


COUNCIL COMMUNICATION

	Number:	24-468	Meeting:	November 18, 2024
	Agenda Item:	27	Roll Call:	24-1575
	Submitted by:	Cody Christensen, Development Services Director		

AGENDA HEADING:

Resolution Approving Preliminary Terms of an Urban Renewal Development Agreement with Highland Park Flats LLC for the construction of a 12-unit apartment building located at 3608-3610 5th Avenue.

SYNOPSIS:

Highland Park Flats LLC (Jake Sparks, Partner, 1924 Fuller Avenue, West Des Moines, IA 50265) is proposing the construction of a 12-unit apartment building at 3608-3610 5th Avenue. Total project cost is estimated at \$2,635,000, with construction anticipated to begin in the spring of 2025 with completion expected in spring 2026.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development with Highland Park Flats LLC, which provides for tax increment to serve as a core mechanism 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 a capped tax increment financing (TIF) maximum value of \$252,608 in project-generated tax increment on a net-present-value basis (NPV) (at a 4.5% discount rate) based on the following schedule: 95% in years 1-5, 85% in years 6-10, 80% in years 11-15, 70% in year 16. The TIF is estimated to comprise 9.5% of the total project financing.

The current assessed value of the existing property is \$78,600. Upon completion of the project, the total assessed value of the property, including building and land is estimated at \$1,600,000.

Year	Estimated Taxes Received Without Project*	Estimated Taxes Received With Project**	Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$16,972	\$ 343,565	\$237,305	\$106,260
Sum 20 Years	\$37,658	\$ 759,981	\$382,579	\$377,402
Sum 30 Years	\$62,872	\$1,240,268	\$382,579	\$857,689

*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 the project in the Oak Park Highland Park Urban Renewal Area.

ADDITIONAL INFORMATION:

- The \$2.6 Million project is located on a vacant lot that was previously an abandoned housing structure.
- The Developer is planning all-electric appliances and Heating, Ventilation, and Air Conditioning (HVAC) units.
- The Developer will also participate in MidAmerican Energy’s Commercial New Construction energy efficiency program.



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- City Council – Final Terms of an Urban Renewal Development Agreement and Certificate of Completion
- Urban Design Review Board – Preliminary and Final Design, Appropriateness of Financial Incentives

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