



FAQ – Nevada Flats LLC

Who is the developer for the Nevada Flats project?

The Capstone Group, Inc.

This non-profit corporation has been focused on senior housing since 1997. It owns two senior housing properties in Iowa, one in Guthrie Center and the other in Marion. They are expanding into Workforce Housing, which does not receive rent subsidies from the State or federal governments. They have aligned with a seasoned architectural firm, ASPECT Architecture, in Cedar Rapids with experience in designing Workforce Housing projects in empty public and private sector buildings.

This non-profit is governed by a three-member board of directors, with two directors in Cedar Rapids and their Executive Director, Mike Michaud, in Georgia.

As a non-profit, any funds above those needed to service project debt and to run and support their housing projects will be reinvested back into other housing projects. In other words, as with any 501(c)3 public charity, all money earned by The Capstone Group is dedicated to nonprofit purposes.

How was this developer selected?

Representatives from Story County Medical and the NEDC worked hard on the front end to gauge interest and encourage the involvement of multiple local developers with experience rehabilitating old public buildings. None of these developers wanted anything to do with the property.

After the negative feedback from local developers, representatives from the City of Nevada, Story County Medical Center, and the NEDC worked with economic development partners regionally and across the State to collect the names of other developers with a background in the rehabilitation and reuse of public buildings.

Interviews, reference checks, and site visits conducted.

After touring the building and site, the Capstone Group, Inc. presented the Story County Medical Center (“SCMC”) Board of Trustees a non-binding letter of intent. This letter of intent was discussed and considered during a public meeting of the hospital Board of Trustees on May 4, 2023.

How many housing units by type are projected to be created in Nevada Flats?

This will be a market rate rental housing project. We anticipate the following:

(7) studio apartments | (45) 1-bedroom apartments | (8) 2-bedroom apartments

Where are the tenants of Nevada Flats going to park?

Our current zoning ordinance requires 2.5 parking spots per housing unit. 25 of the projected 60 units of market rate rental units will be one bedroom or studio apartments limited to 1 person per unit. We anticipate that the developer will request a variance to the ordinance to match their projected occupancy. Current projected onsite parking spots: 124

Won't the 60 units of market rate housing at Nevada Flats adversely impact traffic?

Approximately 100 people worked from this facility during the period 2017-2024. The number was approximately 150 from 2009-2017, and well over 200 prior to 2009. These numbers do not include patients, visitors to Senior Care, and visiting physicians. We believe less traffic will be generated by the Nevada Flats project than the sites prior use as a medical care facility.

We hear a lot of "workforce housing", what is that?

The State of Iowa Workforce Housing Tax Credit ("WFHTC") program is a market rate housing initiative that awards tax benefits to developers providing housing in Iowa communities, focusing especially on those projects using abandoned, empty, or dilapidated properties. The projects must meet one of the following four criteria: development located on a grayfield or brownfield site, repair or rehabilitation of dilapidated housing stock, upper story housing development, or new construction on a greenfield site in communities with demonstrated workforce housing needs. The total project costs may not exceed \$310,000 per unit. The project must be completed within three years of the award. The tax benefits to the developer investing in Nevada include a State income tax credit of up to 10% of the first \$150,000 per unit cost, capped at a maximum award of \$1.0 million per project and a refund of sales and use taxes for construction materials directly related to the project.

Will there be any green space on the site?

The current draft of a site plan including the right of way (ROW) is 66% greenspace. If you do not include the ROW, it is 53%.

Why not reduce the total number of units down to 20 units?

If the developer reduces the number of units to 20, each unit will need to be rented for \$3,500 per month to generate enough rental income to cover the mortgage and expenses. This rental rate is unlikely to attract enough tenants, resulting in the 20 units being unprofitable and lacking positive cash flow.

Is Kingston Landing in Cedar Rapids serving as a model for the former Nevada hospital?

Yes and no. Kingston Landing in Cedar Rapids was a project where the developer renovated a former school building for commercial use on the first floor and apartments on the two upper floors. The comparison was made to show how a building in similar condition to the old hospital can be converted into quality apartment units, not to suggest the neighborhoods are similar or that the property would have commercial space on the first floor.

