

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	March 7, 2016
	Agenda Item No.	30
	Roll Call No.	<u>16-0393</u>
	Communication No.	<u>16-114</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approving final 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:

On February 8, 2016, City Council approved preliminary terms of agreement with Bronson Partners, LLC, (Tim Rypma, Member, 102 Court Avenue, Suite 204, Des Moines, IA 50309), on 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 final terms of an Urban Renewal Development Agreement with Bronson Partners, LLC for a financial assistance package to consist of project-generated tax increment (TIF).

FISCAL IMPACT:

Amount: 20 semi-annual installments payable each December 1st and May 1st, equal to 75% of the tax increment generated by the project beginning in FY 2019 and paid through FY2028. Total financial assistance package has an estimated net present value (NPV) of \$256,289.

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.

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 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:
 - Estimated Federal historic tax credit equity of \$410,000;
 - City of Des Moines project generated tax increment of \$256,289 for the commercial portion of the project (10 years);
 - Estimated Workforce Housing Tax Credit of \$90,000;
 - 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 generated Metro Center Urban Renewal 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: February 8, 2016

Roll Call Number: [16-0209](#)

Action: [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. ([Council Communication No. 16-058](#)) Moved by Gatto to receive, file and approve the preliminary terms of agreement as set forth in Council Communication No. 16-058, and to direct the Office of Economic Development to proceed with negotiation of a formal agreement with Bronson Partners, LLC, consistent with the terms set forth in Council Communication No. 16-058. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: February 16, 2016

Resolution Number: N/A

Action: Motion to approve preliminary and final design as presented. Motion by Heiman-Godar, seconded by MacRae. Motion carried. Yes = 8, No = 0, Abstain = 1, Absent = 1. Motion to approve financial assistance from Tax Increment revenues as being reasonable and appropriate. Motion by Reynolds, seconded by MacRae. Motion carried. Yes = 8, No = 0, Abstain = 1, Absent = 1.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval of the site plan by the Plan and Zoning Commission.

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