



Roll Call Number

23-0952

Agenda Item Number

61C

Date June 26, 2023

**RESOLUTION APPROVING URBAN RENEWAL DEVELOPMENT AGREEMENT WITH HOA ASTON, LLC FOR THE CONSTRUCTION OF A 186-UNIT MIXED-USE APARTMENT BUILDING LOCATED AT 603 EAST 6<sup>TH</sup> STREET**

**WHEREAS**, HOA Aston LLC (515 East Locust Street, Suite 100, Des Moines, IA 50309) (“Developer”), represented by Chuck Ullrich, Vice President and Chief Financial Officer, proposes to construct a new 186-unit mixed use apartment building at 603 E. 6<sup>th</sup> Street; and

**WHEREAS**, the project will consist of a mixed-use apartment building on a 1.226-acre infill site within the Historic East Village Neighborhood and will contain 186 living units as well as at least 4,000 square feet of commercial space on the first floor, a fitness center, resident gathering and commons spaces, a dog park, and covered indoor parking; and

**WHEREAS**, the project is anticipated to cost approximately \$44 million and when completed is expected to provide at least 10% of the residential units at an affordable rent structure of 65% HOME Rent Limits and available to households earning 80% or less of the area median income (AMI) level; and

**WHEREAS**, on or about March 27, 2023, by Roll Call No. 23-0404, the City Council approved preliminary terms, which provides for tax increment financing (TIF) to respond to a construction financing gap on the Project, as presented by the development team and vetted by city staff and authorized City staff to negotiate final terms of an Urban Renewal Development Agreement; and

**WHEREAS**, pursuant to the authority and direction of Roll Call No. 23-0404, the City’s Office of Economic Development has negotiated an Urban Renewal Development Agreement with the Developer, all as more specifically described in the accompanying Council Communication, which provides for tax increment financing (TIF) to respond to a construction financing gap on the project, as presented by the development team and vetted by city staff; and

**WHEREAS**, under the terms of the Development Agreement, the project will receive project-generated TIF grant capped at a maximum value of \$4.5 million in project-generated tax increment on a net-present-value basis {NPV} (at a 4.5% discount rate) based on the following schedule: \$50,000 in year eight (8), 95% in years nine (9) through fifteen (15), 90% in years 16-20; and

**WHEREAS**, at a meeting on June 20, 2023, the consensus of the members of the Urban Design Review Board present recommended approval of the final design and financial assistance as set forth above and in the Development Agreement; and

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



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1. The City Council hereby makes the following findings in support of the proposed Development Agreement with HOA Aston, LLC (“Developer”):
  - a. The fulfillment of Developer's obligations under the Development Agreement to redevelop the Project for multifamily, affordable housing further the goals and objectives of the Upper East Village Urban Renewal Plan by generating the following public gains and benefits:
    - i. it will advance the improvement and redevelopment of the Project Area in accordance with the Urban Renewal Plan;
    - ii. it will protect the health, safety, and general welfare of City residents;
    - iii. it will maintain and expand taxable property values;
    - iv. it will establish conditions which attract further new investments and prevent the recurrence or spread of blight and blighting conditions to the surrounding area; and
    - v. it will further the City’s efforts to retain and create job opportunities within the Project Area and surrounding area which might otherwise be lost.
  - b. The economic development incentives for the development of the Project are provided by the City pursuant to the Urban Renewal Law and Chapter 15A of the Code of Iowa, and Developer's obligations under the Development Agreement to construct the Project will generate the public gains and benefits stated above in subsection (a).
  - c. The construction of the Project is a speculative venture and the construction and resulting benefits would not occur without the economic incentives provided by the Development Agreement.
  - d. The development of the Project pursuant to the Development Agreement, and the fulfillment generally of the Agreement, are in the vital and best interests of City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of the applicable state and local laws and requirements under which the Project has been undertaken, and warrant the provision of the economic assistance set forth in the Agreement.
2. The Urban Renewal Development Agreement between the City and HOA Aston, LLC and the Conceptual Development Plan attached thereto, both as on file in the office of the City Clerk, are hereby approved, and the Mayor and City Clerk are hereby authorized and directed to execute and attest to, respectively, the Agreement on behalf of the City of Des Moines.



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3. The City Manager or his designee are directed to submit a copy of the fully-executed Development Agreement to the Finance Department for purposes of required Electronic Municipal Market Access disclosure filings.
4. Upon requisition by the Office of Economic Development, the Finance Department shall advance the installments on the Economic Development Assistance pursuant to Article 4 of the Development Agreement.
5. The Department Services Director or designee(s) are hereby authorized and directed to administer the Development Agreement on behalf of the City, and to monitor compliance by the Developer with the terms and conditions of the Agreement. The Department Services Director is further directed to forward to City Council all matters and documents that require City Council review and approval in accordance with the Agreement.
6. The Declaration of Covenants, Exhibit C to the Agreement, are hereby accepted and the City Clerk is hereby authorized to accept the conveyance of the beneficiary interests set forth within the Declaration of Covenants.

(Council Communication No. 23-311)

MOVED BY Mandelbaum TO ADOPT.

SECOND BY Boesen

APPROVED AS TO FORM:

/s/ Gary D. Goudelock Jr.

Gary D. Goudelock Jr.

Assistant City Attorney

| COUNCIL ACTION | YEAS | NAYS | PASS | ABSENT |
|----------------|------|------|------|--------|
| BOESEN         | ✓    |      |      |        |
| COWNIE         | ✓    |      |      |        |
| GATTO          | ✓    |      |      |        |
| MANDELBAUM     | ✓    |      |      |        |
| SHEUMAKER      |      |      |      | ✓      |
| VOSS           | ✓    |      |      |        |
| WESTERGAARD    | ✓    |      |      |        |
| TOTAL          | 6    |      |      | 1      |

MOTION CARRIES

APPROVED

J. M. Frankhu Cownie Mayor

CERTIFICATE

I, LAURA BAUMGARTNER, 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.

Laura Baumgartner City Clerk