

COUNCIL COMMUNICATION

	Number:	20-565	Meeting:	December 21, 2020
	Agenda Item:	31	Roll Call:	20-2116
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving final 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 \$2.3 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 March 2021 with completion estimated in spring 2022.

The Office of Economic Development has negotiated proposed final 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 final 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 terms propose approximately \$887,000 in project generated tax increment on a cash basis (\$634,000 on a net-present-value {NPV} at a 4.5% discount rate) based on the following schedule: 95% in years 1-5, 85% in years 6-9, and 75% in years 10-13. The financial terms proposed have increase slightly from what was presented at the preliminary terms approval. The recommended increase is mostly in response to the bid on the solar array coming in higher than the original estimated budget as well as a slight increase in estimated carrying costs.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$71,624	\$800,380	\$554,753	\$245,627
Sum 20 Years	\$158,923	\$1,969,592	\$887,105	\$1,082,487
Sum 30 Years	\$265,327	\$3,399,042	\$887,105	\$2,511,937

*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. The development agreement requires a rooftop solar array that will reduce the energy usage for the building.
- 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):

Date: October 5, 2020

Roll Call Number: [20-1574](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with Spot 515, LLC, for the renovation of the 12,100 square-foot commercial building at 515 28th Street for restaurant and commercial uses. ([Council Communication No. 20-429](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: October 20, 2020

Resolution Number: N/A

Action: Motion to recommend approval of the financial assistance as presented by Clark. Seconded by Nagel. Motion carried. Yes = 7, No = 0, Abstain = 0, Absent = 2. Motion to recommend approval of the project design as presented by Huggins. Seconded by Wilke-Shapiro. Yes = 7, No = 0, Abstain = 0, Absent = 2.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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