


COUNCIL COMMUNICATION

	Number:	19-548	Meeting:	December 16, 2019
	Agenda Item:	36	Roll Call:	19-2021
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Aust Real Estate, LLC for the historic renovation of the Ferrington Place building located at 1201 Keosauqua Way for a commercial development.

SYNOPSIS:

Aust Real Estate, LLC, (Matt and Mindy Aust, Owners, 1031 7th Street, West Des Moines, IA 50265) have proposed a historic restoration of the currently vacant 2-story, 18,912-square-foot building at 1201 Keosauqua Way, to include first and second floor office and/or retail space. The project is anticipated to cost \$4.7 million dollars and would begin construction in the spring of 2020 with completion in the fall of 2021.

The Office of Economic Development has negotiated the preliminary terms of an Urban Renewal Development Agreement with Aust Real Estate, LLC, which provides tax increment generated by the proposed development project to address a financing gap presented by the Developer. Additional details are in the fiscal impact section below.

FISCAL IMPACT:

Amount: The project would receive 90% of the project-generated tax increment from the taxable increase in assessed building valuation (exclusive of land) in years 1-20, estimated at \$930,609 on a cash value or \$488,593 (net present value at a 4.5% discount rate). The tax increment finance (TIF) assistance is estimated at 19.8% 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	\$77,261	\$506,296	\$325,921	\$180,375
Sum 20 Years	\$171,430	\$1,234,238	\$818,981	\$415,257
Sum 30 Years	\$286,208	\$2,112,989	\$930,609	\$1,182,381

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

*Taxes received estimates used the following assumptions: 2.5% growth in reassessment years.

Building and Land Valuation Assumptions at Completion of Construction:

- \$1,229,280 Commercial Building Assessment
- \$90,000 Commercial Land Assessment

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

ADDITIONAL INFORMATION:

- The Ferrington Place Building was originally constructed in 1920 at the corner of Crocker and 13th Streets. There were subsequent building additions in later years, some of which were modified when the Keosauqua Way road project was constructed, necessitating an alteration to the shape of the building. The building was home to the Reliable Rug Factory for many years until the business ceased. The structure has largely sat vacant or underutilized for personal storage uses for several decades.
- Aust Real Estate, LLC intends to perform a historically compatible rehabilitation to the building that will allow the 18,912-square-foot vacant building to be utilized for a mix of speculative commercial and retail space. Parking will be provided on-street and in a small parking lot on the east side of 12th Street.
- 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 will enlist Willdan Group, Inc. (formerly the Weidt Group) to provide an energy audit for the project.
- 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 Developer is seeking building designation on the National Register of Historic Places.
- The building is currently vacant and the assessed building valuation as of January 1, 2019 is only \$90,700. The current land valuation is \$90,000. Rehabilitation of this building located on an important and highly-travelled entryway into downtown 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.
- The Developer has indicated a financial gap on the project, largely related to bringing the building up to modern code standards. New heating, ventilation and air conditioning (HVAC), electrical, plumbing, water service, elevator replacement, and a fire suppression system are needed to reoccupy the building. Additionally, roof replacement, new windows, significant tuckpointing and structural wall rehabilitation, and significant Americans with Disabilities Act (ADA) accessibility upgrades are needed. If not for the preservation and rehabilitation of the building on this key site that is a gateway into downtown, staff believes the irregular shape of the property would not lend itself well for a new building to be constructed on the small 13,974-square-foot site.
- Staff will work with the Developer and Mid-American Energy in a good-faith effort to underground existing overhead wires adjacent to the site on 12th Street. Additional site improvements, landscaping, and cleanup will be performed in accordance with City site plan policies.



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board - Design review and recommendation on financial assistance.
- City Council - Consideration of Final Terms of Urban Renewal Development Agreement.
- City Council - Approval of Certificate of Completion upon project close, to commence economic development assistance.

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