


COUNCIL COMMUNICATION

	Number:	22-079	Meeting:	March 7, 2022
	Agenda Item:	44	Roll Call:	22-0336
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Approving the First Amendment to the Development Agreement with Terrace Hill I, LLC for the properties located at 2515 and 2525 Grand Avenue.

SYNOPSIS:

In 2019, the City Council approved a development agreement with Terrace Hill I, LLC (Jake Christensen, 215 E 3rd Street, Suite 300, Des Moines, IA 50309), for the renovation and restoration of the existing building at 2525 Grand Avenue back to its original use as a hotel. The project will also renovate and redevelop the 3,400-square-foot commercial building located adjacent to the site at 2515 Grand Avenue.

The project was delayed due to timing of receipt of historic tax credits. The historic tax credits have since been allocated to the project in January 2022. The proposed amendment includes an accelerated rebate schedule to match up with the limited time frame remaining in the Ingersoll-Grand economic development designated tax increment financing (TIF) district, which expires in fiscal year 2036. The maximum cap on the incentive will remain the same as in the original agreement at \$2.5 million.

FISCAL IMPACT:

Amount: The original terms provided for a declining schedule of the project generated tax increment from the taxable building valuations (exclusive of land) in years 1-14, starting at 100% for years 1-4, 80% in years 5-8, and 75% in years 9-14, capped at a maximum of \$2.5 million (net present value {NPV} at a 4.5% discount rate).

The new terms propose a schedule of the project generated tax increment from the taxable building valuations (exclusive of land) in years 1-12, at 100% (the first of which is based on partial project completion), with an additional \$150,000 of non-project generated TIF in years 7-12, capped at a maximum of \$2.5 million (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	\$945,013	\$2,814,694	\$2,070,119	\$744,575
Sum 20 Years	\$2,096,840	\$7,313,126	\$3,776,054	\$3,537,072
Sum 30 Years	\$3,500,743	\$12,792,599	\$3,776,054	\$9,016,545

*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:

\$8,005,200 commercial building assessment

\$474,400 land assessment

Funding Source: Tax Increment generated in the Ingersoll Grand Commercial Urban Renewal Area.

ADDITIONAL INFORMATION:

- The development team has been approved for federal and state historic tax credits and is working with the State Historic Preservation Office (SHPO) on design requirements.
- The Developer will comply with Mid-American Energy's Commercial New Construction Energy Efficiency Program. The Development Agreement requires the project to exceed energy code standards by 15-20%. The Development Agreement also requires installation of a minimum of two (2) electric vehicle charging stations on the site.

PREVIOUS COUNCIL ACTION(S):

Date: December 16, 2019

Roll Call Number: [19-2016](#)

Action: [Final](#) terms of an Urban Renewal Development Agreement with Terrace Hill 1, LLC for the redevelopment of an 87-room hotel at 2525 Grand Avenue and redevelopment of the 2,100-square foot commercial building at 2515 Grand Avenue. ([Council Communication No. 19-546](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: December 3, 2019

Resolution Number: N/A

Action: Motion to approve final design as presented by Weisenbach. Seconded by Heiman-Godar. Motion carried. Yes – 7, No – 0, Absent -3, Abstain – 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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