


# COUNCIL COMMUNICATION

	Number:	<b>20-429</b>	Meeting:	<b>October 5, 2020</b>
	Agenda Item:	<b>31</b>	Roll Call:	<b>20-1574</b>
	Submitted by:	<b>Erin Olson-Douglas, Economic Development Director</b>		

**AGENDA HEADING:**

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Spot 515, LLC, for the renovation of the 12,100-square-foot commercial building located at 515 28th Street for restaurant and commercial uses.

**SYNOPSIS:**

Spot 515, LLC (Randy Reichardt, Owner, 721 Foster Drive, Des Moines, IA 50312) is proposing a \$2.2 million renovation of the 12,100-square-foot commercial building located at 515 28th Street. Benchmark Real Estate Group (Joe Cordaro, Principal 950 Office Park Road, Suite 300, West Des Moines, IA 50265) is providing the development services for the project. Construction is anticipated to begin in late 2020 with completion estimated in spring 2022.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Spot 515, LLC, which provides for tax increment to serve as a core mechanism for responding to a financing gap as presented by the development team. Additional details on the preliminary terms are provided in the fiscal impact and additional information sections below.

**FISCAL IMPACT:**

Amount: The project will be eligible for the commercial tax abatement but is requesting tax increment financing incentives in lieu of applying for the tax abatement. The preliminary terms propose approximately \$730,000 in project generated tax increment on a cash basis (\$527,000 on a net-present-value {NPV} at a 4.5% discount rate) based on the following schedule: 95% in years 1-5 and 90% in years 6-10.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$71,624	\$778,185	\$501,964	\$276,221
Sum 20 Years	\$158,923	\$1,947,397	\$730,518	\$1,216,879
Sum 30 Years	\$265,327	\$3,376,847	\$730,518	\$2,646,329

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

\*Taxes received estimates used the following assumptions: 2.5% growth in re-assessment years, 1.5% growth in non-re-assessment years.

\*Building and land valuation assumptions at completion of construction:

\$2,000,000 commercial building valuation

\$112,000 land assessment

Funding Source: Tax increment generated by the project in the Ingersoll Grand Commercial Urban Renewal Area.

**ADDITIONAL INFORMATION:**

- The building was originally constructed in 1925 and was historically known as the Iowa Lithographing Company building. Although the building has been vacant for a number of years, the building remains largely intact but has significant deferred maintenance issues with the roof.
- Current assessment is \$35,000 on the building and \$112,000 on the land for a total property assessment of \$147,000.
- Most of the interior improvements in the building have been demolished. Asbestos and lead based paint remain in the building and will be addressed as part of the rehabilitation plan. The building is also downhill from a previous leaking underground storage tank. The contamination is under the slab and will only impact excavation under the building.
- The Developer has enrolled in Mid-American Energy's Commercial New Construction program and will agree to exceed the applicable Energy Code requirements in the development agreement. The development team is considering a solar array on a portion of the roof that will reduce the energy usage for the common areas at a minimum. The new roof will be designed to accommodate solar installation.
- It is likely that the building will be divided to accommodate two (2) or more users. Due to the parking constraints, it is unlikely that the entire building will be a restaurant, but a grease trap will be installed as part of this project.

**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Urban Design Review Board – Design and Financial Assistance Review
- City Council – Final Terms of an Urban Renewal Development Agreement

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).