


COUNCIL COMMUNICATION

	Number:	23-356	Meeting:	August 7, 2023
	Agenda Item:	68B	Roll Call:	23-1147
	Submitted by:	Cody Christensen, Development Services Director		

AGENDA HEADING:

Resolution approving final 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 final 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 \$809,000 in project-generated tax increment on a cash basis (\$488,558 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	\$ 66,000	\$ 543,274	\$361,981	\$ 181,294
Sum 20 Years	\$146,445	\$1,205,443	\$809,530	\$ 395,912
Sum 30 Years	\$244,495	\$2,012,526	\$809,530	\$1,202,995

*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 two (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).
 - One (1) unit will remain affordable at 60% AMI for the 20-year term.
 - Two (2) units will remain affordable at 60% AMI for 15 years, and then have the allowance to go up to 80% AMI for an additional five (5) years.
- 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.
- This project was recommended for final design approval from the Urban Design Review Board, subject to site plan review.

PREVIOUS COUNCIL ACTION(S):

Date: June 26, 2023

Roll Call Number: [23-0914](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with 36 on 6th, LLC for the renovation of 3614 6th Avenue for a mixed-use building including commercial and multi-family

residential. ([Council Communication No. 23-313](#)) Moved by Gatto to adopt. Second by Voss.
Motion Carried 6-1. Absent: Sheumaker.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: July 18, 2023

Resolution Number: N/A

Action: A consensus of the Members present recommended approval of the proposed project's final design and financial assistance.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Plan and Zoning Commission – site plan review if Type 2 design alternatives are requested.

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