



OFFICE OF THE CITY ADMINISTRATOR

Johnston, Iowa
 AGENDA COMMUNICATION
 February 6th, 2017

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| <p>SUBJECT: Review of Dickson Jensen & Luann Jensen TIF Application regarding a proposed 384 unit Bricktowne apartment complex on Merle Hay Road between Cadence Apartments and Johnston Brothers</p> | <p>ACTION REQUIRED:</p> <p><input type="checkbox"/> Ordinance</p> <p><input type="checkbox"/> Resolution</p> <p><input checked="" type="checkbox"/> Approval</p> <p><input type="checkbox"/> Receive/File</p> <p><input type="checkbox"/> Attorney Review</p> |
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PROJECT SYNOPSIS

Dickson Jensen (developer) has submitted a request for TIF funding to assist with the development of an estimated 384 one and two-bedroom apartment complexes to be located at 6454-6506, 6600 and 6508 Merle Hay Rd.

The infill project is intended to be constructed in three phases with December 2018, 2020 and 2022 completion dates. Construction of Phase I would begin in 2017 along Merle Hay Rd with Phase Two and Three extending west. Proposed structures include five three story brick apartment buildings with detached brick garages, an amenity building, outdoor pool, and a bike and pet cleaning station. A 3.5-acre resident courtyard park, resident pet park, nature trail and an extension of the of the existing city trail from the high school through the project site onto Merle Hay Rd. are also included in the project plans.

Units are expected to be in the \$850-\$1050 price range and target young professionals working in Johnston. Because of this target demographic and limited number of two bedroom units (59) vs one bedroom units (325) the developer anticipates the project will have a relatively small impact on school enrollment.

TIF REQUEST

Building and garage facades will consist primarily or entirely of brick. This is consistent with the developer's other Bricktowne projects in Ankeny and Waukee. The developer has also agreed to incorporate unique architectural features into the apartment building along Merle Hay Road to complement existing and planned redevelopment efforts in the area.

Draft design packages for the project are attached to this Staff Report. Initial staff and Economic Development Committee recommendations regarding design have been incorporated into the attached draft design packages and the developer has expressed a willingness to make additional adjustments based on city recommendations.

The developer is requesting a 70% TIF increment rebate for five years. The proposed rebate would be calculated using the 2016-2017 Johnston TIF levy rebate and account for the current single family rollback.

This rebate formula is consistent with rebates provided to the developers of the adjacent Cadence and 62W apartment complexes to assist them in overcoming redevelopment obstacles. Similar obstacles to timely redevelopment on this project site exist including the acquisition of multiple small high cost parcels containing existing structures requiring demolition.

In addition, the developer has agreed to exceed architectural requirements for buildings along Merle Hay Rd and provide trail connectivity. Total project investment is estimated at \$42,650,000, including \$21,000,000 in local labor costs over six years.

Attached is a copy of the TIF application and a synopsis of the request.

FISCAL IMPACT

Existing taxable value on the property is \$888,700. The developer expects the project to have an assessed value of \$42,650,000 upon completion. If assessed at \$42,650,000, the total rebate would be capped at \$2,602,000 and the property would generate more than \$1 million in annual property taxes.

RECOMMENDATION

The proposed project aligns with the Merle Hay Road Redevelopment Plan and the addition of 384 rooftops would substantially help achieve the population density in the area to support the development of a commercial town center envisioned in the plan for the City Hall superblock area. In addition, the trail connection would create a pedestrian friendly access point from the current high school to the proposed town center.

The current draft design package appears to meet ROC-2 zoning requirements, except for the need for a small reduction in the number of parking spaces. Staff architectural, layout, amenity and road alignment suggestions have been broadly incorporated in the current draft design package and staff is confident additional details can be handled as the Development Agreement and site plan process moves forward.

Staff recommends drafting a Development Agreement to provide a 70% five year TIF rebate for each of the three project phases. The Development Agreement would cap the developer rebate at \$2,602,000 and contain contingencies for City approval of façade design elements, final plat approval and inclusion of the aforementioned amenities and the trail connection. The Development Agreement would also be contingent on successful rezoning of the north-west section of the site from M1 to ROC-2.

