


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	22-254	Meeting:	May 23, 2022
	Agenda Item:	21	Roll Call:	22-0786
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving a Second Amendment to the Urban Renewal Development Agreement with 3750 Grand, LLC and a Minimum Assessment Agreement, for the partial rehabilitation and construction of an 8-story residential building with 35 condominiums and 59 indoor parking stalls at 3750 Grand Avenue.

SYNOPSIS:

On February 24, 2020, the City entered into an Urban Renewal Development Agreement with 3750 Grand, LLC, (Harry Bookey, Developer, 400 Locust Street, Suite 790, Des Moines, IA) for the partial rehabilitation of the vacant former First Church of Christ Scientist property located at 3750 Grand Avenue, and new construction of an 8-story building with approximately 38 condominiums on the upper six (6) stories and approximately 59 indoor parking stalls located on floors one (1) and two (2).

The First Amendment to the Urban Renewal Development Agreement with 3750 Grand, LLC, approved on July 13, 2020, increased the incentive level in response to rising construction costs and cancellation of presales amidst the onset of the global pandemic.

Recently, the Developer requested a Minimum Assessment Agreement (MAA) to secure their permanent financing for the project. The MAA establishes the minimum value per residential condominium unit which is based on 90% of the purchase price of each residential condominium unit. The total value of the minimum assessment is \$27,148,000. The Second Amendment to the Urban Renewal Development Agreement with 3750 Grand, LLC acknowledges the MAA.

Construction on 3750 Grand is nearing completion, and occupancy is anticipated summer 2022.

FISCAL IMPACT:

Amount: The MAA and Second Amendment do not alter the financial terms of the previously-approved Agreement. The Agreement terms provide for project-generated tax-increment on the building valuations, exclusive of land, at 100% for a 14-year term. The financial assistance will be capped at a maximum of \$6,800,000 (net present value {NPV} at a 4.5% discount rate). The assistance is estimated at 17.1% of total project costs.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project**	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$0	\$8,716,485	\$7,264,945	\$1,451,540
Sum 20 Years	\$0	\$19,395,794	\$10,221,534	\$9,174,260
Sum 30 Years	\$0	\$32,412,247	\$10,221,534	\$22,190,713

*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:

\$29,248,002 Commercial Building Assessment

\$ 308,000 Land Assessment

Funding Source: 38th and Grand Urban Renewal Area – Tax Increment Finance (TIF) District #1.

ADDITIONAL INFORMATION: NONE

PREVIOUS COUNCIL ACTION(S):

Date: October 19, 2020

Roll Call Number: [20-1665](#)

Action: [Issuance](#) of phased footings and foundation permit for rehabilitation and development project at 3750 Grand Avenue. ([Council Communication No. 20-462](#)) Moved by Boesen to adopt. Motion Carried 7-0.

Date: July 13, 2020

Roll Call Number: [20-1117](#)

Action: [First](#) Amendment to the Urban Renewal Development Agreement with 3750 Grand, LLC for the partial rehabilitation and construction of an 8-story residential building with approximately 38 condominiums and 59 indoor parking stalls at 3750 Grand Avenue. ([Council Communication No. 20-310](#)) Moved by Gatto to adopt. Motion Carried 6-1. Absent: Boesen.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: January 7, 2020

Resolution Number: N/A

Action: Motion to approve the financial assistance from tax-increment as being reasonable and appropriate by Nagle. Seconded by Hielkema. Motion carried. Yes = 6, No = 0, Abstain = 0, Absent = 2. Motion to approve the final design as presented by Clark. Seconded by Wilke-Shapiro. Motion carried. Yes = 6, No = 0, Abstain = 0, Absent = 2.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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