


# COUNCIL COMMUNICATION

	Number:	<b>24-274</b>	Meeting:	<b>June 17, 2024</b>
	Agenda Item:	<b>30</b>	Roll Call:	<b>24-0871</b>
	Submitted by:	<b>Cody Christensen, Development Services Director</b>		

## AGENDA HEADING:

Resolution approving the final terms of an Urban Renewal Development Agreement with Ruan Redevelopment Partners, LLC for the conversion of an existing office building at 601 Locust Street to a 221-unit multi-family residential building, including existing commercial uses on the skywalk level.

## SYNOPSIS:

Ruan Redevelopment Partners, LLC (represented by Tracey Ball, Chief Financial Officer, Ruan, Incorporated, 3200 Ruan Center, 666 Grand Avenue, Des Moines, IA 50309; and Aaron Mesmer, Executive Vice President and Chief Investment Officer, Block Real Estate Services, LLC, 4622 Pennsylvania Avenue, Suite 700, Kansas City, MO 64112) is proposing the conversion of the existing 14-story office building located at 601 Locust Street to a 221-unit multi-family residential building, with the commercial uses to remain on the skywalk level. The lower level of the building will be indoor parking, and the street level will include predominantly residential amenity spaces. The skywalk level will be a mix of the existing commercial uses, residential units, and amenity spaces. Levels 3-14 will contain residential units, and the penthouse space will be converted into a rooftop amenity area for the residential tenants.

The total project cost is estimated at \$81.2 million. Construction is anticipated to begin at the end of 2024, with completion anticipated in 2027.

The Office of Economic Development has negotiated final terms of an Urban Renewal Development Agreement with Ruan Redevelopment Partners, LLC, which provides for tax increment financing (TIF) to serve as a means for responding to a financing gap, as presented by the development team. Additional details on the final terms are provided in the fiscal impact section below.

## FISCAL IMPACT:

Amount: The financial terms propose approximately \$5.57 million in project generated tax increment on a cash basis (\$2.77 million on a net-present-value {NPV} at a 4.5% discount rate) based on the following schedule: 95% in years nine (9) through 12, 90% in years 13 through 15, 80% in years 16 through 18, and 70% in years 19 and 20. The Developer intends to file for 10-year declining residential tax abatement on the project. The TIF is estimated to comprise of 3.4% of the total project cost.

The current assessed value of the existing property is \$6.7 million. Upon completion of the project, the total assessed value of the property including building and land is estimated at \$40.9 million.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project	Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$ 2,911,095	\$ 2,456,846	\$ 332,538	\$ 2,124,308
Sum 20 Years	\$ 6,459,277	\$12,675,842	\$5,569,449	\$ 7,106,393
Sum 30 Years	\$10,783,972	\$25,178,515	\$5,569,449	\$19,609,066

\*Taxes received without project estimates used the following assumptions: 2.5% growth in reassessment years, 1.5% growth in non-re-assessment years.

\*Building and land valuation assumptions at completion of construction:

\$39,591,250 building valuation

\$ 1,310,000 land valuation

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

### **ADDITIONAL INFORMATION:**

- The building was constructed in 1981. The development team for this renovation and conversion of the Two Ruan building at 601 Locust will pursue State and Federal Historic Tax Credits, and all work will be undertaken following the Secretary of the Interior's Standards and Guidelines for Historic Rehabilitation. The development team will also be working with the State Historic Preservation Office (SHPO) on design requirements.
- The project will feature fitness centers, coworking space, bike wash and repair station, pet spa and rooftop pet park, covered indoor parking, and a rooftop lounge and gathering space.
- The development agreement will require participation in the MidAmerican Energy Company's Commercial New Construction Program, and the development team will include a minimum of one (1) Level 2 electric vehicle charging stations. The project will also incorporate the required Energy Efficiency & Sustainability Features to qualify for the tax abatement program.
- The development team has also committed to providing a minimum of 10% of the residential units at an affordable rent structure of 65% HOME Rent Limits which corresponds to households earning 80% or less of the area median income (AMI) levels for the term of the development agreement.
- Ruan Redevelopment Partners, LLC's proforma indicates a financial gap created by the continued rise in construction costs on a project of this scope and quality that makes debt coverage and return on investment a challenge without financial assistance.

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

Date: May 20, 2024

Roll Call Number: [24-0751](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with Ruan Redevelopment Partners, LLC for the conversion of an existing office building at 601 Locust Street to a 221-unit multi-family residential building, including commercial uses on the skywalk level. ([Council Communication No. 24-220](#)) Moved by Gatto to adopt. Second by Voss. Motion Carried 7-0.

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

Board: Urban Design Review Board

Date: June 4, 2024

Resolution Number: N/A

Action: Motion by Rypma to recommend approval of the final design. Seconded by Ward. Yes – 7, No – 0, Absent – 4, Abstain – 0.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- City Council – Certificate of Completion

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](mailto:cityclerk@dmgov.org).