

COUNCIL COMMUNICATION

	Number:	22-227	Meeting:	May 9, 2022
	Agenda Item:	39	Roll Call:	22-0702
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with ONESPEED DSM, L.L.C. for the renovation and conversion of the existing auto repair shop located at 303 Scott Avenue into a craft brewing space.

SYNOPSIS:

ONESPEED DSM, L.L.C (Dave Morgan, Managing Member, 325 Commercial Street, Waterloo, IA 50701) is proposing a \$5.4 million renovation and conversion of the existing auto repair shop located at 303 Scott Avenue into a craft brewing space. The adaptive reuse project is anticipated to begin construction activities in the summer of 2022.

The Office of Economic Development (OED) has negotiated preliminary terms of an urban renewal development agreement with ONESPEED DSM, L.L.C., which provides for tax increment financing (TIF) to respond to a financing gap on the project, as presented by the development team and assessed by City staff. Additional details on the preliminary terms are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The financial terms recommend provision of tax increment financing (TIF incentives) generated from the increment of the building valuations with a schedule of 95% for 15 years and \$38,000 per year for 10 years of tax increment generated by the Metro Center TIF district. The non-project generated incentive will be structured as a forgivable loan, released when the tax receipts exceed the incentive paid. The projected total amount of TIF assistance is estimated at \$949,490 on a cash basis (\$670,195 on a net present value {NPV} at a 4.5% discount rate). The TIF incentive represents 12.4% of total project costs. The project is not eligible for commercial tax abatement. Current total assessed value for land and building is \$405,000, and the estimated total assessed value at completion is \$1,402,537.

Year	Estimated Taxes Received without Projects*	Estimated Taxes Received with Projects**	Estimated TIF Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$138,735	\$594,307	\$736,103	(\$141,797)
Sum 20 Years	\$346,086	\$1,320,534	\$949,490	\$371,044
Sum 30 Years	\$598,816	\$2,196,292	\$949,490	\$1,246,802

*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:

\$ 1,241,500 Building Assessment

\$ 130,000 Land Assessment

Funding Source: Tax increment generated in the Metro Center Urban Renewal Area.

ADDITIONAL INFORMATION:

- The \$5.4 million project will include the rehabilitation and renovation of an existing auto repair shop resulting in 9,550 square feet of craft brewery space. Reconstruction is anticipated to begin in the summer of 2022 with completion anticipated in spring 2023.
- The site has constraints that would otherwise limit the commercial redevelopment opportunities on the property. A variety of utilities and the related encumbering easements near and on the site serve to restrict options to modify the footprint of the site.
- The Agreement will include a reimbursement grant for the fair market value of the portion of the vacated City right-of-way the Developer proposes to acquire.
- The tenant will be utilizing solar energy and is working with a brewhouse manufacturer on an efficient, 100% electric (solar will offset), 37kW 120/208V system.
- The project will utilize Mid-American Energy's Commercial New Construction Energy Efficiency Program and the development agreement will require that the new commercial building exceed applicable energy codes.
- The project will be an adaptive reuse of auto repair space, repurposing much of the existing materials in the renovation. It is anticipated that this project could spur additional interest in the redevelopment of the adjacent lots in the surrounding area.
- The Developer's proforma indicated a financial gap largely related to the need to provide an acceptable debt coverage service ratio for the project and increased construction costs in the Des Moines market.
- The existing overhead utility wires on the parcel will be undergrounded with construction of the project.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – preliminary & final design recommendations, financial assistance recommendations.
- City Council – final terms of Urban Renewal Development Agreement.

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