Will storage units be part of this project?

There will be temperature controlled self-storage units in the basement.

Nevada Food at First, a local nonprofit, has arranged for a 600 square foot area, and rent for each of the sixty apartments will include a self-storage unit. Any remaining units will be available to the public with access provided via the on-site unloading dock.

When did the hospital sell this building?

In 2022, after the cost to tear down the campus buildings proved to be prohibitive, the hospital in partnership with the NEDC went through the process of identifying a developer who would be interested in the rehabilitation and reuse of the campus. The needed public meetings were conducted by the Story County Medical Hospital board of trustees to do this.

It was determined that additional action was needed by the City of Nevada and Story County in order for the hospital to transfer this property to a private sector developer. Both the City of Nevada and Story County held public meetings to support their actions.

When did public communication and these meetings happen?

Here is a timeline of these events:

- | | |
|------------------|--|
| December 7, 2006 | The Nevada Journal highlights fundraising efforts to support the construction of a new hospital. The article indicates this is Phase I of a bigger project.

Phase II Relocation of Medical Clinics and Therapy
Phase III Relocation of Long-Term Care |
| June 28, 2022 | The SCMC Board of Trustees discussed financing for a replacement facility during a special meeting. |
| Fall/Winter 2022 | Article in the Story Medical Source detailed the new Senior Care facility to built adjacent to the hospital, replacing the current Senior Care facility. |
| May 4, 2023 | SCMC Board of Trustees consider a non-binding letter of intent from the Capstone Group, Inc at their regular monthly meeting. This action item was included on the posted agenda. |
| May 22, 2023 | NEDC presented to the City Council, providing them with an overview of the Capstone Group, Inc. proposed rehabilitation and repurpose of the SCMC Senior Care facility, including the need for WFHTC. |
| May 22, 2023 | City Council acts on resolution of support for the Capstone Group, Inc. application for WFHTC with the State of Iowa. This item was on the posted agenda. |
| July 24, 2023 | After discovering a deed restriction on the land (hospital purpose only) the City Council took action by resolution to lift this deed restriction. This item was on the posted agenda. |
| August 15, 2023 | After discovering that the land was never transferred to SCMC in the 1940s. The Story County Board of Supervisors acted on a resolution and set a public hearing |

to do a quit claim deed to transfer the land under the old clinic, hospital, and senior care to the hospital board of trustees.

- August 23, 2023 State of Iowa announces Capstone Group, Inc. as a recipient of WFHTC award.
- August 29, 2023 Public hearing on the quit claim deed to transfer the subject property to the Hospital Board of Trustees.
- July 10, 2024 Building transferred to Nevada Flats, LLC / Nevada Housing, LLC

What was the projected cost to tear down these buildings?

In September of 2022 the hospital asked Graham Construction to estimate the anticipated demolition and soft costs, including pricing for hazardous materials survey and abatement. The amount of this estimate in 2022 was \$2,695,811.

What is the total project cost of converting the hospital to a 60-unit apartment building?

The construction costs are estimated at \$7.8 million. When you add in the soft costs that the banks will require for asbestos abatement, cost overruns, contingencies, reserves, design fees, and other expenses, the total project cost exceeds \$10 million. This substantial investment underscores the significant scale and ambition of the project.

Currently, banks are lending 65% Loan-to-Cost (LTC), so on a \$10 million project, the Developer needs to come in with \$3.5 million dollars of cash. This requirement ensures that the developer has a substantial financial stake in the project, aligning their interests with those of the lenders and reducing potential risks.

What grants has Capstone Group, Inc. received to do this project?

In 2023 Nevada Flats, LLC was awarded \$1M in State of Iowa Workforce Housing Tax Credits and \$1.5M in State of Iowa Brownfield Tax Credits (supporting asbestos and other environmental removals).

These competitive tax credits were key to the financial viability of this project for Nevada.

We anticipate that the project will be supported locally with a sliding scale property tax abatement like so many of the other new housing initiatives in the community.

What kind of developer will be eligible for bank financing on this project?

