

COUNCIL COMMUNICATION

	Number:	20-461	Meeting:	October 19, 2020
	Agenda Item:	27	Roll Call:	20-1664
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with 13th & Mulberry, LLC for the historic renovation of the existing 1-story commercial building at 213 13th Street and construction of a new 5-story mixed-use building on the adjacent lot northwest of 13th and Mulberry.

SYNOPSIS:

13th and Mulberry, LLC (Josh Aberson and Byron Schafersman of Green Acre Development, Lloyd Companies, and Tim Rypma of Rypma Properties, Owners and Developers, 230 S Phillips Avenue, #205, Sioux Falls, SD 57107) is proposing a \$22.7 million project that will occur over two (2) phases. The first phase is a historic renovation of the existing 1-story, approximately 15,000-square-foot building located at 213 13th Street for commercial office uses with approximately 30-underground parking spaces. The second phase proposed is to construct a new mixed-use building on the adjacent lot to the west of 13th Street with a minimum of 5-stories, 80 apartment units, and 3,000-square-feet of commercial retail space. A minimum of 10% of the apartment units will have rents restricted at a maximum of the 65% HOME rent limits.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with 13th & Mulberry, LLC, 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 section below.

FISCAL IMPACT:

Amount: The financial terms propose an economic development grant for 15-years at a declining schedule for each phase. The first phase at 213 13th Street is proposed to receive tax increment financing (TIF) incentives generated from the increment on the building valuations (exclusive of land) with a schedule of 95% in years 1-5, 85% years 6-10, and 80% in years 11-15. The phase one (1) incentive is approximately \$1.1 million on a cash basis (\$703,000 on a net present value {NPV} at a 4.5% discount rate). The second phase is proposed to receive TIF incentives generated from the building valuations (exclusive of land and in lieu of tax abatement) with a schedule of 100% in years 1-10 and 75% in years 11-15. The phase two (2) incentive is approximately \$4.1 million on a cash basis (\$2.7 million on a net present value {NPV} at a 4.5% discount rate).

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project**	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$500,696	\$3,961,447	\$2,788,095	\$1,173,352
Sum 20 Years	\$1,110,969	\$9,453,297	\$5,153,359	\$4,299,938
Sum 30 Years	\$1,854,798	\$15,942,085	\$5,153,359	\$10,788,726

*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:

\$ 2,231,300 Commercial Building Assessment
 \$11,590,000 Multi-Residential Building Assessment
 \$ 693,000 Land Assessment

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

ADDITIONAL INFORMATION:

- The development team is seeking federal and state historic tax credits and is working with the State Historic Preservation Office (SHPO) on design requirements for the historic renovation of the existing Iowa Ford Tractor Company building at 213 13th Street. The building was originally constructed in 1949 and used as a tractor repair and storage facility.
- The development agreement is proposed to include affordable housing provisions for a minimum of 10% of the units built as part of the second phase. Rents will not exceed a maximum of the 65% HOME rent limits annually as determined by the United States Department of Housing and Urban Development for the Des Moines-West Des Moines metropolitan statistical area, and restricted to households earning at or below the HOME 80% income limits.
- Incentives for the phase one (1) historic renovation will be contingent on the commencement and completion of construction on the second phase mixed-use building.
- The project will utilize Mid-American Energy's Commercial New Construction Energy Efficiency Program for both phases of the project and is researching energy efficiency options.
- The development team has agreed to include electric vehicle charging stations in the mixed-use project and will make onsite parking electric vehicle charging ready to the extent possible by installing the necessary conduit in both phases.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – phase one (1) and two (2): financial assistance recommendations and phase one (1) design recommendations
- City Council – final terms of Urban Renewal Development Agreement
- Urban Design Review Board – phase two (2) design recommendations

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.