

COUNCIL COMMUNICATION

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|  | Number: | 22-223 | Meeting: | May 9, 2022 |
| | Agenda Item: | 38 | Roll Call: | 22-0701 |
| | Submitted by: | Erin Olson-Douglas, Development Services Department Director | | |

AGENDA HEADING:

Resolution approving preliminary terms of an urban renewal development agreement with Euclid Foresight LLC for the renovation of 413 Euclid Avenue into a mixed-use residential and commercial development.

SYNOPSIS:

Euclid Foresight LLC (Connor Delaney, Manager, 2843 Grand Avenue, Des Moines, IA 50312) has proposed a renovation of the 18,000-square-foot building at 413 Euclid Avenue for a mixed-use building, including commercial and multi-family residential uses. The project is anticipated to cost \$4.2 million and would be completed in July 2023.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Euclid Foresight LLC, which provides for a declining scale of project-generated tax increment to serve as a mechanism for responding to a financing gap, as presented by the development team. Additional details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: For the entirety of the building, which includes both multi-family residential and commercial classifications, the recommendation is 90% in years one (1) through five (5), 85% in years six (6) through 10, 80% in years 11 through 15, 70% in year 16, 60% in year 17, 50% in year 18, 40% in year 19, and 30% in year 20.

Total assistance is estimated and will be capped at \$540,000 on a net-present-value (NPV) basis at a 4.5% discount rate (which is approximately \$851,724 on a cash basis).

The property owner will not be seeking tax abatement for this project.

| Year | Estimated Taxes Received without Project* | Estimated Taxes Received with Project* | Estimated Incentive Paid | Estimated Net Taxes Received |
|--------------|---|--|--------------------------|------------------------------|
| Sum 10 Years | \$68,993 | \$553,237 | \$354,544 | \$198,694 |
| Sum 20 Years | \$153,010 | \$1,365,831 | \$804,163 | \$561,668 |
| Sum 30 Years | \$255,413 | \$2,354,044 | \$851,724 | \$1,502,320 |

*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:

\$1,218,600 commercial building assessment

\$340,000 residential building assessment

\$128,000 land assessment

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

ADDITIONAL INFORMATION:

- The building at 413 Euclid is commonly known as the French Way Cleaners building. Built in 1924, this 2-story brick building was originally home to the French Way Cleaners & Dyers company, which was a well-known dry cleaning and fur vault operation in Des Moines.
- State Historic Preservation Tax Credits are an anticipated source for this project, so all work will be undertaken following the State Historic Preservation Office standards.
- Elements that will be preserved as a result of this historic renovation include: the stone-enthroned horn blowers on the upper façade, which are carved from stone obtained from the iconic Rowat Cut Stone Co.; brick façade restoration; storefront, window and entry openings; preservation of the fur vault; trim and other finishes from period of significance.
- Because of the historic use of this building, there are significant measures to be taken, and associated costs (projected to be up to \$175,000), to mitigate environmental impacts to this site.
- The renovation project has been approved for \$93,000 in funding from the Neighborhood Commercial Revitalization (NCR) program (round 2). The NCR funds are limited to façade renovations and exterior site improvements, building stabilization, roof repair, installation of a fat, oil, grease (FOG) interceptor, installation of energy-efficient HVAC systems, fire sprinkler systems, electrical updates, and plumbing updates.
- This project is expected to renovate four (4) residential apartment units on the upper floor, which has remained vacant due to building condition. The Development team will commit to maintain affordability for one (1) of the units at the 65% HOME rent limit.
- The commercially classified portion of this building will be home to a business in the hospitality industry. The Development team has a signed letter of intent for that space.

PREVIOUS COUNCIL ACTION(S):

Date: April 18, 2022

Roll Call Number: [22-0610](#)

Action: [Round](#) two of Neighborhood Commercial Revitalization (NCR) Program funding, and authorizing execution of agreements with NCR Program Round 2 Funding Recipients. ([Council Communication No. 22-190](#)) Moved by Gatto to approve. Second by Boesen. 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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