


# COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	<b>22-346</b>	Meeting:	<b>July 18, 2022</b>
	Agenda Item:	<b>31A</b>	Roll Call:	<b>22-1144</b>
	Submitted by:	<b>Erin Olson-Douglas, Development Services Department Director</b>		

## AGENDA HEADING:

Resolutions approving \$300,000 grant to Center at Sixth and preliminary terms of an Urban Renewal Development Agreement with Ashworth Development LLC, for the construction of a 4-story, 32-unit mixed use project located at 1714 6th Avenue.

## SYNOPSIS:

Center at Sixth, (Marquas Ashworth, President, 712 E 6th Street, Unit 200, Des Moines, IA 50309) proposes to construct a new mixed-use project including 12,000 square feet of commercial space in addition to 32 housing units. The project will be home to the Center at Sixth Incubator, a retail and restaurant development space specifically designed to meet the unique needs of Black, Brown and other culturally diverse entrepreneurs. The building will also contain apartment units that are a mix of efficiencies, and one (1) and two (2) bedroom dwelling units. Total project costs are estimated at \$10 million.

The Office of Economic Development has negotiated preliminary terms of an Urban Renewal Development Agreement and also the provision of a \$300,000 grant Center at Sixth. Terms provide for tax increment financing (TIF) and potentially American Rescue Plan Act funds to respond to a financing gap as presented by the Developer. Additional details on the preliminary terms and grant are provided in the fiscal impact and additional information sections below.

## FISCAL IMPACT:

**Amount:** The proposed terms provide for a project-generated tax increment granted over a 15-year time frame in the following schedule: 80% in years 1-15 on the residential building values and 90% TIF in years 1-15 on the commercial building valuation. The projected total amount of TIF assistance is estimated at \$1.8 million on a cash basis, capped at \$1.25 million on a net present value (NPV) basis (4.5% discount rate). The assistance is estimated at 12% of total project costs.

As a separate piece of the broader package, the City will provide a \$300,000 economic development grant to serve as the required match for a grant application the Center at Sixth project team is submitting to IEDA. Leveraging these state funds is critical to the project viability. Staff recommends an American Rescue Plan Act (ARPA) allocation as the source for this grant, although Metro Center TIF fund could also support this expenditure.

The commercial and residential portions of the project would also be eligible for the 10-year declining tax abatement schedules, but the developer has chosen to forgo tax abatement in lieu of the above-described agreement.

The above estimates assume that all of the commercial square footage will be taxable. The developer projects that at least two-thirds of the commercial area will be taxable, but conversation with the Polk County Assessor is needed to determine absolutely.

Funding Source: Tax increment generated by the project in the Metro Center Urban Renewal Area and American Rescue Plan Act funds.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$0	\$1,672,443	\$1,141,934	\$530,509
Sum 20 Years	\$0	\$3,703,482	\$1,803,111	\$1,900,370
Sum 30 Years	\$0	\$6,077,783	\$1,803,111	\$4,274,672

\*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 other years.

\*Building and land valuation assumptions at completion of construction:

\$4,000,000 multi-residential building valuation, \$1,296,000 commercial building valuation  
\$160,000 land assessment

**ADDITIONAL INFORMATION:**

- The \$10 million project will include a total of 32 dwelling units containing a mix of studio and one (1) to two (2) bedroom units.
- The subject site is currently owned by the 6th Avenue Corridor, who issued a Request for Qualifications in December 2020 for development of the property. In 2021, the 6th Avenue Corridor Board selected the proposal submitted by Marquas Ashworth and his team.
- The 6th Avenue Corridor purchased the site with Community Development Block Grant (CDBG) funds, which require that 51% of the units, 17, to be provided at an affordable rate. The CDBG requirements will transfer to the new property owner.
- The Developer has committed to providing a mix of affordable housing units – five (5) units at 50% HUD HOME rent limit (60% AMI) and 12 units at 65% HOME rent limits (80% AMI). The balance of the units will be provided at market rents congruent with the neighborhood, delivering a quality workforce housing product currently not offered in the area.
- The project will utilize Mid-American Energy's Commercial New Construction Energy Efficiency Program and the development agreement will require that the new multi-residential apartment building exceed applicable energy codes.
- The construction will be all-electric with exception of the commercial spaces. Project will also include the installation of one (1) electric vehicle charging station.
- The Developer will be seeking additional grant funding from IEDA to help close a financial gap on the project. The required local financial match to be program eligible would be provided via the economic development grant described in these preliminary terms.
- Commencement of construction is planned for April 2023 with completion anticipated in the fall of 2024.

**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Urban Design Review Board – Preliminary and final design recommendations, financial assistance recommendations.
- Acceptance of final terms of the Urban Renewal Development Agreement
- ARPA funding agreement (tentative).

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).