Unfortunately, even if a developer has the \$3.5 million to invest, banks will also require that the developer have previous experience in converting empty buildings into multifamily properties. This is because renovating older buildings often presents unexpected issues, and having someone knowledgeable in the field is crucial.

I heard that the money and any profits will be going out of State; is that true?

No, that is not true. A local bank is being offered the opportunity to assume part of the financing that will be placed to support this housing project.

Build to Suit, the general contractor for this project, was asked by Capstone Group, Inc. to determine how much of their construction costs will be awarded to Iowa companies:

Contracts with Iowa-based companies / \$6,803,928 / 96.1% of the construction budget

Contracts with non-Iowa based companies / \$231,470 / 3.3% of the construction budget but the products are made in Iowa.

Don't we have enough housing in Nevada?

In a recent survey of Nevada's largest employers, we found that only 10-30% of their existing employee base lives in Nevada. There is an opportunity to grow the number of people that work AND LIVE in Nevada by growing and diversifying our housing options.

While the Nevada Flats project won't meet all those needs, it does create an additional option for people who want to live in Nevada. This allows newcomers to establish themselves in the community and opens up another option for people already living in Nevada looking for a new place to live.

How will the property be managed if the project were to proceed?

Capstone Group, Inc. will hire an experienced property management group from Iowa.

The entire complex will be secured with an electronic security system accessed by fobs and a secure phone app for tenants only.

What happens if the project does not proceed?

The developer has indicated that they will vacate their interest in the building if they are unable to proceed with their plan to rehabilitate and reuse the property for 60 units of market rate rental.

Current zoning (R3) only allows for a medical purpose in this building.

The 2.5-acre campus will likely sit vacant, and the State of Iowa will likely not award any grants for development in the future, making it a blight on the community.



1 SITE PLAN
 SCALE: 1" = 30'-0"



NEVADA PUBLIC SAFETY DEPARTMENT

1209 6th Street - P.O. Box 530 Nevada, Iowa 50201 Tele: 515-382-4593



Chris Brandes
Public Safety Director
Chief of Police

February 20, 2025

Dear Honorable Council:

I was in attendance at the last council meeting regarding the Capstone project. I am reluctant to get into the fray on this issue of renovating 630 6th Street into multifamily housing because I do not want to throw the fire department into someone else's fight. However, in my role as the fire chief nothing is more important to me than the safety of the community and our volunteer firefighters. It was interesting the people speaking for the most part had a financial incentive should the project be denied. It is also interesting that some of them currently oversee rental properties that do not meet the required parking requirements in the same manner in which they complained. I heard many current community members speak about immigration impacting vacancies, parking concerns, eye sore complaints, poor construction, increased drug use, and lowering of property values. These are all myths with no validation or proof other than what people think will happen.

Let me share what I know from factual research and data of what will happen if this building is left to rot away much like the Academy Circle vacated buildings did for years. Within the first 6 months the city will have to mow the property because the current owner will have no incentive to invest in the building. The weeds will grow and the insects and animals will seek refuge. Within a year windows will be broken out and graffiti will be added to the outside and inside. Anything glass or any contents inside will be smashed as random trespassers will seek this hidden playground for adventure. The next phase of the vacant building is the homeless trespassers who will seek places of solitude to engage in drug use and violence. We will likely see fires from arson, unconventional cooking, and fire for heat as the population inside the building grows. The city will likely put some costs into the building to seal it up with plywood, but those efforts never last. Eventually the complaints of being an eye sore will put pressure on the city to remediate this issue. Everything the people complained about will come true except increased parking although I suspect the parking lot will be ideal for people to park their junked vehicles on to avoid street parking tickets.

I co-authored a national article in Fire Engineering about this very issue after the needless deaths of four firefighters in Baltimore and St. Louis happened nine days apart. <https://www.fireengineering.com/fire-safety/vacant-buildings-scourge-of-the-fire-service/>

The most expensive venture the city will take is defending itself and the leadership from the lawsuit from a firefighter's family and the damage to the city's reputation when a volunteer firefighter gets killed inside this multi-story vacant building. You know we will go in. It's our job! The chance of saving a person who got caught up in a vacant building is the #1 mission of the fire service. St. Louis, Chicago, Baltimore, Worcester, and the list goes on. There were 4,500 firefighters injured in vacant buildings from 2003-2006. Deteriorating vacant buildings have killed 7 firefighters every year. These are facts and not myths based on conjecture.

