

COUNCIL COMMUNICATION

	Number:	21-035	Meeting:	January 25, 2021
	Agenda Item:	33	Roll Call:	21-0107
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving preliminary terms of an urban renewal development agreement with 3524 6th Avenue, LLC for the renovation of 3524 6th Avenue into a mixed-use multi-residential and commercial development.

SYNOPSIS:

3524 6th Avenue, LLC (Joe Cordaro, Principal, Benchmark Real Estate Group, 950 Office Park Road, Suite 300, West Des Moines, IA, 50265 and Randy Reichardt, Owner, RWR Development, LLC, 400 Locust Street, Suite 380, Des Moines, IA 50309) has proposed a renovation of the existing 3-story, 11,893-square-foot building at 3524 6th Avenue to include approximately 3,800-square-feet of ground floor commercial space and 14 multi-family residential units on the upper two (2) floors. The project is anticipated to cost \$2.6 million. Construction is expected to start in September 2021 and will take approximately 12 months for completion.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with 3524 6th Avenue, LLC, which provides tax increment to serve as a core mechanism for responding to a financing gap, as presented by the development team. Additional details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The project will be eligible for the commercial tax abatement, but is requesting tax increment financing (TIF) incentives in lieu of applying for tax abatement. The preliminary terms propose approximately \$1,671,037 in project-generated tax increment on a cash basis (\$965,989 on a net-present-value at a 4.5% discount rate) to be paid with 100% of the project generated building TIF in years one (1) through 20.

Year	Estimated Taxes Received without Project	Estimated Taxes Received with Project	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$79,651	\$974,303	\$749,928	\$224,375
Sum 20 Years	\$176,124	\$2,161,831	\$1,671,037	\$490,794
Sum 30 Years	\$291,963	\$3,591,354	\$1,671,037	\$1,920,317

*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:

\$875,610 commercial building valuation
\$43,050 commercial land assessment
\$1,750,000 multi-residential building valuation
\$61,950 multi-residential land assessment

Funding Source: Tax increment generated by the project in the Oak Park-Highland Park Urban Renewal Area.

ADDITIONAL INFORMATION:

- Built in 1915, this 3-story brick combination residential and retail building occupies a prominent hilltop location on the southwest corner of a major arterial intersection at 6th Avenue and Euclid Avenue. Its prominent profile and elaborate exterior make it a landmark building with the recognized commercial district and this building is considered an anchor.
- The first floor of the building has historically been multi-tenant commercial space, acting as home to a beauty salon, meat market, drycleaners, and a finance company, among others.
- The 14 multi-family residential units located on the upper two (2) floors include a mix of eight (8) studio units and six (6) 1-bedroom units. The development agreement will include a 20-year commitment to maintain affordability for a minimum of 10% of the units at 65% HOME Rent Limits and available to households earning 80% or less of the area median income.
- The development team is requesting a Minimum Assessment Agreement to be in place as a part of the development agreement.
- The current building assessment for the property is \$104,200 (commercial: \$38,150; multi-residential: \$66,050), and the current land valuation for the property is \$105,000 (commercial: \$43,050; multi-residential: \$61,950), for a total property assessment of \$209,200. The building has been vacant for more than a decade. The building is listed in below normal condition and has sustained significant water and structural damage in recent years.
- The development agreement will require enrollment and participation in Mid-American Energy's Commercial New Construction program.
- The project is seeking Federal Historic Tax Credits and all work will be undertaken following the Secretary of the Interior's Standards and Guidelines for Historic Rehabilitation.
- The project is located in one (1) of the four (4) Special Investment Districts that were established by the City Council. The project is also seeking financial assistance from Invest DSM.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Design and Financial Assistance Review
- Plan and Zoning Commission – site plan review if any Type 2 design alternatives are needed
- City Council – Final Terms of an Urban Renewal Development Agreement

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