


COUNCIL COMMUNICATION

	Number:	23-548	Meeting:	December 4, 2023
	Agenda Item:	18	Roll Call:	23-1692
	Submitted by:	Cody Christensen, Development Services Director		

AGENDA HEADING:

Resolution Approving Fourth Amendment to the Urban Renewal Agreement for sale of land for private development by and between the City of Des Moines and Nelson Development 1, LLC, to purchase and develop City-owned property at 418 East Grand Avenue in the Metro Center Urban Renewal Area.

SYNOPSIS:

On July 23, 2018, the City Council approved an Urban Renewal Development Agreement for the sale of two (2) surface parking lots located at 418 East Grand Avenue for private redevelopment in two (2) phases with Nelson Development 1, LLC (Michael Nelson, President, Nelson Development, 216 6th Avenue, #200, Des Moines, IA 50309). On January 13, 2020, the City Council approved a First Amendment to the Urban Renewal Development Agreement that authorized a minimum assessment agreement and an extension on the remaining purchase of land to March 1, 2020. The Second Amendment to the Urban Renewal Development Agreement provided an additional one (1)-year extension for closing on the remaining purchase of land for Phase 2 development to March 1, 2021. The Third Amendment, signed on April 8, 2021, revised the closing date to July 1, 2021.

The Office of Economic Development has negotiated amended terms of an urban renewal development agreement with Nelson Development 1, 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.

In addition to an amended incentive schedule, the proposed Fourth Amendment to the Urban Renewal Development Agreement proposes the following changes:

- Extension of closing deadline to April 15, 2024, and completion deadline to March 1, 2026.
- Addition of a stipulation requiring all-electric service to residential units.
- Provisions specifying penalty for failure to close, commence improvements and diligently pursue completion of the project.

FISCAL IMPACT:

Amount: The amendment proposes the second phase to receive tax increment financing (TIF) incentives generated from the building valuations (exclusive of land) with a schedule of 100% in years one (1) through 16, 95% in years 17 & 18 and, 90% in years 19 & 20 on the commercial portion of the building, and 100% in years nine (9) through 16, 95% in years 17 & 18, and 90% in years 19 & 20, on

the residential portion of the building. The Phase 2 incentive is approximately \$7.88 million on a cash basis (capped at \$4.1 million on a net present value {NPV} at a 4.5% discount rate). The TIF incentive represents 13% of total project costs.

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

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$276,982	\$1,913,510	\$1,363,344	\$550,167
Sum 20 Years	\$614,580	\$10,328,024	\$7,882,564	\$2,445,461
Sum 30 Years	\$1,026,061	\$20,584,038	\$7,882,564	\$12,701,474

*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 other years.

*Building and land valuation assumptions at completion of construction:

\$22,440,000 multi-residential building valuation, \$1,902,500 commercial building valuation
\$ 618,000 land assessment

ADDITIONAL INFORMATION:

- Nelson Development 1, LLC is proposing a five (5)-story, mixed-use building that will include 15,220-square-feet of commercial space on the ground floor and 132 residential units on floors two (2) through five (5). Total project cost is \$31.1 million.
- The developer has committed to durable construction materials including a steel and concrete structure with exterior finishes utilizing high quality materials such as full dimension brick, concrete, and architectural metal panels for the mixed-use building.
- Developer constructed a 399-stall parking structure on the northern portion of the block as Phase 1 of the project which also included the burying of overhead utilities on Des Moines and East 5th Street.

PREVIOUS COUNCIL ACTION(S):

Date: October 19, 2020

Roll Call Number: [20-1661](#)

Action: [Second](#) Amendment to the Urban Renewal Agreement with Nelson Development 1, LLC, to purchase and develop City-owned property at 418 East Grand Avenue in the Metro Center Urban Renewal Area. ([Council Communication No. 20-466](#)) Moved by Boesen to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: August 20, 2019

Resolution Number: NA

Action: A consensus of the members present recommended approval of the final design as presented.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- City Council – Certificate of Completion

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