REQUEST FOR TAX INCREMENT FINANCING FOR DIXON JENSEN

6454-6506, 6600 and 6508 Merle Hay Rd.

Synopsis of the request:

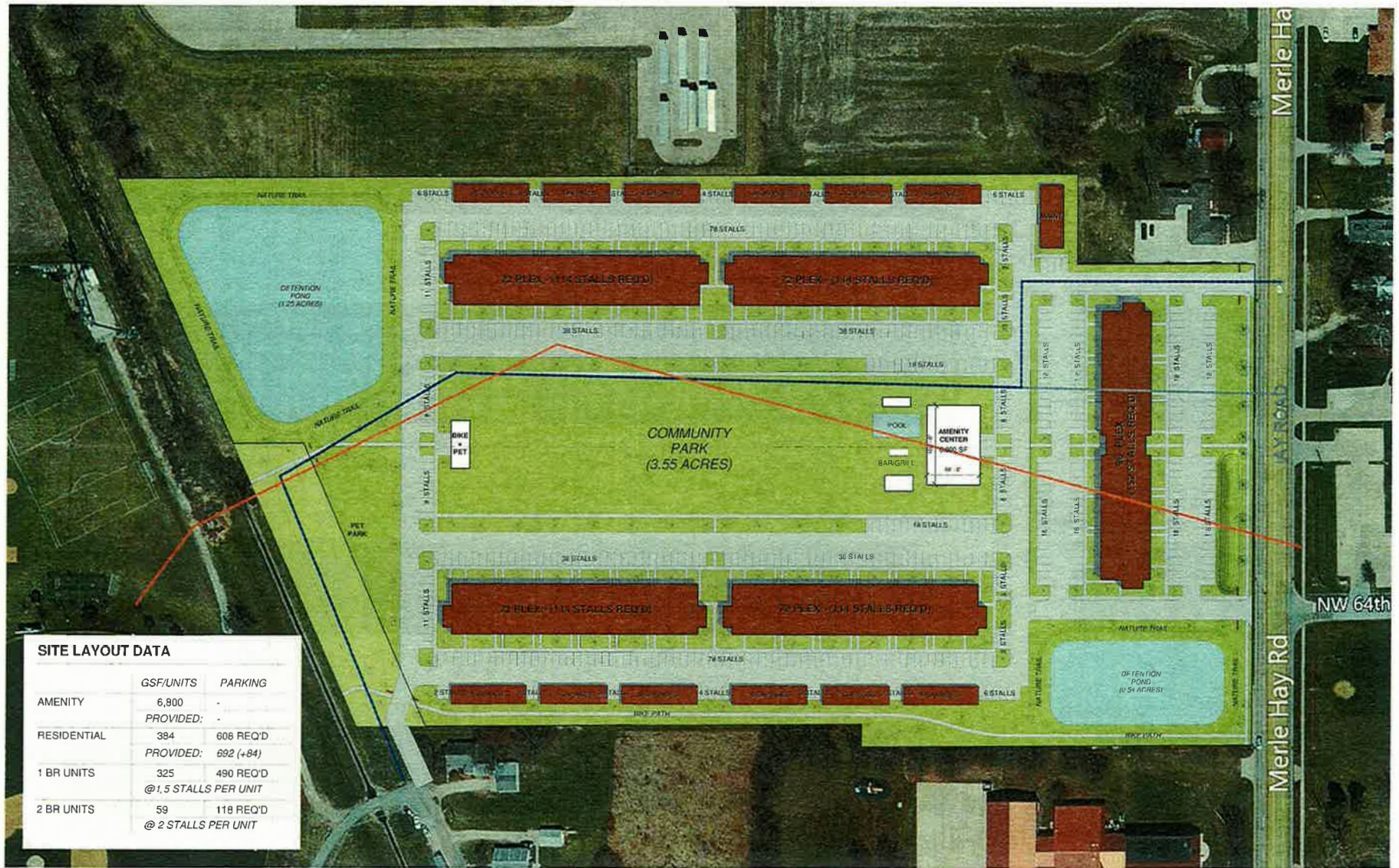
- Developer has submitted a request for TIF funding for the redevelopment of several dilapidated properties into five apartment buildings with supporting amenities on a 20 acre site encompassing the area south of Johnston Brothers north of Cadence Apartments west of Merle Hay Rd east of NW 59th Ct.
- The project involves the construction of an estimated 384 apartments. This includes 325 one bedroom and 59 two bedroom units.
- Complex amenities will include detached garages, an amenity building, outdoor pool, and a bike and pet cleaning station. A 3.5-acre resident courtyard park, nature trail and an extension of the of the existing city trail to the high school through the project are also included in the project plans.
- The project will generate 6 permanent jobs and a significant number of temporary construction related jobs over the course of 6 years.
- The TIF assistance will help mitigate the additional costs incurred in redevelopment of a site with existing structures and multiple land owners. The TIF assistance will also enable the developer to make additional façade improvements beyond those required by City Code.
- If the project meets the TIF criteria, they would be eligible for up to \$2,602,000 in TIF funding using the formula applied to Cadence and 62W Apartment projects.
- The project is contingent on the rezoning of the NW section of the site from M1 to ROC-2.

