

**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**00-524**

**SYNOPSIS -**

**AGENDA:**  
NOVEMBER 6, 2000

On the November 6, 2000, Council agenda is a communication recommending the preliminary Terms of Agreement between the City and Iowa State Bank Holding Company (John Burgeson, President, 627 East Locust Street, Des Moines, IA 50309) for a proposed new two-story, 30,700 square foot commercial building to be built at 601 East Locust in the Gateway East area.

**SUBJECT:**

NEW  
DEVELOPMENT  
PROPOSAL, 601  
EAST LOCUST -  
GATEWAY EAST

Iowa State Bank Holding Company (hereinafter referred to as Developer) estimates the construction cost to be about \$4.0 million and has requested City assistance to meet a financial gap so the project may proceed. City staff is proposing the project receive tax abatement under the ten-year declining exemption schedule. In addition, staff is proposing an economic development grant equal to 75% of the project's net new tax increment revenues not abated. The economic development grants will be paid in ten annual installments that coincide with the tax abatement schedule.

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

The Developer has agreed to a minimum assessment agreement on the completed project of \$2,456,000. The terms and conditions of the proposed development loan will be finalized during negotiations with the Developer and presented to City Council for approval.

**SUBMITTED BY:**

RICHARD CLARK  
DEPUTY CITY  
MANAGER

**FISCAL IMPACT -**

The City's economic development grant is to be paid in annual installments equal to 75% of the net new tax increment revenues generated by the project from the Metro Center Urban Renewal Area. Based on the minimum assessment agreement of \$2,456,000, the estimated economic development grant will total about \$389,000, and the project will generate an estimated increase in net new property taxes (after tax abatement and the economic development grant) of about \$130,000 over the project's first ten years.

**RECOMMENDATION -**

**Direct the City Manager to:**

- 1. Prepare a development agreement with Iowa State Bank Holding Company for the construction of a new 30,700 square foot retail/office building based on the general terms of agreement set forth in this communication.**
- 2. Refer this matter to the Urban Renewal Board, other City Boards and Commissions as necessary, and the East Village Neighborhood and Merchants Association for their review and comment at the appropriate times.**

**BACKGROUND -**

***Terms of Agreement***

Based on discussions with the Developer, an understanding has been reached on the following general points which will comprise the key features of a proposed agreement as outlined below. These points will be defined in detail as part of a formal development agreement between the City and Iowa State Bank Holding Company.

1. The Developer will undertake to construct a new 30,700 square foot commercial building to provide for retail and commercial office space. The total project cost for the project will be at least \$4.0 million.
2. The Developer will acquire construction and permanent mortgage financing in an amount sufficient to construct the project.
3. The Developer agrees to enter a minimum assessment agreement on the value of the new construction in the amount of \$2,456,000.
4. The Developer agrees to apply for tax abatement on the value added improvements resulting from the project under the Urban Revitalization ten-year declining exemption schedule.
5. The City will provide economic development grants through the Metro Center Urban Renewal Area tax increment financing revenues in an amount equal to 75% of the net new taxes generated by the project for a period of ten years. The economic development grant will be paid over the ten years that coincide with the Urban Revitalization ten-year declining exemption schedule.
6. The City will sell at fair market value to the Developer, City-

owned property located at the northwest corner of East Sixth and East Walnut. The property is currently an 18-space parking lot and will be used to provide parking to the proposed project. The City will retain the right, at its discretion, to purchase the property back from the Developer at the then fair market value.

7. Other terms and conditions of the development loan will be negotiated with the Developer and presented for Council approval.

The proposed project has been evaluated in accordance with the City's adopted standards for the use of tax increment financing (TIF) funds. The project meets all the required policy standards, as follows:

- the project is in accordance with the approved district plan;
- it will result in a significant increase in the taxable value of property within the district;
- it will create and retain permanent job opportunities in the district; and
- the amount of the TIF assistance will be the least amount necessary for the project to proceed and produces an acceptable rate of return to the City.

At this point in time, it is not possible to ascertain the exact number of jobs that the project will create and retain or the wages that will be paid. However, the project may be considered for eligibility under the TIF policy exceptions, as it will provide a positive impact on the district through its:

- Support of the adopted Capitol Gateway East Plan and the removal of slum and blight.
- Influence as a positive catalyst on the Gateway East area by providing increased retail amenities, visual and economic enhancement to the area.