


# COUNCIL COMMUNICATION

	Number:	<b>20-073</b>	Meeting:	<b>February 24, 2020</b>
	Agenda Item:	<b>27</b>	Roll Call:	<b>20-0344</b>
	Submitted by:	<b>Erin Olson-Douglas, Economic Development Director</b>		

**AGENDA HEADING:**

Resolution approving final terms of an Urban Renewal Development Agreement for 611 Fifth Avenue, LLC, for the substantial renovation of the existing office building at 611 5th Avenue.

**SYNOPSIS:**

Knapp Properties, d/b/a 611 Fifth Avenue, LLC (Chris Costa, Officer, 5000 Westown Parkway, Suite 400, West Des Moines, IA 50266) proposes an extensive renovation of the existing 5-story office building at 611 5th Avenue, to provide Class A office space to new corporate office tenants.

The renovation of the 109,758-square foot building is estimated to cost \$23.3 million. The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with 611 5th Avenue, LLC, which provides for tax increment generated by the proposed project over a 15-year period to assist with a financial gap presented by the Developer. Additional details are provided in the fiscal impact section below.

**FISCAL IMPACT:**

Amount: The financial assistance will be funded through project-generated tax increment revenue over a 15-year term, capped at a maximum of \$3.8 million dollars (net present value {NPV} at a 4.5% discount rate). The NPV assistance is estimated at 16.2% of total project costs.

Years 1-5: 90% project generated TIF

Years 6-10: 85% project generated TIF

Years 11-15: 75% project generated TIF

Total Assistance: \$4,085,346 NPV, capped at \$3.8 million over 15 years

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project**	Estimated Incentive Paid (on a cash basis)	Estimated Net Taxes Received
Sum 10 Years	\$301,292	\$4,409,309	\$3,742,813	\$666,496
Sum 20 Years	\$602,584	\$9,553,545	\$5,598,819	\$3,954,726
Sum 30 Years	\$903,876	\$15,570,620	\$5,598,819	\$9,971,801

\*Taxes include all property taxing authorities (not just City property taxes).

\*Taxes received used the following assumptions: 1.5% assessment growth annually.

\*\*Building and land valuation assumptions at completion of construction: \$12,033,625 commercial building assessment; \$1,350,000 land assessment.

Funding Source: Metro Center Urban Renewal – A specific fund code will be assigned by the Finance Department.

**ADDITIONAL INFORMATION:**

- 611 5th Avenue was originally constructed in 1954 as the home of the Central Life Assurance Company, and sat prominently with several other newly constructed insurance company offices of that era. It represents one (1) of the last remaining mid-century International Style corporate office headquarters buildings in downtown Des Moines. It has been leased as speculative office space when Amerus/Aviva vacated the building in 2010, and is currently sparsely occupied with office tenants.
- The assessed building valuation is currently \$690,000, a significant drop from the \$3.5 million assessed valuation from 10 years ago.
- The project being proposed by 611 Fifth Avenue, LLC consists of a major renovation of the building to Class A office space standards with upgraded energy and mechanical systems that will enhance the ability to attract desirable office tenants and preserve the building's use for many years to come.
- A necessary scope of work to perform the renovation is the substantial remediation of asbestos materials in the building, which has a cost estimate of nearly \$3 million, creating a significant financial gap on the project.
- The applicant has sought Historic Tax Credits and Brownfield-Grayfield Tax Credits from the State of Iowa, but has been unsuccessful in obtaining the tax credits after several attempts. Renewed interest in the building from corporate office tenants has brought more immediate attention to providing a significant renovation.
- The project includes substantial improvements in building energy efficiency, including installation of new windows to help create an efficient building envelope and desirable workspace with daylighting, installation of LED lighting, and water conserving plumbing fixtures.
- The Developer will utilize Mid-American Energy's Commercial New Construction Energy Efficiency program and has determined that the building will exceed energy performance above the minimum code.
- The Developer will provide a Vertical Access Facility as defined in the existing Skywalk Agreement for the Property, and will follow all federal and state laws and regulations, including with the Americans with Disabilities Act (ADA).
- The Developer will make improvements to the parking lot located east of the building and between 4th Street, Park Street, and Watson Powell Jr. Way within five (5) years of the date of this Agreement, or at the time any development occurs on any part of the adjoining parking lot. Improvements include compliance with all existing City site plan requirements, including landscaping, parkway plantings, and street light poles in the adjoining right-of-way.

- The Developer will restore the “ribbon” of windows that were a component of the original design of the building. Based on historical records, the window openings were infilled with much smaller window fenestration during the 1970’s.

**PREVIOUS COUNCIL ACTION(S):**

Date: November 18, 2019

Roll Call Number: [19-1841](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement for 611 Fifth Avenue, LLC for the substantial renovation of the existing office building at 611 5th Avenue. ([Council Communication No. 19-501](#)) Moved by Boesen to adopt. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: January 21, 2020

Resolution Number: N/A

Action: Motion to approve the final design as presented by Clark. Seconded by Wilke-Shapiro. Motion carried. Yes = 7, No = 0, Abstain = 1, Absent = 0.

Motion to approve the financial assistance as presented by Weisenbach. Seconded by Clark. Motion carried. Yes = 7, No = 0, Abstain = 1, Absent = 0.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- City Council-Approval of Certificate of Completion when the project is finished.

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