

COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	23-131	Meeting:	March 6, 2023
	Agenda Item:	30	Roll Call:	23-0306
	Submitted by:	Matthew A. Anderson, Deputy City Manager		

AGENDA HEADING:

Second amendment to Urban Renewal Development Agreement with Terrace Hill I, LLC for the properties located at 2515 and 2525 Grand Avenue.

SYNOPSIS:

In 2019, the City Council approved a development agreement with Terrace Hill I, LLC (Jake Christensen, 215 E 3rd Street, Suite 300, Des Moines, IA 50309), for the renovation and restoration of the existing building at 2525 Grand Avenue back to its original use as a hotel. The project will also renovate and redevelop the 3,400-square-foot commercial building located adjacent to the site at 2515 Grand Avenue. The total project costs are estimated at \$21.3 million.

The project was delayed due to timing of receipt of historic tax credits. The historic tax credits have since been allocated to the project in January 2022. The proposed amendment is an update to the first amendment, which provided an accelerated rebate schedule to match up with the limited time frame remaining in the Ingersoll-Grand economic development designated tax increment financing (TIF) district, which expires in Fiscal Year (FY) 2036. The maximum cap on the incentive has been increased from the original agreement and first amendment to reflect \$2.9 million (net present value {NPV} at a 4.5% discount rate). This is to account for increased project costs due to financing and construction materials/labor.

FISCAL IMPACT:

Amount: The original terms provided for a declining schedule of the project generated tax increment from the taxable building valuations (exclusive of land), starting at 100% for years one (1) through four (4), 80% in years five (5) through eight (8), and 75% in years nine (9) through 14, capped at a maximum of \$2.5 million (NPV at a 4.5% discount rate).

The first amendment to the agreement provided for a schedule of the project generated tax increment from the taxable building valuations (exclusive of land) in years one (1) through 12, at 100% (the first of which is based on a partial project completion), with an additional \$150,000 of non-project generated TIF in years seven (7) through 12, capped at a maximum of \$2.5 million (NPV at a 4.5% discount rate).

The new terms propose a schedule of the project generated tax increment from the taxable building valuations (exclusive of land) in years one (1) through 11, at 100% (the first of which is based on partial project completion), with an additional \$185,000 of non-project generated TIF in years four (4) and five (5), and an additional \$180,000 of non-project generated TIF in years six (6) through 11,

capped at a maximum of \$2.9 million (NPV at a 4.5% discount rate). The assistance is estimated at 13.5% of total project costs. The project is anticipated to contribute approximately \$1.5 million in hotel/motel taxes over the duration of the assistance.

Year	Estimated Taxes Received without Project	Estimated Taxes Received with Project	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$671,586	\$2,916,491	\$2,697,084	\$219,407
Sum 20 Years	\$1,490,148	\$7,063,871	\$4,047,503	\$3,016,368
Sum 30 Years	\$2,487,850	\$12,117,493	\$4,047,503	\$8,069,990

*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:

\$8,005,200 commercial building assessment

\$570,300 land assessment

Funding Source: Tax Increment generated in the Ingersoll Grand Commercial Urban Renewal Area.

ADDITIONAL INFORMATION:

- The development team has been approved for federal and state historic tax credits and is working with the State Historic Preservation Office (SHPO) on design requirements.
- The Developer will comply with Mid-American Energy's Commercial New Construction Energy Efficiency Program. The Development Agreement requires the project to exceed energy code standards by 15-20%. The Development Agreement also requires installation of a minimum of two (2) electric vehicle charging stations on the site. The Developer intends to install solar panels as an alternative means for electrical generation, to the extent that SHPO will allow.

PREVIOUS COUNCIL ACTION(S):

Date: March 7, 2022

Roll Call Number: [22-0336](#)

Action: [First](#) Amendment to Urban Renewal Development Agreement with Terrace Hill I, LLC for the properties located at 2515 and 2525 Grand Avenue. ([Council Communication No. 22-079](#)) Moved by Gatto to adopt. Second by Boesen. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: December 3, 2019

Resolution Number: N/A

Action: Motion to approve final design as presented by Weisenbach. Seconded by Heiman-Godar.
Motion carried. Yes – 7, No – 0, Absent – 3, Abstain – 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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