


## COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	<b>22-498</b>	Meeting:	<b>October 24, 2022</b>
	Agenda Item:	<b>34</b>	Roll Call:	<b>22-1646</b>
	Submitted by:	<b>Michael Ludwig, Interim Development Services Department Director</b>		

### AGENDA HEADING:

Resolution approving the first amendment of an Urban Renewal Development Agreement with 13th & Mulberry, LLC, and 13th and Mulberry Multifamily, LLC, for the construction of a 5-story mixed-use building on adjacent lot northwest of 13th and Mulberry.

### SYNOPSIS:

On December 21, 2020, by Roll Call Number 20-2118, the City Council approved final terms of an urban development agreement with 13th & Mulberry, LLC and 13th and Mulberry Multifamily, LLC (Josh Aberson and Byron Schafersman of Green Acre Development, Lloyd Companies, and Tim Rypma of Rypma Properties, Owners and Developers, 230 S Phillips Avenue, #205, Sioux Falls, SD 57107) for a \$22.7 million project occurring over two (2) phases. The first phase was a historic renovation of the existing 1-story, approximately 15,000-square-foot building located at 213 13th Street for commercial office uses with approximately 30-underground parking spaces. The second phase proposed is to construct a new mixed-use building on the adjacent lot to the west of 13th Street with a minimum of 5-stories, 81 apartment units, and 3,000 square feet of commercial retail space. The amended terms negotiated are with respect to the second phase of the project.

The Office of Economic Development has negotiated amended terms of an urban renewal development agreement with 13th & Mulberry, LLC, and 13th and Mulberry Multifamily, LLC, which provides for tax increment to serve as a core mechanism for responding to a financing gap on the second phase of the project, as presented by the development team. Developer will not be pursuing tax abatement. The proposed First Amendment to the Urban Renewal Development Agreement proposes the following changes:

- Incentives generated from the increment of the building valuations with a schedule of 100% in years one (1) through seven (7), 95% in years eight (8) through 12, 90% in years 13-16, 80% in years 17-18 and 70% in years 19-20.
- The number of affordable units will double in this first amendment to the development agreement, from 10% to 20%. Rents will not exceed a maximum of the 65% HOME rent limits annually as determined by the United States Department of Housing and Urban Development (HUD) for the Des Moines-West Des Moines metropolitan statistical area and restricted to households earning at or below the HOME 80% income limits.

**FISCAL IMPACT:**

Amount: The amendment proposes the second phase to receive tax increment financing (TIF) incentives generated from the building valuations (exclusive of land and in lieu of tax abatement) with a schedule of 100% in years one (1) through seven (7), 95% in years eight (8) through 12, 90% in years 13-16, 80% in years 17-18 and 70% in years 19-20. The Phase 2 incentive is approximately \$5.8 million on a cash basis (capped at \$3.6 million on a net present value {NPV} at a 4.5% discount rate). The TIF incentive represents 17% 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	\$171,629	\$3,649,888	\$2,845,907	\$803,981
Sum 20 Years	\$380,819	\$8,098,553	\$5,825,547	\$2,273,005
Sum 30 Years	\$635,789	\$13,520,799	\$5,825,547	\$7,695,251

\*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:

\$ 12,945,000 Building Assessment

\$ 382,900 Land Assessment

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

**ADDITIONAL INFORMATION:**

- Incentives for the Phase 1 historic renovation are contingent on the commencement and completion of construction on the second phase mixed-use building. The project will utilize Mid-American Energy's Commercial New Construction Energy Efficiency Program for both phases of the project and is researching additional energy efficiency options.
- The development team has agreed to include electric vehicle charging stations in the mixed-use project and will make onsite parking electric vehicle charging ready to the extent possible by installing the necessary conduit in both phases.
- The development team utilized federal and state historic tax credits and worked with the State Historic Preservation Office (SHPO) on the Phase 1 historic renovation of the existing Iowa Ford Tractor Company building at 213 13th Street. The building was originally constructed in 1949 and used as a tractor repair and storage facility.

Architectural Rendering



Vicinity Map



**PREVIOUS COUNCIL ACTION(S):**

Date: December 21, 2020

Roll Call Number: [20-2118](#)

Action: [Urban](#) Renewal Development Agreement with 13th & Mulberry, LLC and 13th and Mulberry Multifamily, LLC (Josh Aberson, Bryon Schafersman and Tim Rypma), and Conceptual Development Plan, for the Historic Renovation of existing one-story commercial building at 213 13th Street and construction of five-story mixed-use building on adjacent lot Northwest of 13th and Mulberry. ([Council Communication No. 20-564](#)) Moved by Boesen to adopt. Motion Carried 7-0.

### **BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: September 19, 2022

Resolution Number: NA

Action: Motion to recommend approval of the final design of the Phase 2 Multifamily Project as presented noting Board comments including secured bicycle parking by Hielkema. Seconded by Nagel. Motion carried. Yes = 6, No = 0, Abstain = 0, Absent = 3. Motion to recommend approval of the financial incentive structure as presented by Hielkema. Seconded by Garrison. Motion carried. Yes = 6, No = 0, Abstain = 0, Absent = 3.

### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- City Council – Certificate of Completion

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