


# COUNCIL COMMUNICATION

	Number:	<b>21-064</b>	Meeting:	<b>February 8, 2021</b>
	Agenda Item:	<b>34</b>	Roll Call:	<input style="width: 80%;" type="text"/>
	Submitted by:	<b>Erin Olson-Douglas, Development Services Department Director</b>		

**AGENDA HEADING:**

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Stapek Partners, LLC (Tim Rypma) for the renovation of the existing 17,657-square-foot commercial building located at 112 SE 4th Street for commercial and residential mixed-uses.

**SYNOPSIS:**

Stapek Partners, LLC (Tim Rypma, Partner, 512 ½ East Grand Avenue, Suite 201, Des Moines, IA 50309) is proposing a \$6.3 million historically compatible renovation of the existing commercial building located at 112 SE 4th Street. The first floor will consist of commercial retail or restaurant space, the 2nd floor will be office space, and the 3rd floor is proposed to contain four (4) dwelling units. Construction is anticipated to begin in the first quarter of 2021 with completion in late 2021.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Stapek Partners, LLC, which provides for tax increment financing (TIF) to respond 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 financial terms propose approximately \$831,473 in project generated tax increment on a cash basis, or \$531,394 on a net-present-value {NPV} at a 4.5% discount rate) based on the following schedule: 95% in years 1-10, 85% in years 11-15. The developer intends to file for 10-year declining residential tax abatement on the third story multi-family units which has a projected value of \$131,420.

Year	Estimated Taxes Received Without Project*	Estimated Taxes Received with Project*	Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$133,568	\$665,773	\$389,133	\$246,641
Sum 20 Years	\$296,368	\$1,759,659	\$831,473	\$938,186
Sum 30 Years	\$494,796	\$3,134,511	\$831,473	\$2,303,038

\*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:  
\$85,000 commercial building valuation  
\$195,000 land assessment

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

#### **ADDITIONAL INFORMATION:**

- The Central Oil Works warehouse building was originally constructed in 1869 and has had several additions and modifications to the structure over the course of its history. Several original segments of the building have been demolished, but the remaining portion of the building to be renovated dates back to 1874. The building has been the home of the Garden Nightclub since 1984.
- This development is situated on the northern end of the burgeoning Market District redevelopment area and represents another investment that will enhance the offerings in the neighborhood and preserve the useful life of the building.
- The developer proposes to a complete historic renovation and will apply for state and federal tax credits. The project will be restored to State Historic Preservation Office (SHPO) standards and will replace all mechanical systems, utilities and finishes in the building, as well as stabilize and improve the exterior masonry conditions, provide new windows throughout, add modern fire suppression systems, egress stairs, a new elevator, a grease interceptor, and a new roof.
- The first floor will contain roughly 9,245 square feet of commercial retail/restaurant space and will include a large outdoor green space north of the building to allow for patio uses. The second floor is proposed to have 4,212 square feet of office space, and four (4) market-rate dwelling units are proposed for the third floor.
- The developer will construct interim streetscaping conditions along SE 4th Street until the City will entirely reconstruct the street cross section from East Court Avenue to East Martin Luther King Jr. Parkway, which is tentatively projected for construction around 2025. Additionally, the developer will be responsible for paying for the construction of a new half-segment of East Vine Street located just north of the site, including bioswales and landscaping in conformance with the Market District Master Conceptual Development Plan.
- The developer shall exceed the applicable Energy Code requirements by seeking participation and approval of Mid-American Energy's Commercial New Construction program.
- Stapek Partners, LLC has agreed to cap the rent for one (1) of the apartment units at 80% Area Median Income (AMI) levels for a minimum of the 15-year period of the Urban Renewal Agreement.

Vicinity Map and Existing Photo



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

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

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Urban Design Review Board – design and financial assistance reviews.
- City Council – final terms of an Urban Renewal Development Agreement.

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