How the project rates per the Johnston TIF policies:

- The project will substantially increase the property value from \$888,700 up to \$42,650,000 (developer estimate) and support the investment in commercial redevelopment in the Merle Hay Road Redevelopment Study Area.
- The project does not involve the significant expansion of public infrastructure.
- There is currently a limited number of 1 bedroom units in Johnston and this project would fill a perceived need.
- The project does not cause undue stress on city services or infrastructure and is sensitive to the environment.
- The project is designed to encourage energy efficiency, walk ability and access to public and private facilities by incorporating a trail connection and a 3.5-acre resident court yard.
- The project is in the portion of the East Central TIF area designated to receive TIF support for qualifying apartment redevelopment projects.

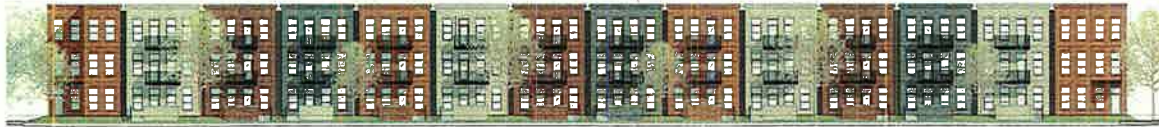
Staff comments:

- The project aligns with objectives in the Merle Hay Road Redevelopment Plan and exceeds architectural design standards.
- The proposed rebate package mirrors the rebate package offered to the developers of Cadence and 62W which experienced similar challenges to redevelopment.
- Because more than 90% of the proposed units are 1 bedroom, the impact on the Johnston School District is expected to be minimal.
- The draft site plan accommodates the amenity needs previously identified in staff studies.
- Site design elements suggested by staff have been incorporated into the draft design package and staff is satisfied with the proposal at this juncture in the process.
- The Development Agreement should contain contingencies for City oversight of façade design, final plat approval and inclusion of the aforementioned amenities and the trail connection.

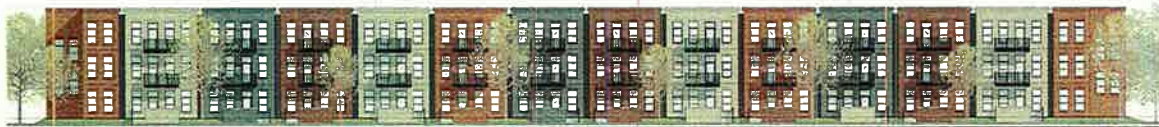


SITE LAYOUT DATA

| | GSF/UNITS | PARKING |
|-------------|-----------|-----------------------|
| AMENITY | 6,800 | - |
| RESIDENTIAL | 384 | 608 REQ'D |
| | | PROVIDED: 692 (+84) |
| 1 BR UNITS | 325 | 490 REQ'D |
| | | @ 1.5 STALLS PER UNIT |
| 2 BR UNITS | 59 | 118 REQ'D |
| | | @ 2 STALLS PER UNIT |



72 Plex - North - 1/16"
1/16" = 1'-0"



72 Plex - South - 1/16"
1/16" = 1'-0"



86 Plex - East - 1/16"
1/16" = 1'-0"



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