


COUNCIL COMMUNICATION

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|  | Number: | 19-216 | Meeting: | May 20, 2019 |
| | Agenda Item: | 31 | Roll Call: | [<input type="text"/>] |
| | Submitted by: | Erin Olson-Douglas, Economic Development Director | | |

AGENDA HEADING:

Resolution approving final terms of an urban renewal development agreement with Jarcor, LLC (Joe Cordaro, Principal) for the historic renovation of the Argonne Apartments Building at 1723 Grand Avenue for a mixed-use residential and commercial development.

SYNOPSIS:

Benchmark Real Estate Group, d/b/a Jarcor, LLC (Joe Cordaro, Principal, 950 Office Park Road, Suite 300, West Des Moines, IA 50265) has proposed a historic restoration of the 4-story, 35,720-square-foot building at 1723 Grand Avenue, proposing to contain approximately 45 multi-residential apartment units, and 6,900 square feet of first floor commercial use. The project is anticipated to cost \$7.7 million dollars and would begin construction in the fall of 2019 with completion in late 2020.

The Office of Economic Development has negotiated the final terms of an urban renewal development agreement with Jarcor, LLC, which provides for tax increment generated by the proposed project to address a financing gap presented by the developer. Additional details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The project will be eligible for 10-year declining tax abatement. The project will receive 100% of the project generated tax increment from the taxable building valuations (exclusive of land) in years 8-20, estimated at \$984,000 (NPV at a 4.5% discount rate). The tax increment finance (TIF) assistance is estimated at 12.8% of the total project costs. The development agreement will include a minimum assessment of \$4,500,600 and \$521,400 on the Multi-Residential and Commercial assessed buildings, respectively (exclusive of land valuations).

| Year | Estimated Taxes Received without Project* | Estimated Taxes Received with Project* | Estimated Incentive Paid | Estimated Net Taxes Received |
|--------------|---|--|--------------------------|------------------------------|
| Sum 10 Years | \$121,464 | \$373,247 | \$164,201 | \$209,046 |
| Sum 20 Years | \$269,509 | \$2,227,804 | \$1,617,227 | \$610,577 |
| Sum 30 Years | \$449,955 | \$4,636,273 | \$1,966,987 | \$2,669,286 |

*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:

\$4,500,600 Multi-residential Building Assessment

\$181,025 Multi-residential Land Assessment

\$521,400 Commercial Building Assessment

\$121,100 Commercial Land Assessment

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

ADDITIONAL INFORMATION:

- The Argonne Apartment Building consists of a 4-story brick structure and a 1-story annex that was originally constructed in 1919 at the corner of Grand Avenue and 18th Street. The first floor of the building contains commercial retail space and the upper floors of the building have 43 existing efficiency apartments. The building has historically operated as residential, retail, auto garage hybrid, with smaller upper floor apartments that served as housing for factory workers employed at the Ford auto plant located across Grand Avenue.
- Jarcor, LLC intends to perform a historically compatible rehabilitation to the building that will provide for a total of 45 dwelling units, with the majority being studio apartments that will serve as workforce housing proximate to surrounding employers. Much of the first floor will remain commercial; however, two (2) commercial bays along 18th Street will be converted into six (6) apartment units. Some existing upper floor studio apartments will be combined to create larger dwelling units.
- The dwelling units will consist of a mix of 1-bedroom and studio apartments ranging from 375 square feet to 888 square feet, with additional storage spaces provided for many of the units. A total of 6,952 square feet of commercial space will remain on the first level. There are five (5) covered parking stalls that will remain in the 1-story annex building, but most units will need to seek parking off-site. A DART bus stop is located along Grand Avenue, providing transit service adjoining the site.
- The Developer has conducted an analysis of the building by a structural engineer that indicates several substantial structural deficiencies that need to be addressed to stabilize the integrity of the building, but lead to a substantial cost gap on the project.
- Noticeable exterior improvements will include new window and storefront replacement, brick cleaning and tuckpointing, refurbishment and repair of warehouse windows and segments of brick. HVAC will be centralized to avoid having window-mounted air conditioning units that exist currently.
- The future terms of the development agreement include an affordability component requiring that a minimum of 10% of the multi-family residential apartment units be leased at affordable rents. 10% of the units will not exceed the 65% HOME rent limits for the Des Moines-West Des Moines, IA Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).
- The Developer shall exceed the applicable Energy Code requirements by seeking participation and approval of Mid-American Energy's Commercial New Construction program. The final program verification report shall be provided to the City prior to issuance of the initial financial assistance payment. The Developer has enlisted the Weidt Group to provide an energy audit for the project.
- City staff are analyzing options for reinforcing established and applicable federal and state labor and tax laws.

- The historic rehabilitation would utilize state and federal Historic Tax Credits, with all work undertaken following the Secretary of the Interior's Standards and Guidelines for Historic Rehabilitation. The Iowa Economic Development Authority (IEDA) is no longer accepting applications to utilize the state's Workforce Housing Tax Credit Program at this time, which has been a common financial source utilized on most recent multi-family projects.
- Except for three (3) commercial retail bays on the first floor, the building is currently vacant and the assessed building valuation as of January 1, 2019 is only \$1,000. The current land valuation is \$403,100. Rehabilitation of this building at an important downtown intersection will put the building back into productive use, and structurally stabilize a street corner that would otherwise be difficult to redevelop due to the very limited land area.

PREVIOUS COUNCIL ACTION(S):

Date: April 22, 2019

Roll Call Number: [19-0641](#)

Action: [Preliminary](#) terms of an urban renewal development agreement with Jarcor, LLC (Joe Cordaro, Principal) for the historic renovation of the Argonne Apartments Building at 1723 Grand Avenue for a mixed-use residential and commercial development. ([Council Communication No. 19-173](#)) Moved by Mandelbaum to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: May 7, 2019

Resolution Number: N/A

Action: A consensus of the members present recommend final approval of the design and financial assistance.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Plan and Zoning Commission review on May 16, 2019.

Approval of Certificate of Completion upon project close, to commence Economic Development Assistance.

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