


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	24-064	Meeting:	February 19, 2024
	Agenda Item:	33	Roll Call:	24-0258
	Submitted by:	Cody Christensen, Development Services Director		

AGENDA HEADING:

Resolution approving preliminary terms of an urban renewal development agreement with Townhall Associates LP for the historic renovation of 1601 6th Avenue into a mixed-use residential and commercial development, and the new construction of a mixed-use residential and commercial building at 1605/1609/1619 6th Avenue.

SYNOPSIS:

Townhall Associates LP (Kuuku Saah, Ntontan Real Estate, and Frank Levy, Newbury Living) 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 coffee shop on the first floor and seven (7) residential units on the upper level, first floor, and lower level. The project scope also includes a new construction mixed-use building to include three (3) kitchen spaces and a community seating and gathering space as part of the community food hall concept, and 24 residential units. The project is anticipated to cost approximately \$12.5 million and is expected to begin no later than Spring of 2025, with a completion date of December 2026.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Townhall Associates 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 \$460,000, 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 four and a half percent (4.5%) discount rate. The forgivable loan would be issued at full value upon issuance of the certificate of completion. 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 would be restricted from applying for tax abatement to allow repayment of the forgivable loan.

Due to a change in scope from what was previously proposed for the historic renovation of 1601 6th Avenue, this project is no longer eligible for Neighborhood Commercial Revitalization (NCR) funds. The historic renovation project was originally awarded \$160,000 under the NCR grant program, and \$300,000 in traditional TIF funds. The preliminary terms proposed in this action match the original

commitment to the original project but consolidate the benefit amount within one (1) incentive program (TIF). The incentive represents about 3.6% 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	\$ 98,254	\$ 540,651	\$460,000	\$ 80,651
Sum 20 Years	\$218,010	\$1,083,793	\$460,000	\$ 623,793
Sum 30 Years	\$363,974	\$1,688,903	\$460,000	\$1,228,903

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

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

ADDITIONAL INFORMATION:

- There is an existing urban renewal development agreement for the project at 1601 6th Avenue, which will be terminated prior to the execution of final terms of an urban renewal development agreement with Townhall Associates LP.
- Ntontan RE, a community-focused real estate development company, has joined forces with Newbury Living, an experienced affordable housing specialist. This collaboration aims to enhance diversity and representation in the development process, ensuring the project's success and positive impacts.
- The historic preservation of the existing building at 1601 6th Avenue will be a sensitive rehabilitation of the North Des Moines Hall, which is a space that had facilitated community gatherings for over 100 years. The project is seeking Historic Property Tax Credits, so the project will be consistent with the State Historic Preservation Office standards.
- This project will be the first affordable housing building in Iowa pushing for a net neutral carbon footprint through the Living Building Framework for Affordable Housing. This framework prioritizes regenerative design principles, connecting residents to light, air, food, nature, and community. The sustainability features of this project include a geothermal heating/cooling system and photovoltaic panels.
- The project includes two (2) mixed-use buildings, totaling 31 residential units, providing affordable housing to address the community's pressing need for accessible living spaces. The rent limits of the unit mix varies, with 28 units at 60% Area Median Income (AMI) income levels, and three (3) units at 30% AMI income levels.
- The commercial space within the project scope includes three (3) local artisan kitchens and a coffee shop. This approach not only enriches the local culinary scene, but also serves as a gathering space for residents and the wider community. The food hall will provide affordable food options and will also act as an opportunity for emerging small business owners. The community space in the new construction building will be used in a non-exclusive way, open for community gatherings. The goal of the project is to foster a greater sense of community for the neighborhood and create an impactful amenity.

- The project engages community members as investors through the master lease, offering them a chance to shape the growth of their neighborhood. This inclusive financing model aligns the investor base with the demographics of the community. The investors are entitled to a pro rata share of the earnings from the food hall.

PREVIOUS COUNCIL ACTION(S):

Date: October 2, 2023

Roll Call Number: [23-1340](#)

Action: [First](#) Amendment and Restated Urban Renewal Development Agreement with North Des Moines Town Hall, LP (Chaden Halfhill and Kuuku Saah, Members) for renovation of existing building at 1601 6th Avenue. ([Council Communication No. 23-445](#)) Moved by Gatto to adopt. Second by Boesen. Motion Carried 6-0.

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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