


COUNCIL COMMUNICATION

	Number:	20-386	Meeting:	September 14, 2020
	Agenda Item:	47	Roll Call:	20-1455
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with 217 E Second LC (Jake Christensen) for the renovation of the existing 20,500-square-foot commercial building located at 217 East 2nd Street for commercial and office uses.

SYNOPSIS:

217 E Second LC (Jake Christensen, Christensen Development, 215 E 3rd Street, Suite 300, Des Moines, IA) is proposing a \$6.3 million renovation of the existing commercial building located at 217 East 2nd Street. Construction is anticipated to begin in Fall 2020 with completion in late 2021.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with 217 E Second LC, which provides for tax increment to serve as a core mechanism for responding to a financing gap as presented by the development team. Additional details on the preliminary terms are provided in the fiscal impact and additional information sections below.

FISCAL IMPACT:

Amount: The financial terms propose approximately \$1.2 million in project generated tax increment on a cash basis (capped at \$850,000 on a net-present-value at a 4.5% discount rate) based on the following schedule: 95% in years 1-5, 85% in years 6-10, and 75% in years 11-15.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$0	\$1,096,141	\$669,328	\$426,813
Sum 20 Years	\$0	\$2,705,783	\$1,235,730	\$1,470,053
Sum 30 Years	\$0	\$4,669,513	\$1,235,730	\$3,433,783

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

*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:
 \$2,322,000 commercial building valuation
 \$650,000 land assessment

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

ADDITIONAL INFORMATION:

- The existing original Globe Hoist building was constructed in 1928.
- The project proposes a complete historic renovation and replacement of all systems, utilities and finishes inside and out.
- The property currently has a commercial tax-exempt status. The proposed project will bring the property back onto the tax rolls.
- This will be the first post COVID focused office renovation project, which will follow the recommendations for air quality from the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) that will include humidification, dehumidification, ultraviolet germicidal air filtration, additional filtering, CO2/dilution air control as well as having a building automation system. The building's expansive ceiling heights, Heating Ventilation Air Conditioning (HVAC) systems and air recirculating equipment, along with work station design, will allow for separation, distancing and air quality control.
- The Developer shall exceed the applicable Energy Code requirements by seeking participation and approval of Mid-American Energy's Commercial New Construction program.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – design and financial assistance reviews
- City Council – Final terms of an Urban Renewal Development Agreement

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