

COUNCIL COMMUNICATION

	Number:	21-119	Meeting:	March 8, 2021
	Agenda Item:	29	Roll Call:	21-0380
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving final terms of an Urban Renewal Development Agreement with 3523 6th Avenue, LLC for the renovation of the existing building at 3523 6th Avenue for commercial uses.

SYNOPSIS:

3523 6th Avenue, LLC (Joe Cordaro, Principal, Benchmark Real Estate Group, 950 Office Park Road, Suite 300, West Des Moines, IA, 50265 and Randy Reichardt, Owner, RWR Development, LLC, 400 Locust Street, Suite 380, Des Moines, IA 50309) has proposed a renovation of the existing 1-story, approximately 8,870-square-foot building located at 3523 6th Avenue for commercial uses. The project is anticipated to cost \$1.76 million. Construction is expected to start in September 2021 and will take approximately 12 months for completion.

The Office of Economic Development has negotiated final terms of an urban renewal development agreement with 3523 6th Avenue, LLC, that provides for a declining scale of project-generated tax increment to serve as a core mechanism for responding to a financing gap presented by the development team. Additional details on the final terms are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The project will be eligible for the commercial tax abatement but is requesting tax increment financing incentives in lieu of applying for the tax abatement. The final terms propose approximately \$534,012 in project-generated tax increment on a cash basis (\$347,170 on a net-present-value {NPV} basis at a 4.5% discount rate) based on the following schedule: 90% in years 1-5, 85% in years 6-10, and 80% 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	\$71,125	\$541,785	\$347,941	\$193,844
Sum 20 Years	\$139,191	\$1,202,138	\$534,012	\$668,126
Sum 30 Years	\$219,720	\$2,003,110	\$534,012	\$1,469,098

*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:

\$1,046,500 commercial building valuation

\$80,400 land assessment

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

ADDITIONAL INFORMATION:

- The building was originally constructed in 1917 as the Euclid Avenue State Bank, and in 1929, an addition to the building was developed, tripling the building size and allowing for multiple tenants. Over the years, this building has been home to the United States Post Office, dentist, cigar shop, realty companies, radio shop, Mediterranean market, and barber shop, among others. The building has a visually prominent location within the Highland Park business district, at the intersection of 6th and Euclid.
- The proposed rehabilitation plan for the building includes exterior improvements more sympathetic to the history of the building. The majority of the work will focus on the windows and the doors. The building interior will be finished and ready to accommodate commercial tenants, who will be able to customize accordingly via tenant improvements.
- Current assessment is \$60,600 on the building and \$80,400 on the land for a total property assessment of \$141,000.
- The Development Agreement will require enrollment and participation in Mid-American Energy's Commercial New Construction program.
- This building is on the National Register of Historic Places. The project is seeking Federal and State Historic Tax Credits and all work will be undertaken following the Secretary of the Interior's Standards and Guidelines for Historic Rehabilitation.
- The project is located in one (1) of the four (4) Special Investment Districts that were established by the City Council. The project is also seeking financial assistance from Invest DSM and has received a preliminary commitment of grant and loan funds.
- This project was recommended for final design approval from the Urban Design Review Board, subject to site plan review.

PREVIOUS COUNCIL ACTION(S):

Date: January 25, 2021

Roll Call Number: [21-0106](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with 3523 6th Avenue, LLC (Joe Cordaro, Principal, Benchmark Real Estate Group and Randy Reichardt, Owner, RWR Development LLC) for the Commercial Renovation of 3523 6th Avenue. ([Council Communication No. 21-032](#)) Moved by Boesen to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: February 23, 2021

Resolution Number: N/A

Action: Motion to approve final design as presented subject to site plan review by Allen. Seconded by Wilke-Shapiro. Motion carried. Yes – 6, No – 0, Absent – 3, Abstain – 0. Motion to approve financial assistance as presented by Hielkema. Seconded by Hanley. Motion carried. Yes – 6, No – 0, Absent – 3, Abstain – 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Plan and Zoning Commission – site plan review if Type 2 design alternatives are requested.

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