


## COUNCIL COMMUNICATION

	Number:	<b>22-579</b>	Meeting:	<b>December 12, 2022</b>
	Agenda Item:	<b>29</b>	Roll Call:	<b>22-1888</b>
	Submitted by:	<b>Matthew A. Anderson, Deputy City Manager</b>		

### AGENDA HEADING:

Resolution approving final terms of an urban renewal development agreement with North Des Moines Town Hall, LP.

### SYNOPSIS:

North Des Moines Town Hall, LP (Chaden Halfhill and Kuuku Saah, Members, Sixth Avenue Catalyst, LLC, its General Partner) has proposed the renovation of a 4,800-square-foot historic 2-story building at 1601 6th Avenue, which will include a restaurant use on the first floor and four (4) residential units on the second floor. The project is anticipated to cost \$3.2 million and is expected to complete construction in the fall of 2023.

The Office of Economic Development has negotiated final terms of an urban renewal development agreement with North Des Moines Town Hall, LP that provides for two (2) non-project generated tax increment finance (TIF) payments to serve as a mechanism for responding to a financing gap, as presented by the development team.

It is important to note that the original entity which applied for and received initial approval for these funds was entitled 'Indigo Dawn, LLC,' represented by Chaden Halfhill, Manager. Due to an expected structural partnership, the ownership was transferred to the aforementioned limited partnership, entitled North Des Moines Town Hall, LP.

This Developer applied on behalf of this project for the Neighborhood Commercial Revitalization (NCR) program and received the highest score out of all applications received. Because of its location, and the intent to fully fund this project at the requested amount, the proposal is to address and support this project with increment generated from the Metro Center TIF in order to award more NCR applications, given the limited NCR program funding allocation. Additional details are provided in the fiscal impact section below.

### FISCAL IMPACT:

Amount: The final terms propose a non-project generated TIF grant in the amount of \$160,000, which is equivalent to the maximum award from the NCR program. The proposed structure of the TIF grant would closely mimic the structure of the NCR award, with 50% of the grant to be awarded upon 50% completion of the project, and the balance of the grant to be awarded upon full completion of the project. As proposed in the NCR grant rules, invoices and lien waivers for this project would be reviewed prior to grant disbursement. The Developer also intends to apply for tax abatement.

Year	Estimated taxes received without project	Estimated taxes received with project	Estimated incentive paid	Estimated net taxes received
SUM 10 Years	\$12,248	\$43,478	\$160,000	(\$116,522)
SUM 20 Years	\$28,890	\$205,748	\$160,000	\$45,748
SUM 30 Years	\$51,203	\$422,380	\$160,000	\$262,380

\*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 as completion of construction:

\$203,000 commercial building valuation

\$224,000 residential building valuation

Due to a delayed update to the Fourth Restated Urban Revitalization Plan, there is a provision in the development agreement to allow for the rebate of incremental property taxes associated with the multi-family residential portion of this project according to the applicable Missing Middle schedule.

However, it is anticipated that this provision will not take effect due to the anticipated update to the Urban Revitalization Plan.

Funding Source: Tax increment generated by Metro Center TIF District.

#### **ADDITIONAL INFORMATION:**

- The building, known as Perry and Brainard Block or North Des Moines Hall, located at 1601 6th Avenue, was built in 1888 to serve as City Hall for the former city of North Des Moines. The building served in this capacity until the city of North Des Moines was annexed into the City of Des Moines in the mid 1890's. In October 2016, 6th Avenue Corridor, Inc., purchased and stabilized the vacant and blighted building with City assistance under the Community Development Block Grant Program (CDBG) to address slum and blight and increase affordable housing in the City. The 6th Avenue Corridor, Inc., through a public Request for Proposal (RFP) process, selected Indigo Dawn, LLC as the preferred developer to rehabilitate the building.
- This project will be a historic renovation of the building to include approximately 2,400 square feet of ground floor commercial, which will be occupied by a restaurant tenant, and an additional 2,400 square feet on the upper floor to include four (4) residential apartment units. The building has been vacant due to the condition of the building.
- This property is the ultimate recipient and guarantor of CDBG funds, which means that there is the expectation that 51% of the residential units remain affordable for households/individuals that are below 80% of median income, and the maximum (gross) rent limit on the affordable units cannot exceed \$850. The affordability period is five (5) years from the date of construction completion.
- This project is receiving State Historic Tax Credits and all work will be undertaken following the State Historic Preservation Office standards.
- In addition to rehabbing the second-floor apartment units, the building renovations include major structural repairs, mechanical, electrical, and plumbing upgrades, façade improvements, site improvements, roof replacement, fire suppression system, and an addition to the rear of the building to allow for Americans with Disabilities Act (ADA) accessibility.

- There are sustainability elements included in the project scope, including renewable materials used for construction, Des Moines Area Transit (DART) stop proximity, solar electric generation system, and ground source geothermal heat pumps.
- The development team is approaching the ‘equity raise’ in an untraditional manner. The typical approach is to gather a small group of investors, each contributing a large sum to the project for an equity stake or return. With this project, however, the development team is focused on reflecting the neighborhood by recruiting investors who would be considered non-traditional and would be first-time investors as a result of this project. The investor base will be one (1) of the more diverse funding groups in the state, and there has been a fair amount of time spent on educating the investor base about the benefits and mechanics of tax credits and grant funding.

**PREVIOUS COUNCIL ACTION(S):**

Date: April 18, 2022

Roll Call Number: [22-0611](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with Indigo Dawn, LLC (Chaden Halfhill, Manager) for the renovation of an existing historic building for the mixed-use project at 1601 6th Avenue (North Des Moines Hall). ([Council Communication No. 22-192](#)) Moved by Gatto to adopt. Second by Boesen. Motion Carried 7-0.

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

Board: Urban Design Review Board

Date: October 4, 2022

Resolution Number: N/A

Action: Indigo Dawn, LLC and Ntontan re 1601 6th Avenue (North Des Moines Hall) final design. A consensus of the members present recommended approval of the proposed project’s final design and financial assistance, with the intention to update the Board on the final determination on site plantings, courtyard design, and rooftop equipment analysis.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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