


COUNCIL COMMUNICATION

	Number:	23-313	Meeting:	June 26, 2023
	Agenda Item:	35	Roll Call:	23-0914
	Submitted by:	Matthew A. Anderson, Deputy City Manager		

AGENDA HEADING:

Resolution approving preliminary terms of an urban renewal development agreement with 36 on 6th, LLC for the renovation of 3614 6th Avenue into a mixed-use residential and commercial development.

SYNOPSIS:

36 on 6th, LLC (Tim Bratvold, Member, 130 5th Street, Suite A, West Des Moines, IA) has proposed a renovation of the 10,000-square-foot building at 3614 6th Avenue for a mixed-use building, including commercial and multi-family residential uses. The project is anticipated to cost approximately \$3.5 million and would be completed in July 2024.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with 36 on 6th, LLC, which provides project-generated tax increment to serve as a core mechanism for the provision of operating funds and as a response to a financing gap, as presented by the development team. Additional details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The project will be eligible for commercial tax abatement, but is requesting tax increment financing (TIF) incentives in lieu of applying for tax abatement. The preliminary terms propose approximately \$774,000 in project-generated tax increment on a cash basis (\$466,232 on a net-present-value at a 4.5% discount rate) to be paid with 95% of the project-generated building TIF in years one (1) through 20.

Year	Estimated Taxes Received without Project	Estimated Taxes Received with Project	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$106,797	\$ 543,274	\$344,044	\$ 199,230
Sum 20 Years	\$236,966	\$1,205,443	\$773,658	\$ 431,785
Sum 30 Years	\$395,622	\$2,012,526	\$773,658	\$1,238,868

*Taxes include all property taxing authorities (not just City property tax dollars.)

*Taxes received estimates used the following assumptions: 2.5% growth rate in re-assessment years, 1.5% growth in non re-assessment years.

*Building and land valuation assumptions at completion of construction:

- \$897,250 commercial building valuation
- \$ 55,400 commercial land assessment
- \$500,000 multi-residential building valuation
- \$ 18,500 multi-residential land assessment

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

ADDITIONAL INFORMATION:

- Built in 1905, this 2-story building is sometimes referred to as the former Klein Department Store building, or the former Knights of Pythias Hall.
- The first floor of the building has historically been retail commercial space.
- The second floor of the building has historically been home to Knights of Pythias fraternal organization as a meeting hall. The proposed project will convert this space into four (4) residential units, three (3) of which will remain affordable at 60% area median income (AMI).
- The development team is requesting a Minimum Assessment Agreement to be in place as a part of the development agreement.
- The current building assessment for the property is \$150,700, and the current land valuation for the property is \$88,300, for a total property assessment of \$239,000. The building has been vacated by the former long-term tenant, and short-term leases are currently in place.
- The Development Team anticipates a restaurant tenant.
- The Development Team intends to enroll and participate in Mid-American Energy's Commercial New Construction program.
- The project is seeking State Historic Tax Credits and all work will be undertaken following the State Historic Preservation Office's standards.
- The project is located in one (1) of the four (4) Special Investment Districts that were established by the City Council. The project is also seeking financial assistance from Invest DSM.

PREVIOUS COUNCIL ACTION(S):

Date: April 10, 2023

Roll Call Number: [23-0496](#)

Action: [Round](#) three Neighborhood Commercial Revitalization Program funding, and authorizing execution of agreements with NCR Program round three funding recipients. ([Council Communication No. 23-192](#)) Moved by Gatto to adopt. Second by Voss. Motion Carried 6-1. Absent: Sheumaker.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Design and Financial Assistance Review
- Plan and Zoning Commission – site plan review if any Type 2 design alternatives are requested
- City Council – Final Terms of an Urban Renewal Development Agreement

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