vacancy Loss & Concessions	(28,742)	(29,317)	(29,904)	(30,502)	(422,425)
NET EFFECTIVE INCOME	381,864	389,501	397,290	405,236	5,612,230

	2026	2027	2028	2029	TOTAL
OPERATING EXPENSES					
Subtotal Mgt. & Admin.	13,545	13,951	14,370	14,801	191,490
Subtotal Maint & Repairs	97,665	100,595	103,612	106,721	1,380,746
Subtotal Operating	28,872	29,738	30,630	31,549	408,177
Subtotal Real Estate Taxes	49,765	50,263	50,766	51,273	738,606
Subtotal Management Fees	27,584	28,136	28,699	29,273	405,404
Homeownership Escrow	24,300	24,300	24,300	24,300	388,800
Other: Tax Abatement Replacement Reserve	21,672	22,322	22,991	23,681	(156,121)
					306,385

Total Expenses	263,402	269,304	275,368	281,597	3,663,487
NET OPERATING CASH FLOW	118,462	120,197	121,923	123,639	1,948,743

DEBT SERVICE

First Mortgage	969,905	940,707	909,756	876,948	876,948
Principal	29,199	30,951	32,808	34,776	372,532
Interest	58,194	56,442	54,585	52,617	1,025,758
Total-Payable	87,393	87,393	87,393	87,393	1,398,291

Debt Service Coverage Ratio	136%	138%	140%	141%	
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Tax Abatement Loan

Principal Paid	3,435	3,641	3,859	4,091	4,091
Interest Accrued	206	218	232	245	2,052
Interest Paid	-	-	-	-	14,282
Total-Payable	-	-	-	-	86,998

PCHTF

Principal-Paid	215,503	226,278	237,592	249,471	249,471
Interest-Accrued	10,775	11,314	11,880	12,474	141,945
Interest-Paid	-	-	-	-	-
Total-Payable	-	-	-	-	-

All In Debt Service Coverage Ratio

	136%	138%	140%	141%	
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TOTAL DEBT SERVICE	87,393	87,393	87,393	87,393	1,485,288
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NET OPERATING CASH FLOW	31,068	32,804	34,530	36,246	463,454
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Exhibit E

AFFIDAVIT

This is to certify that that Hatch Development Group, developer for the Southern Meadows Homes, LP, 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: January 17, 2012

Signature:  _____

Its: Director of Development, Hatch Development Group

Dated this 17 day of January, 2012