We have experiences in renovating old buildings. The hotel was upgraded with security entry, Knox Box, an automatic sprinkler system was added, a complete addressable fire alarm was added, and we see very little calls for service with the occupants, who I would argue may be some of the most impoverished and

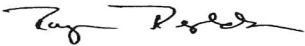
vulnerable residents in our community. The fact is occupied buildings are safer for residents, the neighborhood, and firefighters. Early notification of fire always makes outcomes better compared to discovering a fire when it is blowing out the roof or windows as reported by a person driving by the vacant structure. The absence of regular maintenance and upkeep can lead to accelerated deterioration, making the vacant building more susceptible to a range of damages and unsafe conditions our staff and many city departments will have to shoulder. One only has to look at the insurance industry to understand their fears of vacant buildings:

<https://mackoul.com/blog/quick-tip-insuring-vacant-vs-occupied-buildings/>

I have spoken with the contractor who may be involving in this project. They have engineers, they have sprinkler plans, fire alarm plans, and were very concerned about causing minimal disruption to the 6th Street optics of the building, so much so that locating HVAC units would be on the roof and not along 6th Street. I have no doubt the safety and security of this building with locked ingress codes will keep problems away. Simply look at several locked residential properties we have in town, such as 919 6th Street (A 4 story residential building). These places have some of the lowest calls for services we see in the community.

I would recommend the developer hold town hall meetings and show people the plan. Build a mockup for people to understand this is not a poorly constructed plan to have poor living conditions. I would encourage conversations and control over the emotions of some who can only yell and scream. I suspect these are higher end studio living well above the impact of some of the properties owned by landlords who spoke against this project.

Respectfully,



Raymond Reynolds
Fire Chief
City of Nevada

ORDINANCE NO. 1064 (2024/2025)

AN ORDINANCE AMENDING THE ZONING MAP OF THE CITY OF NEVADA, IOWA, BY REZONING THE PROPERTY AT 630 6TH STREET, FROM R-3 (URBAN FAMILY RESIDENTIAL DISTRICT) TO R-4 (MULTIPLE FAMILY DWELLING DISTRICT).

Be it enacted by the City Council of the City of Nevada, Iowa;

SECTION 1. ZONING AMENDMENT. The Zoning Map of the City of Nevada, Iowa, is hereby amended by rezoning parcel of land owned by Nevada Housing, LLC, and located within the corporate limits of the City of Nevada, Iowa which is legally described as:

*Parcel 11 072 554 00 – The old medical center at 630 N 6th St:
Block Forty (40), Original Town of Nevada, Story County, Iowa*

*Parcel 11 072 503 60 – The parking lot at 5th St and F Ave:
The South 10 feet of Lot Eight (8) and all of Lot Nine (9), Block Thirty-nine (39), Original Town of Nevada, Story County, Iowa*

*Parcel 11 072 556 60 – The Parking lot at 6th St and F Ave:
Lone One (1) and the N½ of Lot Four (4), Block Forty-Five (45), Original Town of Nevada, Story County, Iowa*

and shall be rezoned from “R-3” (Urban Family Dwelling District) to R-4 (Multiple Family Dwelling District).

SECTION 2. NOTATION. The City Zoning Official shall record the ordinance number and date of passage of this Ordinance on the Official Zoning Map as required by Section 165.09(5)(B), Code of Ordinances of the City of Nevada, Iowa, 2006 as amended.

SECTION 3. REPEALER. All ordinances or parts of ordinances in conflict with the provisions of this ordinance are hereby repealed.

SECTION 4. SEVERABILITY CLAUSE. If any section, provision or part of this ordinance shall be adjudged invalid or unconstitutional such adjudication shall not affect the validity of the ordinance as a whole or any section, provision or part thereof not adjudged invalid or unconstitutional.

