

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	September 10, 2018
	Agenda Item No.	50
	Roll Call No.	[_____]
	Communication No.	<u>18-441</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution approving final terms of an urban renewal development agreement with Des Moines Griffin Building, LLC for the historic renovation of the Griffin Building at 319 7th Street into a mixed-use residential and commercial development.

SYNOPSIS:

Des Moines Griffin Building, LLC (Tim Rypma, Jeremy Cortright, and Paul Cownie, Development members; Ron Daniels, and Abe Wolf, Lead Investors, 102 Court Avenue, Suite 204, Des Moines, IA 50309) has proposed a historic restoration of the 6-story, approximately 50,400-square-foot building at 319 7th Street. The project proposes approximately 35 multi-residential apartment units, commercial office, and retail uses. The project is anticipated to cost \$12.4 million and would begin construction in fall 2018.

The Office of Economic Development has negotiated terms of an urban renewal development agreement with Des Moines Griffin Building, LLC, that provides for tax increment generated by the proposed project to serve as the core mechanism for responding to a financing gap presented by the developer. Additional details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The multi-residential apartment units will be eligible for the 10-year declining tax abatement. The project will otherwise receive 100% of the project generated tax increment from the taxable building valuations (exclusive of land) in years 1-20, estimated at \$1.6 million (NPV at a 4.5% discount rate). The assistance is estimated at 12.6% of total project costs.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project**	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$575,132	\$1,251,921	\$495,000	\$756,921
Sum 20 Years	\$1,148,173	\$4,199,727	\$2,403,908	\$1,795,819
Sum 30 Years	\$1,796,517	\$7,723,521	\$2,845,578	\$4,877,943

*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.

Building and Land Valuation Assumptions at Completion of Construction:

\$5,005,000 Multi-residential Building Assessment

\$2,430,000 Commercial Building Assessment

\$ 570,000 Land Assessment

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

ADDITIONAL INFORMATION:

- The development agreement includes an affordability component by requiring that a minimum of 10% of the multi-residential apartment units be leased at affordable rents. 5% of the units will not exceed the 65% HOME rent limits and 5% of the units will not exceed the 50% HOME rent limits for the Des Moines-West Des Moines, IA Metropolitan Surrounding Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).
- The original building was constructed in two (2) stages. The first three (3) floors were completed in 1885, and the top three (3) floors were completed in 1906. Throughout its existence, it has housed retail space on the first floor and offices on the upper floors.
- Formally known as the Flynn Building and renamed in 1998 as the Griffin Building after Edna Griffin, an outspoken African American woman with a finely-honed sense of justice and the will to act, out of respect and thanks for her contributions to civil rights in Iowa.
- The Griffin Building is a site of historical significance in the fight for civil rights and anti-discrimination in our community. On July 9, 1948, Edna Griffin along with her infant daughter Phyllis, John Bibbs, and Leonard Hudson visited Katz Drug Store at this site to buy ice cream and sodas. The group was refused service based on their race.
- The subsequent picketing, sit-ins, and distribution of handbills calling for a boycott of the store were events orchestrated by Edna Griffin to force Katz Drug Store to obey the 1884 Iowa Civil Rights Act, which guaranteed that “equal accommodation” would be provided to all, regardless of race. Those actions resulted in a 1949 Iowa Supreme Court ruling for the plaintiffs and the subsequent desegregation of the Katz Drug Store.
- The historic rehabilitation will utilize Workforce Housing Tax Credits, State and Federal historic tax credits, with all work undertaken following the Secretary of the Interior’s Standards and Guidelines for Historic Rehabilitation.
- The Development Agreement will provide for historical recognition of the site and Edna Griffin, and it is to be located within the ground floor of the building.
- The land and building valuations as of January 1, 2017 are \$570,000 and \$1,205,000, respectively for a total assessed valuation on the property of \$1,775,000. The Development Agreement will recognize these valuations as the frozen base in determining future increment generated from the project.

PREVIOUS COUNCIL ACTION(S):

Date: July 9, 2018

Roll Call Number: [18-1159](#)

Action: [Authorizing](#) the City Manager to negotiate an agreement based on preliminary terms with Des Moines Griffin Building, LLC for residential and commercial development at 319 7th Street. ([Council Communication No. 18-352](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: August 28, 2018

Resolution Number: N/A

Action: Motion to recommend approval of final design by Nagle. Seconded by Barnum. Motion carried. Yes = 6; No = 0; Abstain = 2; Absent = 2. Motion to recommend approval of financial assistance by Nagle. Seconded by Weisenbach. Motion carried. Yes = 6; No = 0; Abstain = 2; Absent = 2.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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