


COUNCIL COMMUNICATION

	Number:	20-310	Meeting:	July 13, 2020
	Agenda Item:	33	Roll Call:	[<input type="text"/>]
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving a First Amendment to the Urban Renewal Development Agreement with 3750 Grand, LLC, for the partial rehabilitation and construction of an 8-story residential building with approximately 38 condominiums and 59 indoor parking stalls at 3750 Grand Avenue.

SYNOPSIS:

On February 24, 2020, the City entered into an Urban Renewal Development Agreement with 3750 Grand, LLC, (Harry Bookey, Developer, 400 Locust Street, Suite 790, Des Moines, IA) for the partial rehabilitation of the vacant former First Church of Christ Scientist property located at 3750 Grand Avenue, and new construction of an 8-story building with approximately 38 condominiums on the upper six (6) stories and approximately 59 indoor parking stalls located on floors one (1) and two (2).

The project construction bids have increased the total estimated project costs from \$37.4 million up to approximately \$39.8 million. Due to the uncertainty presented with the current global pandemic, eight (8) buyers elected to terminate their purchase agreements reducing the current pre-sales totals from 65% to 45.5% of gross anticipated revenue.

For the project to move forward with higher construction costs, reduction in presales and increased risks associated with the ongoing pandemic, the development team is requesting an increase to the economic development incentives provided for in the Urban Renewal Development Agreement. The revised terms provide for an economic development grant consisting of tax-increment generated by the project over a 14-year period to serve as the core mechanism for responding to the 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 14-year term. The financial assistance will be capped at a maximum of \$6,800,000 (net present value {NPV} at a 4.5% discount rate). The assistance is estimated at 17.1% 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	\$7,264,945	\$1,451,540
Sum 20 Years	\$0	\$19,395,794	\$10,221,534	\$9,174,260
Sum 30 Years	\$0	\$32,412,247	\$10,221,534	\$22,190,713

*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 – Tax Increment Finance (TIF) District #1

ADDITIONAL INFORMATION:

- Reductions in pre-sales has resulted in delays for the construction schedule. The Amendment also provides an extension for the commencement and completion of construction for the project to October 1, 2020, and July 1, 2022, respectively.
- The project proposal addresses a blighted neighborhood property.
- The proposed project helps to fill a missing housing type in Des Moines.
- Prior uses of the property were classifications that are exempt from property taxes. The proposed owner-occupied condo use will bring the property onto the property tax rolls.

PREVIOUS COUNCIL ACTION(S):

Date: February 24, 2020

Roll Call Number: [20-0346](#)

Action: [Final](#) terms of an Urban Renewal Development Agreement with BH 3750 Grand, LLC for the partial preservation and construction of an eight-story residential building with approximately 42 condominiums and 36 indoor parking stalls at 3750 Grand Avenue. ([Council Communication No. 20-099](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: January 7, 2020

Resolution Number: Motion to approve the financial assistance from tax-increment as being reasonable and appropriate by Nagle. Seconded by Hielkema. Motion carried. Yes = 6, No = 0, Abstain = 0, Absent = 2. Motion to approve the final design as presented by Clark. Seconded by Wilke-Shapiro. Motion carried. Yes = 6, No = 0, Abstain = 0, Absent = 2.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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