


COUNCIL COMMUNICATION

	Number:	19-501	Meeting:	November 18, 2019
	Agenda Item:	37	Roll Call:	19-1841
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement for 611 Fifth Avenue, LLC, for the substantial renovation of the existing office building at 611 5th Avenue.

SYNOPSIS:

Knapp Properties, d/b/a 611 Fifth Avenue, LLC (Chris Costa, Officer, 5000 Westown Parkway, Suite 400, West Des Moines, IA 50266) proposes an extensive renovation of the existing 5-story office building at 611 5th Avenue, to provide Class A office space to new corporate office tenants.

The renovation of the 109,758-square foot building is estimated to cost \$23.3 million. The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with 611 5th Avenue, LLC, which provides for tax increment generated by the proposed project over a 15-year period to assist with a financial gap presented by the Developer. Additional details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The financial assistance will be funded through project-generated tax increment revenue over a 15-year term, capped at a maximum of \$3.8 million dollars (net present value at a 4.5% discount rate). The net present value assistance is estimated at 15.9% 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	\$301,292	\$4,409,309	\$3,742,813	\$666,496
Sum 20 Years	\$602,584	\$9,553,545	\$5,598,819	\$3,954,726
Sum 30 Years	\$903,876	\$15,570,620	\$5,598,819	\$9,971,801

*Taxes include all property taxing authorities (not just City property taxes).

*Taxes received used the following assumptions: 1.5% assessment growth annually

**Building and land valuation assumptions at completion of construction: \$12,033,625 commercial building assessment; \$1,350,000 land assessment

Funding Source: Metro Center Urban Renewal Area

ADDITIONAL INFORMATION:

- 611 5th Avenue was originally constructed in 1954 as the home of the Central Life Assurance Company Home Office Building, and sat prominently with several other newly constructed insurance company offices of that era. It represents one (1) of the last remaining mid-century International Style corporate office headquarters buildings in downtown Des Moines. It has been leased as speculative office space when Amerus/Aviva vacated the building in 2010, and is currently sparsely occupied with office tenants.
- The assessed building valuation is currently \$690,000, a significant drop from the \$3.5 million assessed valuation from 10 years ago.
- The project being proposed by 611 Fifth Avenue, LLC is a major renovation of the building to Class A office space standards with state of the art energy and mechanical systems that will enhance the workplace in attracting desirable office tenants.
- Part of the scope of renovation work is the substantial remediation of asbestos materials in the building, which has a cost estimate of nearly \$3 million, creating a significant financial gap on the project.
- The applicant has sought Historic Tax Credits and Brownfield-Grayfield Tax Credits from the State of Iowa, but has been unsuccessful in obtaining the tax credits on several occasions. Renewed interest in the office reuse of the building from corporate office tenants has brought more immediate attention to providing a substantial renovation at this time.
- The project includes substantial improvements in energy efficiency, including installation of new windows to help create an efficient building envelope, installation of LED lighting, and water conserving plumbing fixtures.
- 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.
- Staff will work with the developer to improve the public vertical access point to the skywalk system that parallels and connects to the building.
- The Developer will restore the "ribbon" of windows that were a component of the original design of the building. Based on historical records, the window openings were infilled with much smaller window fenestration during the 1970's.
- Historical Photos demonstrating ribbon window pattern:



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Design and financial assistance recommendations
- City Council – Final terms of an urban renewal development agreement and acceptance of the conceptual plan

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