


COUNCIL COMMUNICATION

	Number:	19-417	Meeting:	September 23, 2019
	Agenda Item:	34	Roll Call:	19-1502
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with BH 3750 Grand, LLC, for the partial preservation of the existing structure and construction of an 8-story residential building with approximately 42 condominiums and 36 indoor parking stalls at 3750 Grand Avenue.

SYNOPSIS:

The Developer, BH 3750 Grand, LLC, (Harry Bookey, Developer, 400 Locust Street, Suite 790, Des Moines, IA) is proposing a partial preservation of the vacant First Church of Christ Scientist property located at 3750 Grand Avenue, and new construction of an 8-story building with approximately 42 condominiums on the upper six (6) stories and approximately 36 indoor parking stalls located on floors one (1) and two (2). Total project costs are estimated at \$34.7 million.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with BH 3750 Grand, LLC, which provides for tax increment generated by the proposed project over a 10-year period 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 proposed terms provide for project generated tax increment on the building valuations, exclusive of land, at 100% for a 10-year term. The financial assistance will be capped at a maximum of \$4,313,800 (NPV at a 4.5% discount rate). The assistance is estimated at 12.4% 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	\$0	\$8,716,485	\$5,751,784	\$2,964,701
Sum 20 Years	\$0	\$19,395,794	\$5,751,784	\$13,664,010
Sum 30 Years	\$0	\$32,412,247	\$5,751,784	\$26,660,463

*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, 1.5% growth in non-re-assessment years.

**Building and land valuation assumptions at completion of construction:

\$29,248,002 commercial building assessment

\$ 308,000 land assessment

Funding Source: 38th and Grand Urban Renewal Area – TIF District #1.

ADDITIONAL INFORMATION:

- The buildings at 3750 Grand Avenue were built in the 1930s and 1940s for First Church of Christ Scientist. The real estate was listed for sale in December 2008 and sold four (4) years later to WesleyLife. The last church service on this site was held in July 2010 and the buildings have been vacant and unoccupied since that time. In recent years, the buildings have experienced rapid decline in condition with vandalism as well as significant water damage causing mold and deterioration to the buildings' interiors. The buildings were all recently downgraded to below normal condition on the Polk County Assessor's records.
- The proposal includes new construction of for sale condominium units which helps to fill a missing housing type in Des Moines.
- The property has historically been exempt from property taxes. This development proposal would bring the property and buildings onto the tax rolls.
- The proposal preserves and renovates the original Sunday school wing, the rectory, and the administrative wing. The original front courtyard façade and the church's main entrance doorways will also be preserved and restored to a large extent. The Grand Avenue courtyard between the two (2) wings would be completely re-landscaped and refurbished. All of the existing stained-glass windows in the spaces identified to be restored will be preserved. The project proposes to preserve approximately 10,036 square feet of the existing church buildings and would demolish the sanctuary building, which is approximately 10,831 square feet.
- The Developer will use a concrete and steel structural system with stone cladding for the new residential portion of the project to respond to the historic stone materials in the existing portions of the church that are proposed for preservation and reuse.
- The Developer will utilize Mid-American Energy's Commercial New Construction Energy Efficiency Program and will work with Willdan (formerly the Weidt Group) prior to final terms of agreement to determine a percentage of energy performance above energy code that is achievable for the project.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – design and financial assistance recommendations
- Plan and Zoning Commission – rezoning planned unit development (PUD)
- City Council – rezoning PUD hearing and consideration of final terms of development agreement

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