


COUNCIL COMMUNICATION

| | | | | |
|---|---------------|--|------------|--------------------------|
|  | Number: | 22-547 | Meeting: | November 21, 2022 |
| | Agenda Item: | 31 | Roll Call: | 22-1802 |
| | Submitted by: | Michael Ludwig, Interim Development Services Director | | |

AGENDA HEADING:

Resolution Approving preliminary terms of an Urban Renewal Development Agreement with Turrin, LLC for the new construction of a 360-unit, 33-story multi-family apartment tower located at 515 Walnut Street.

SYNOPSIS:

Turrin LLC (Joseph Teeling, Manager, 715 SE Southfork Drive, Waukee, IA 50263) is proposing the new construction of a 33-story high rise apartment building at 515 Walnut Street, currently the site of the vacant east half of the Kaleidoscope Mall. The project will consist of 360 multi-family apartment units as well as 1,400 square feet of commercial space on the first floor. The project will be connected to the skywalk system. Total project cost is estimated at \$133 million; and construction is estimated to begin in 2023 with completion anticipated in late 2025.

The Office of Economic Development has negotiated preliminary terms of an Urban Renewal Development Agreement with Turrin, LLC, which provides for tax increment financing (TIF) to respond to a construction financing gap, as presented by the development team and evaluated by staff. Additional details on the final terms are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The financial terms propose a capped TIF maximum value of \$5.7 million in project-generated tax increment on a net-present-value basis (NPV) at a 4.5% discount rate based on the following schedule: 100% in years 9-10 and 90% in years 11-14, and **The proposal also includes** four (4) non-project-generated grants of \$500,000 each, paid annually in project years three (3) through six (6). The Developer intends to file for 10-year declining residential tax abatement on the project. The TIF is estimated to comprise 4.25 % of the total project financing.

The current assessed value of the existing property is \$849,100. Upon completion of the project, the total assessed value of the property including building and land is estimated at \$60,842,000.

| Year | Estimated Taxes Received without Project* | Estimated Taxes Received with Project* | Incentive Paid | Estimated Net Taxes Received |
|--------------|---|--|----------------|------------------------------|
| Sum 10 Years | \$380,497 | \$3,224,748 | \$3,640,411 | (\$415,663) |
| Sum 20 Years | \$844,264 | \$23,365,813 | \$9,097,353 | \$14,268,460 |
| Sum 30 Years | \$1,409,527 | \$47,914,710 | \$9,097,353 | \$38,817,356 |

*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:

