

COUNCIL COMMUNICATION

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|  | Number: | 22-192 | Meeting: | April 18, 2022 |
| | Agenda Item: | 34 | Roll Call: | [] |
| | Submitted by: | Erin Olson-Douglas, Development Services Department Director | | |

AGENDA HEADING:

Resolution approving preliminary terms of an urban renewal development agreement with Indigo Dawn LLC for the renovation of an existing historic building for the mixed-use project at 1601 6th Avenue.

SYNOPSIS:

Indigo Dawn LLC (Chaden Halfhill, Manager, Indigo Dawn LLC, 9205 Swanson Blvd, Clive, IA 50325) has proposed the renovation of a 4,800-square-foot historic 2-story building at 1601 6th Avenue, which will include a restaurant use on the first floor and four (4) residential units on the second floor. The project is anticipated to cost \$2.8 million and is expected to complete construction in the fall of 2023.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Indigo Dawn LLC that provides for two (2) non-project generated tax increment finance (TIF) payments to serve as a mechanism for responding to a financing gap, as presented by the development team.

This Developer applied on behalf of this project for the Neighborhood Commercial Revitalization (NCR) program and received the highest score out of all applications received. Because of its location, and the intent to fully fund this project at the requested amount, the proposal is to address and support this project with increment generated from the Metro Center TIF in order to award more NCR applications, given the limited NCR program funding allocation.

Additional details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The preliminary terms propose a non-project generated TIF grant in the amount of \$160,000, which is equivalent to the maximum award from the NCR program. The proposed structure of the TIF grant would closely mimic the structure of the NCR award, with 50% of the grant to be awarded upon 50% completion of the project, and the balance of the grant to be awarded upon full completion of the project. As proposed in the NCR grant rules, invoices and lien waivers for this project would be reviewed prior to grant disbursement. The Developer also intends to apply for tax abatement.

| Year | Estimated Taxes Received without project* | Estimated Taxes Received with project* | Estimated Incentive Paid | Estimated Net Taxes Received* |
|--------------|---|--|--------------------------|-------------------------------|
| SUM 10 Years | \$12,248 | \$43,478 | \$160,000 | (\$116,522) |
| SUM 20 Years | \$28,890 | \$205,748 | \$160,000 | \$45,748 |
| SUM 30 Years | \$51,203 | \$422,380 | \$160,000 | \$262,380 |

*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 as completion of construction:

\$203,000 commercial building valuation

\$224,000 residential building valuation

Funding Source: Tax increment generated by Metro Center TIF District.

ADDITIONAL INFORMATION:

- The building, known as Perry and Brainard Block or North Des Moines Hall, located at 1601 6th Avenue, was built in 1888 to serve as City Hall for the former city of North Des Moines. The building served in this capacity until the city of North Des Moines was annexed into the City of Des Moines in the mid 1890’s. In October 2016, 6th Avenue Corridor, Inc., purchased and stabilized the vacant and blighted building with City assistance under the Community Development Block Grant Program (CDBG) to address slum and blight and increase affordable housing in the City. The 6th Avenue Corridor, Inc., through a public Request for Proposal (RFP) process, selected Indigo Dawn, LLC as the preferred developer to rehabilitate the building.
- This project will be a historic renovation of the building to include approximately 2,400 square feet of ground floor commercial, which will be occupied by a restaurant tenant, and an additional 2,400 square feet on the upper floor to include four (4) residential apartment units. The building has been vacant due to the condition of the building.
- This property is the ultimate recipient and guarantor of CDBG funds, which means that there is the expectation that 51% of the residential units remain affordable for households/individuals that are below 80% of median income, and the maximum (gross) rent limit on the affordable units cannot exceed \$850.
- This project is receiving State Historic Tax Credits and all work will be undertaken following the State Historic Preservation Office standards.
- In addition to rehabbing the second-floor apartment units, the building renovations include major structural repairs, mechanical, electrical, and plumbing upgrades, façade improvements, site improvements, roof replacement, fire suppression system, and an addition to the rear of the building to allow for Americans with Disabilities Act (ADA) accessibility.

- There are sustainability elements included in the project scope, including renewable materials used for construction, Des Moines Area Transit (DART) stop proximity, solar electric generation system, and ground source geothermal heat pumps.

PREVIOUS COUNCIL ACTION(S):

Date: December 20, 2021

Roll Call Number: [21-1922](#)

Action: [Amending](#) Community Development Block Grant (CDBG) Project Agreement with 6th Avenue Corridor Inc. (6AC) for redevelopment project at 1601 6th Avenue. ([Council Communication No. 21-549](#)) Moved by Boesen to adopt. Motion Carried 7-0.

Date: April 23, 2018

Roll Call Number: [18-0695](#)

Action: [Support](#) of a Workforce Housing Tax Credit (WHTC) benefit application to be submitted to the Iowa Economic Development Authority (IEDA) for a multi-family housing project at 1601 6th Avenue by Indigo Dawn, LLC. ([Council Communication No. 18-195](#)) Moved by Gatto to adopt. Motion Carried 7-0.

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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