

COUNCIL COMMUNICATION

	Number:	20-487	Meeting:	November 9, 2020
	Agenda Item:	36	Roll Call:	20-1780
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving final terms of an Urban Renewal Development Agreement with JR Partners, LLC for the historic renovation of 401 East Court Avenue.

SYNOPSIS:

JR Partners, LLC (Tim Rypma, Jeremy Cortright, and Paul Cownie, Members, 102 Court Avenue, Suite 204, Des Moines, IA 50309) is proposing a \$3 million historic renovation of the 1-story, approximately 10,500-square-foot commercial building located at 401 East Court Avenue. The building was originally constructed in 1940 as the first purpose-built A&P Super Market in Des Moines.

The Office of Economic Development has negotiated proposed final terms of an urban renewal development agreement with JR Partners, LLC, which provides for a declining schedule of tax increment generated by the project to serve as the core mechanism for responding to a financing gap presented by the developer. Additional details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The proposed terms provide for a declining schedule of the project generated tax increment from the taxable building valuations (exclusive of land) in years one (1) through 15, starting at 90% for years one (1) through five (5), 85% in years six (6) through nine(9), 80% in years 10-12, and 75% in years 13-15. The total incentive is estimated at \$439,000 (net present value {NPV} at a 4.5% discount rate). The assistance is estimated at 14.8% of total project costs.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project**	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$204,205	\$735,847	\$335,693	\$400,154
Sum 20 Years	\$420,284	\$1,720,940	\$645,161	\$1,075,779
Sum 30 Years	\$638,651	\$2,881,701	\$645,161	\$2,236,540

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

**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:

\$1,335,750 Commercial Building Assessment

\$ 423,700 Land Assessment

Funding Source: Tax Increment generated by the project in the Metro Center Urban Renewal Area.

ADDITIONAL INFORMATION:

- The Development team is seeking federal and state historic tax credits and is working with the State Historic Preservation Office (SHPO) on design requirements.
- The renovated building will contain up to three (3) separate commercial tenant bays. The development team is currently working with a restaurant tenant and a tenant looking for exercise studio space.
- Renovating the building for new retail, restaurant and other commercial uses will build on the work that has been done to extend the commercial vitality of the Historic East Village further south, linking the emerging Market District with the established East Village neighborhood.
- The design team consists of BNIM architects and Hildreth Construction will be the general contractor on the project.
- Construction is proposed to start in February 2021 and the project anticipates a 12-month construction period.

PREVIOUS COUNCIL ACTION(S):

Date: March 25, 2019

Roll Call Number: [19-0478](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with JR Partners, LLC (Tim Rypma, Jeremy Cotright, and Paul Cownie, Members) for the historic renovation of 401 East Court Avenue. ([Council Communication No. 19-120](#)) Moved by Gatto to approve the preliminary terms of agreement as set forth in Council Communication No. 19-120, and to direct the City Manager or his designee to negotiate final terms of agreement for future consideration by the City Council. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: October 6, 2020

Resolution Number: N/A

Action: Motion to recommend approval of the project design as presented by Allen. Seconded by Clark. Yes = 6, No = 0, Abstain = 2, Absent = 1.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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