

COUNCIL COMMUNICATION

	Number:	20-563	Meeting:	December 21, 2020
	Agenda Item:	32	Roll Call:	20-2117
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving final terms of an Urban Renewal Development Agreement with 217 E Second LC, 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 \$8.6 million renovation of the existing commercial building located at 217 East 2nd Street. Construction is anticipated to begin in December 2020, with completion in late 2021.

The Development Services Department has negotiated proposed final 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 proposed terms are provided in the fiscal impact and additional information sections below.

FISCAL IMPACT:

Amount: The financial terms propose approximately \$1.5 million in project generated tax increment on a cash basis (capped at \$1,075,000 on a net present value {NPV} 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	\$1,424,997	\$922,401	\$502,596
Sum 20 Years	\$0	\$3,526,141	\$1,512,186	\$2,013,955
Sum 30 Years	\$0	\$6,091,852	\$1,512,186	\$4,579,666

*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:
 \$3,200,000 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 originally 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-19 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 expansive ceiling heights, HVAC systems and the air recirculating equipment, along with workstation 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.
- It is anticipated that the developer will be requesting a deferral on site plan improvements for two (2) years as they anticipate redevelopment on the parking lot area adjacent to the building. A personal guarantee will be established in the amount of 20% over the estimate for the deferred site plan improvements to ensure that the improvements will be made in the event that redevelopment does not occur.

PREVIOUS COUNCIL ACTION(S):

Date: September 14, 2020

Roll Call Number: [20-1455](#)

Action: [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 E. 2nd Street for commercial and office uses. ([Council Communication No. 20-386](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: November 3, 2020

Resolution Number: N/A

Action: Motion to recommend approval of the project design as presented by Huggins. Seconded by Weisenbach. Yes = 9, No = 0, Abstain = 0, Absent = 0. Motion to recommend approval of the financial assistance as presented by Clark. Seconded by Nagel. Yes = 9, No = 0, Abstain = 0, Absent = 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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