

COUNCIL COMMUNICATION

	Number:	21-044	Meeting:	January 25, 2021
	Agenda Item:	36	Roll Call:	21-0109
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving final 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 final 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 core mechanism for responding to a financing and operating gap as presented by the development team. Additional details on the final terms are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: This project will be eligible for the declining commercial tax abatement due to its location within the eligibility area. The financial terms propose an economic development grant to be paid with the tax increment financing (TIF) dollars generated from the building valuations (exclusive of land) of approximately \$166,720 on a cash basis (\$113,915 on a net-present-value {NPV} basis 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	\$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.
- As part of the design recommendations from the Urban Design Review Board, a motion was made to approve the project design subject to working with staff on further exploration of window materials. One (1) recommendation was to consider a more historically appropriate window with composite and fiberglass exterior and wood interior like the Marvin Elevate series windows. The development team considered a number of options when selecting the windows for the project and ultimately selected a Pella Impervia window for the window replacements, which is a high-end efficiency fiberglass window. The deciding factors for the development team in going with fiberglass versus wood were maintenance, longevity and cost.

PREVIOUS COUNCIL ACTION(S):

Date: November 23, 2020

Roll Call Number: [20-1884](#)

Action: [Preliminary](#) terms of an urban renewal development agreement with FW Rehab, LLC (Abbey Gilroy, Executive Director) for the renovation of 3610 6th Avenue into a mixed-use residential and commercial development. ([Council Communication No. 20-515](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: December 1, 2020

Resolution Number: N/A

Action: Motion to approve final design as presented subject to working with staff on further exploration of window materials by Wilke-Shapiro. Seconded by Allen. Motion carried. Yes – 7, No – 0, Absent - 2, Abstain – 0. Motion to approve financial assistance as presented by Clark. Seconded by Huggins. Motion Carried. Yes – 7, No – 0, Absent -2, Abstain – 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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