SECTION 5. WHEN EFFECTIVE. This ordinance shall be in full force and effect from and after its final passage, approval and publication as provided by law.

PASSED AND APPROVED this ___ day of ___, 2025, through the first reading.
PASSED AND APPROVED this ___ day of ___, 2025, through the second reading
PASSED AND APPROVED this ___ day of ___, 2025, through the third and final reading.
Enacted upon publication.

Brian Hanson, Mayor

ATTEST:

Kerin Wright, City Clerk

RESOLUTION NO. 069 (2024/2025)

A RESOLUTION SETTING THE TIME AND PLACE TO CONDUCT A PUBLIC HEARING
TO AMEND THE ZONING ORDINANCE OF NEVADA, IOWA

WHEREAS, The City Council of the City of Nevada, Iowa, has received a recommendation from the Planning and Zoning Commission to approve a rezoning request from the property owner, Nevada Housing, LLC to amend the zoning ordinance of the City of Nevada, Iowa, by changing the zoning classification on the following described property, 630 N 6th Street, owned by Nevada Housing, LLC and located within the corporate limits of the City of Nevada, Iowa, from R-3 (Urban Family Dwelling District) to R-4 (Multiple Family Dwelling District).

The property for which the Rezoning Application is proposed is legally described as:

*Parcel 11 072 554 00 – The old medical center at 630 N 6th St:
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Town of Nevada, Story County, Iowa*

WHEREAS, The Planning and Zoning Commission of the City of Nevada, Iowa, held a public hearing on this request on the 6th day of January, 2025. It is their recommendation to approve the rezoning request.

WHEREAS, The City Council of the City of Nevada, Iowa, held a public hearing on this request and approved the first reading of Ordinance No. 1064 on the 27th day of January, 2025 at the City Council Meeting. On February 10, 2025, the second reading of Ordinance No. 1064 was presented to the City Council of the City of Nevada, Iowa. The second reading failed.

WHEREAS, The City Council of the City of Nevada, Iowa, would like to reintroduce the Zoning Amendment Ordinance No. 1064 (2024/2025) and set a public hearing for Monday, March 24th at 6:15 p.m. at Nevada City Council Chambers, 1209 6th Street, Nevada, IA. An Ordinance Amending the Zoning Map of the City of Nevada, Iowa, by Rezoning the Property at 630 6th Street, from R-3 (Urban Family Residential District) to R-4 (Multiple Family Dwelling District).

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

1. The Council desires to rezone the property described herein
2. The Council shall make a final determination on the proposal following a public hearing, which shall be held on March 24, 2025 at 6:15 p.m. or soon thereafter, in Nevada City Council Chambers, 1209 6th Street, Nevada, Iowa 50201.
3. Pursuant to Iowa Code 364.7 the City Clerk is hereby directed to publish the proper notice of the public hearing with legal description and the proposed property rezoning,

as set forth in Exhibit B, attached hereto.

All resolutions or parts of resolutions in conflict herewith are hereby repealed to the extent of such conflict.

PASSED AND APPROVED this __ day of __, 2025.

Brian Hanson, Mayor

Attest:

Kerin Wright, City Clerk

EXHIBIT B

NOTICE OF REQUEST TO AMEND
THE ZONING ORDINANCE OF NEVADA, IOWA

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Town of Nevada, Story County, Iowa*

The Planning and Zoning Commission of the City of Nevada, Iowa, held a public hearing on this request on the 6th day of January, 2025. It is their recommendation to approve the rezoning request.

The City Council of the City of Nevada, Iowa, will hold a public hearing on this request on the 24th day of March, 2025 at the City Council Meeting which is set to begin at 6:15 o'clock P.M., in the Nevada City Hall, 1209 Sixth Street, Nevada, Iowa, to consider the recommendation.

It is your right to attend this hearing and express your views concerning the proposed change, or you may submit your comments in writing to the City Clerk no later than 9:00 o'clock A.M. on the 24th day of March, 2025.

Kerin Wright
City Clerk