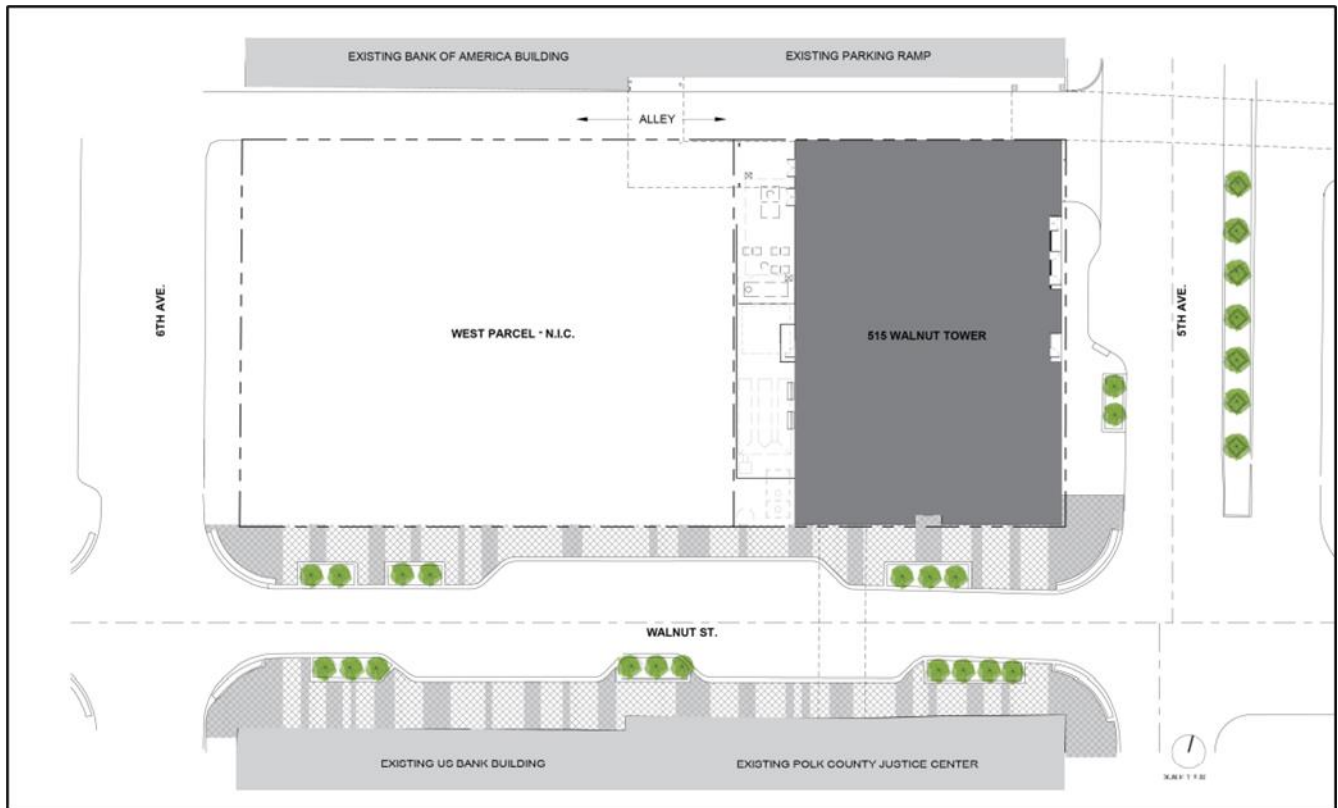
\$59,582,000 building valuation

\$1,260,000 land assessment

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

ADDITIONAL INFORMATION:

- The \$133 million project is located at the NW corner of 5th Avenue and Walnut Street and will include a total of 360 dwelling units containing a mix of studio, 1-bedroom and 2-bedroom apartment units.
- The existing Kaleidoscope parcel is .86-acres. The tower project site is .35-acres, leaving the western balance of the property available for future development opportunities.
- Staff has recommended a \$500,000 American Rescue Plan Act (ARPA) allocation from the funds designated by the City Council to promote the creation of affordable housing. These funds will be payable upon completion of the project and issuance of certificate of occupancy.
- The Developer has committed to providing 72 of the residential units at an affordable rent structure of 50% HOME Rent Limits and available to households earning 50% or less of the area median income (AMI) levels for the life of the development agreement. The affordable unit mix includes 24 studio units, 36 1-bedroom units, and 12 2-bedroom units.
- Demolition of the existing structure is planned for early spring 2023, after approval of the development agreement, verification of appropriate financing stack to complete the project, and advancement of building permit and site planning efforts. Skywalk connections will be severed for the duration of construction. The skywalk replacement funds submitted to the City by the previous development entity, currently held in escrow as a result of the 2018 property transactions, will be released on a schedule to be determined upon project completion.
- The City and Developer will enter into a parking lease agreement for approximately 360 stalls in the City's 5th & Walnut parking structure.
- The Developer will participate in MidAmerican Energy's Commercial New Construction energy efficiency program.
- The building will be all-electric with the exception of the commercial tenant bay. The Developer will make best efforts to meet 2021 energy code requirements.
- Outreach to Des Moines Area Regional Transit (DART) is underway to pursue potential participation in the All-Access Partnership program, providing future residents with transit passes.



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- City Council – Final Terms of an Urban Renewal Development Agreement and Certificate of Completion.
- Urban Design Review Board – Preliminary and Final Design, Appropriateness of Financial Incentives.

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.