

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	February 8, 2016
	Agenda Item No.	19
	Roll Call No.	<u>16-0209</u>
	Communication No.	<u>16-058</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approving preliminary terms of agreement with Bronson Partners, LLC, for the renovation and conversion of 1417 Walnut Street for a mixed-use residential and commercial development.

SYNOPSIS:

Bronson Partners, LLC (Tim Rypma, Member, 102 Court Avenue, Suite 204, Des Moines, IA 50309), has proposed an adaptive reuse and restoration of the building at 1417 Walnut Street for commercial retail/restaurant and residential uses. The project is anticipated to cost \$4.1 million and would begin construction in spring 2016.

The Office of Economic Development has negotiated preliminary terms of an Urban Renewal Development Agreement with Bronson Partners, LLC for a financial assistance package to consist of project-generated tax increment (TIF) and the evaluation of a Neighborhood Commercial Revitalization (NCR) façade grant for the project.

FISCAL IMPACT:

Amount: Based on the new property tax increment generated by the project, 10 annual payments beginning in fiscal year (FY) 2020. Estimated total assistance package will have a net present value (NPV) of \$256,289. Proposed NCR Grant of \$15,000.

Funding Source: Metro Center Urban Renewal Area project generated tax increment funds. A project account for this request will be assigned by the Finance Department. If awarded, the NCR façade grant will be funded by Community Development Block Grant (CDBG) funds under the NCR program.

ADDITIONAL INFORMATION:

- Project is an adaptive reuse of a 2-story historic building near the western end of Walnut Street in downtown.
- The 20,000-square-foot building will be reused for six (6) upper floor, market rate apartment dwellings, and will have 7,000-square-feet of commercial retail or restaurant space on the first floor.
- Indoor parking will be provided on the north side of the building with access from the alley.
- The building will be restored to Secretary of Interior building rehabilitation standards, with the intent to place the building on the National Register of Historic Places when renovation is completed.

- The development will preserve an existing historic building, and will be a significant and early lynchpin of the revitalization efforts along this segment of Walnut Street.
- The anticipated project construction start date is in April of 2016.

Financial Assistance

- The developer has provided the Office of Economic Development with a financial analysis of the \$4.1 million project, which indicated a gap between actual project costs and the project appraisal.
- Funding sources include:
 - Federal 10% historic tax credit equity of \$410,000;
 - City of Des Moines project generated tax increment at a NPV of \$256,289 for the commercial portion of the project (10 years);
 - NCR grant of \$15,000;
 - Estimated Workforce Housing Tax Credit of \$275,000;
 - Bank financing of \$2.7 million;
 - Developer and investor equity of \$1.4 million; and
 - The upper-floor residential component of the project is eligible to receive 10-year, 100% tax abatement.
- Funds will be used for “hard” costs (construction, acquisition, etc.) of \$2.7 million and “soft” costs (interim financing, legal fees, developer fee, required reserves, etc.) of about \$338,000.
- The proposed financial assistance package will use project generated tax increment revenues. The property, now assessed at \$302,000, is anticipated to increase to more than \$1.5 million.
- The smaller scale of this development places the financial performance of the project on a thin margin. A reasonable return on investment (ROI) cannot be projected without the inclusion of the project generated tax increment.

Project Aerial and Site Vicinity Map





PREVIOUS COUNCIL ACTION(S):

Date: January 30, 2015

Roll Call Number: [15-0162](#)

Action: Approving support for Workforce Housing Tax Credit Benefit Applications to be submitted to the Iowa Economic Development Authority for the following: [\(Council Communication No. 15-043\)](#)

- (D) [Bronson](#) Partners, LLC (Tim Rypma, Member, 102 Court Avenue, Suite 204, Des Moines, IA 50309) for a \$3,800,000 project constructing eight (8) housing units at 1417 Walnut Street. Moved by Hensley to approve, subject to the projects being required to meet all other City requirements, including without limitation, local funding and zoning; and acknowledging that the Council had to act without the normal detailed review, but did so in an effort to aid the applicants and improve the quality of life in Des Moines and further did so with the understanding that the process will be more refined and complete prior to additional submissions for the program. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: January 12, 2016

Resolution Number: N/A

Action: Informational review of project only. Design suggestions provided, but no formal action taken.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Final review and recommendation of the project by the Urban Design Review Board.
- Approval of the site plan by the Plan and Zoning Commission.
- Final consideration and approval of final Urban Renewal Development Agreement.

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