


# COUNCIL COMMUNICATION

	Number:	<b>23-357</b>	Meeting:	<b>August 7, 2023</b>
	Agenda Item:	<b>31</b>	Roll Call:	<b>23-1088</b>
	Submitted by:	<b>Cody Christensen, Development Services Director</b>		

## AGENDA HEADING:

Resolution approving preliminary terms and proposed first amendment to the urban renewal development agreement with North Des Moines Town Hall, LP. for the renovation of 1601 6th Avenue into a mixed-use residential and commercial development.

## SYNOPSIS:

North Des Moines Town Hall, LP (Chaden Halfhill and Kuuku Saah, Members, Sixth Avenue Catalyst, LLC, its General Partner) has proposed the renovation of a 4,800-square foot historic two (2)-story building at 1601 6th Avenue, which is expected to include a restaurant use on the first floor, an additional commercial user on the lower level, and four (4) residential units on the second floor. The project is anticipated to cost approximately \$3.5 million and is expected to complete construction in the fall of 2024.

The Office of Economic Development has negotiated preliminary terms of an amendment to the urban renewal development agreement with North Des Moines Town Hall, LP, which provides for a forgivable loan to serve as a mechanism for responding to a financial gap, as presented by the development team. Additional details are provided in the fiscal impact section below.

## FISCAL IMPACT:

Amount: The preliminary terms propose a forgivable loan in the amount of \$300,000, which is equivalent to 100% of the project-generated tax increment financing (TIF) in years one (1) through 20 of the project on a net present value (NPV) at a 4.5% discount rate. The forgivable loan would be issued at full value upon issuance of the certificate of completion, but not before July 1, 2024, due to TIF reporting requirements. The Agreement will require a minimum assessment agreement for the 20-year duration of the forgivable loan and will be eligible for forgiveness at the end of year 20 upon full compliance of the development agreement. The Developer will be restricted from applying for tax abatement to allow repayment of the forgivable loan.

This project has also been awarded \$160,000 under the Neighborhood Commercial Revitalization (NCR) grant program. That grant is not reflected in the table below. The combination of the NCR and TIF funds proposed represents 13.26% of the total project cost.

Year	Estimated Taxes Received without Project	Estimated Taxes Received with Project	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$19,025	\$308,813	\$300,000	\$ 8,813
Sum 20 Years	\$42,214	\$618,092	\$300,000	\$318,092
Sum 30 Years	\$71,217	\$964,335	\$300,000	\$664,335

\*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.

Funding Source: Tax increment generated by Metro Center TIF District.

### **ADDITIONAL INFORMATION:**

- The building, known as Perry and Brainard Block or North Des Moines Hall, located at 1601 6th Avenue, was built in 1888 to serve as City Hall for the former city of North Des Moines. The building served in this capacity until the city of North Des Moines was annexed into the City of Des Moines in the mid 1890's. In October 2016, 6th Avenue Corridor, Inc., purchased and stabilized the vacant and blighted building with City assistance under the Community Development Block Grant Program (CDBG) to address slum and blight and increase affordable housing in the City. The 6th Avenue Corridor, Inc., through a public Request for Proposal (RFP) process, selected Indigo Dawn, LLC as the preferred developer to rehabilitate the building. Indigo Dawn, LLC has created the new partnership entity, North Des Moines Hall, LP, to undertake this project.
- This project will be a historic renovation of the building to include approximately 2,400 square-feet of ground floor commercial and 1,700-square-feet of lower-level space, which will be occupied by a restaurant tenant, and an additional 2,400 square feet on the upper floor to include four (4) residential apartment units. The building has been vacant due to the condition of the building. The adjacent courtyard will also be improved to provide future outdoor programming.
- The affordability expectation for this project is for three (3) units to remain at 60% AMI for the term of the forgivable loan. This affordability level is consistent with the HOME program, which is being pursued by the Development Team.
- This project is receiving State Historic Tax Credits and all work will be undertaken following the State Historic Preservation Office standards. This property is also the ultimate recipient and guarantor of CDBG funds, which means that there is the expectation that 51% of the residential units remain affordable for households/individuals that are below 80% of median income, and the maximum (gross) rent limit on the affordable units cannot exceed \$850. The affordability period is five (5) years from the date of construction completion. The TIF affordability requirements will supersede the CDBG requirements. This project is also pursuing Workforce Housing Tax Credits and Grayfield Tax Credits through the Iowa Economic Development Authority's redevelopment tax credit programs.
- In addition to rehabbing the second-floor apartment units, the building renovations include major structural repairs, mechanical, electrical, and plumbing upgrades, façade improvements, site improvements, roof replacement, fire suppression system, and an addition to the rear of the building to allow for Americans with Disabilities Act (ADA) accessibility.

- The Development Team intends to make immediate improvements to the building that will allow for future sustainability installations in the future (ex. conduit for future EV charging stations; chaise for future solar installation). The project will also participate in the MidAmerican Energy Company's Commercial New Construction program.
- The Development Team is approaching the 'equity raise' in an untraditional manner. The typical approach is to gather a small group of investors, each contributing a large sum to the project for an equity stake or return. With this project, however, the Development Team is focused on reflecting the neighborhood by recruiting investors who would be considered non-traditional and would be first-time investors as a result of this project.

The investor base will be one of the more diverse funding groups in the state, and there has been a fair amount of time spent on educating the investor base about the benefits and mechanics of tax credits and grant funding.

- The development agreement will include verifiable payroll language.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: April 23, 2018

Roll Call Number: [18-0695](#)

Action: [Support](#) of a Workforce Housing Tax Credit (WHTC) benefit application to be submitted to the Iowa Economic Development Authority (IEDA) for a multi-family housing project at 1601 6th Avenue by Indigo Dawn, LLC. ([Council Communication No. 18-195](#)) Moved by Gatto to adopt. Motion Carried 7-0.

Date: December 12, 2022

Roll Call Number: [22-1888](#)

Action: [Urban](#) Renewal Development Agreement with North Des Moines Town Hall, LP (Chaden Halfhill and Kuuku Saah) for renovation of existing building at 1601 6th Avenue. ([Council Communication No. 22-579](#)) Moved by Gatto to adopt. Second by Voss. Motion Carried 7-0.

#### **BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: October 4, 2022

Resolution Number: N/A

Action: A consensus of the members present recommended approval of the proposed project's final design and financial assistance, with the intention to update the Board on the final determination on site plantings, courtyard design, and rooftop equipment analysis.

**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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