

COUNCIL COMMUNICATION

	Number:	20-515	Meeting:	November 23, 2020
	Agenda Item:	28	Roll Call:	20-1884
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving preliminary terms of an urban renewal development agreement with FW Rehab, LLC for the renovation of 3610 6th Avenue into a mixed-use residential and commercial development.

SYNOPSIS:

FW Rehab, LLC (Abbey Gilroy, Executive Director, 2331 University Avenue, Suite 202, Des Moines, IA 50311) has proposed a renovation of the 11,400-square-foot building at 3610 6th Avenue for a mixed-use building, including commercial and multi-family residential uses. The project is anticipated to cost \$1.24 million and would finish construction in April 2021.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with FW Rehab, LLC, that provides for a declining scale of project-generated tax increment to serve as a mechanism for the provision of operating funds and tax relief requested by the developer to alleviate financing concerns. Additional details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: For the multi-family residential portion of this property, the recommendation is 90% of the tax increment generated by the project in years one (1) through five (5), 80% in years six (6) through 10, 50% in years 11 and 12, and 25% in years 13 through 15.

For the commercial portion of this property, the recommendation is 90% of the tax increment generated by the project in years one (1) and two (2), 80% in years three (3) and four (4), 75% in years five (5) and six (6), 65% in years seven (7) and eight (8), 55% in years nine (9) and 10, 60% in year 11, 50% in year 12, 40% in year 13, 30% in year 14, and 25% in year 15.

Total assistance is estimated at \$166,720 on a cash basis (\$113,915 on a net-present-value {NPV} basis at a 4.5% discount rate).

This project is also seeking commercial tax abatement using the 10-year declining schedule.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$74,757	\$201,939	\$89,217	\$112,722
Sum 20 Years	\$165,873	\$578,990	\$166,720	\$412,270
Sum 30 Years	\$276,931	\$1,044,179	\$166,720	\$877,459

*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:

\$507,000 commercial building valuation

\$224,000 residential building valuation

\$47,300 land assessment

Funding Source: Tax Increment generated by the project in the Oak Park-Highland Park Urban Renewal Area.

ADDITIONAL INFORMATION:

- This project is anticipated to create four (4) residential apartment units on the upper floor with approximately 2,700 square feet. These units were previously unoccupied due to the condition of the building. The Developer will commit to maintain affordability for one (1) of the units at the 65% HOME rent limits and will be restricted to households with incomes at or below the 80% HOME income limits.
- The project will include approximately 8,700 square feet of commercial space on the ground floor.
- The building is home to Chuck's Restaurant, one (1) of Des Moines' oldest dining establishments that has been a neighborhood staple in the Highland Park business district since it opened in 1956. The restaurant is known for its Italian food, live music, and its free annual Thanksgiving dinner.
- In addition to rehabbing the second-floor apartment units, the building renovations include major roof and structural repairs, mechanical system upgrades and façade improvements.
- This project is currently under construction to address items in need of immediate repair. Upon approval of the development agreement, the Developer intends to commence with upgrades and improvements to the building.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board –Final design and financial assistance recommendations.
- City Council – Final terms for urban renewal development agreement.

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