



Council Communication

Office of the City Manager

Date

August 11, 2008

Agenda Item No. 28

Roll Call No. 08-

Communication No. 08-479

Submitted by: Matthew A. Anderson

Office of Economic Development

AGENDA HEADING:

Approving preliminary terms of agreement with R.E. Properties for renovation of properties at 506 – 524 East Grand Avenue.

SYNOPSIS:

R.E. Properties, LLC (Tim Rypma, 512 ½ East Grand Avenue, Des Moines, IA 50309) has acquired and begun a \$4.9 million historic renovation of the properties in the 500 block of East Grand. Four of the five buildings that comprise this project are on the National Register of Historic Places. Some of the retail bays have been renovated and occupied with new East Village businesses such as a piano bar and restaurant, custom dress design studio and retailer, and a sushi restaurant. The renovation is about 40% complete and has experienced serious cost overruns. In order to move forward with the remaining renovation steps (described in greater detail below in “Additional Information”) the developer has requested City assistance to fill a financing gap.

The Office of Economic Development has negotiated an economic development package to assist with a portion of the financial gap and ensure completion of the remaining project elements. The completed project will carry an assessed value of approximately \$3.4 million versus the assessment before rehabilitation of approximately \$1.04 million. This increase will generate new annual taxes of approximately \$110,000. The assistance package will grant 75% of the project’s new tax increment back to the developer for a period of 5 years. The net present value of this assistance is approximately \$350,000.

The developer has agreed not to apply for tax abatement.

FISCAL IMPACT:

Amount: An amount equal to 75% of the new incremental taxes generated by the project improvements for a term of 5 years. Approximately \$423,000 or a net present value of approximately \$350,000.

Funding Source: Project generated tax increment.

ADDITIONAL INFORMATION:

The proposed project is an historic rehabilitation of five buildings known as the Studio Block on East Grand Avenue. The vision of the developers is to restore the historical buildings to their former appearance and to recapture the original mixed-use design of residential units and retail. Eight

residential rental units original to the second stories of the buildings will be renovated as studio apartments and office space averaging approximately 1,600 square feet per unit.

Work plans for the street and basement levels include façade restoration, interior retail space renovation, an underground parking garage and a renovated pedestrian alley. Interior construction will include removal of non-original interior partitions back to original plaster walls. All electrical and HVAC will be updated and/or replaced and the buildings will be fully fire sprinklered.

In an example of what the balance of the project can become, the basement of Dornink boutique, a custom dress design studio and retailer, accommodates clean, dry work and storage space in what was recently a damp, dirt-floored space. Adjacent basement space will be similarly renovated. An underutilized indoor parking area in the back of the project will soon house a new jazz club which can be accessed via the renovated pedestrian alley.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board review and recommendation regarding project design and financing assistance package.
- City Council action regarding final development agreement

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