


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number: 24-536	Meeting: December 23, 2024
	Agenda Item: 50-I	Roll Call: [_____]
	Submitted by: Cody Christensen, Development Services Director	

AGENDA HEADING:

Resolution approving items regarding 515 Walnut LLC’s project to construct a 33-story, 390-unit, high rise apartment building at 515 Walnut Street.

SYNOPSIS:

515 Walnut LLC (Joseph Teeling, Manager, 715 SE Southfork Drive, Waukee, IA 50263) is proposing the construction of a new 33-floor high rise apartment building at 515 Walnut Street, formerly the site of the east half of the Kaleidoscope Mall. The project will consist of 390 multi-family apartment units, connected to the skywalk system. Total project cost is estimated at \$148 million with anticipated completion in 2027. The project will be the largest residential project ever constructed in the downtown core, will provide over 700 construction jobs, and will create the most significant change to Des Moines’ skyline since the tower at 801 Grand was erected in 1991.

The Office of Economic Development has negotiated final terms and recommends approval of the following:

- An Urban Renewal Development Agreement with 515 Walnut, LLC, which provides for tax increment financing (TIF) to respond to a construction financing gap, as presented by the development team and evaluated by staff.
- First Amendment to the Grant Agreement that reduces the number of rent and income restricted units from 72 to 39 units and increases the restricted rent caps from the 50% HOME Rent Limits up to the 65% HOME Rent Limits. The reduction in affordable units and increase in rent cap restrictions is due to the elimination of \$2 million that was previously included in the preliminary terms as non-project-generated TIF incentives. Due to City budget constraints, the non-project-generated TIF incentive structure can no longer be recommended by City staff.
- A market rate Parking Agreement for up to 390 spaces located at the 5th and Walnut parking ramp.
- Additional details on the final terms of the agreements are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The financial terms propose a total incentive of approximately \$5.3 million on a net-present-value (NPV) basis as follows:

- \$3.8 million in project-generated TIF (NPV at a 4.5% discount rate) based on the following schedule: 100% in years nine (9)-10 and 90% in years 11-14, representing approximately 2.6% of the total project cost.
- \$500,000 American Rescue Plan Act (ARPA) Grant to be paid upon project completion and issuance of a certificate of completion.
- \$1 million – release of funds provided by Employers Mutual Casualty Company (EMC) and held in escrow, to the Project for the reconnection of the skywalks, to be paid in two (2) installments as follows: \$500,000 on November 1st or the first business day thereafter, commencing November 1st of the first calendar following the assessment year that the 100% tax abatement is fully credited, and the remaining amount on the following November 1st, or the first business day thereafter.

The proposed incentive package no longer includes four (4) non-project-generated TIF grants of \$500,000 each, resulting in a \$2 million reduction from what had been included in the financial assistance package approved at the preliminary terms stage. The Developer intends to file for 10-year declining residential tax abatement on the project.

The current assessed value of the existing property is \$849,100. Upon completion of the project, the total assessed value of the property, including building and land, is estimated at \$69,510,000.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$226,273	\$ 3,036,320	\$1,577,649	\$ 1,458,671
Sum 20 Years	\$502,064	\$22,119,878	\$6,787,947	\$15,331,931
Sum 30 Years	\$838,21	\$44,200,879	\$6,787,947	\$37,412,932

*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.

*Building and land valuation assumptions at completion of construction:

\$68,250,000 building valuation

\$1,260,000 land assessment

Funding Source: Tax increment generated by the project in the Metro Center Urban Renewal Area & housing grant funds made possible by ARPA.

ADDITIONAL INFORMATION:

- The \$148 million project is located at the northwest corner of 5th Avenue and Walnut Street and will include a total of 390 dwelling units containing a mix of studio, one (1)-bedroom and two (2)-bedroom apartment units.
- The existing Kaleidoscope parcel is .86 acres. The tower project site is .35 acres, leaving the western balance of the property available for future development opportunities.

- Staff has recommended a \$500,000 ARPA allocation from the funds designated by the City Council to promote the creation of affordable housing. These funds will be payable upon completion of the project and issuance of certificate of occupancy.
- The City and Developer will enter into a parking lease agreement for up to 390 stalls at market rate in the City's 5th and Walnut parking structure.
- The Developer has committed to providing 39 residential units at an affordable rent structure of 65% HOME Rent Limits and available to households earning 80% or less of the area median income (AMI) levels for the life of the development agreement. The affordable unit mix includes 18 studio units, 12 one (1)-bedroom units, and nine (9) two (2)-bedroom units.
 - The number of units and affordability levels were revised from those outlined in the preliminary terms pursuant to the removal of the four (4) non-project-generated grants of \$500,000.
- The Developer will participate in MidAmerican Energy's Commercial New Construction energy efficiency program, and the building will be all-electric.

PREVIOUS COUNCIL ACTION(S):

Date: November 21, 2022

Roll Call Number: [22-1803](#)

Action: [Authorizing](#) City Manager to negotiate and execute a grant agreement with Turrin, LLC for affordable housing at 515 Walnut Street. ([Council Communication No. 22-551](#)) Moved by Gatto to adopt. Second by Mandelbaum. Motion Carried 6-1. Absent: Sheumaker.

Date: November 21, 2022

Roll Call Number: [22-1802](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with Turrin, LLC for the new construction of a 360-unit, 32 story multi-family apartment tower located at 515 Walnut Street. ([Council Communication No. 22-547](#)) Moved by Gatto to adopt. Second by Mandelbaum. Motion Carried 6-1. Absent: Sheumaker.

Date: May 21, 2018

Roll Call Number: [18-0925](#) and [18-0926](#)

Action: Items regarding expansion of Employers Mutual Casualty Company (EMC) corporate headquarters at 701 Walnut Street: ([Council Communication No. 18-254](#))

- (A) [Approval](#) of Preliminary Development Agreement and Escrow Agreement. Moved by Boesen to adopt. Motion Carried 6-1. Absent: Mandelbaum.

- (B) [Authorization](#) for the City Manager to negotiate an Urban Renewal Development Agreement and Escrow Agreement. Moved by Boesen to adopt. Motion Carried 6-1. Absent: Mandelbaum.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: February 21, 2023

Resolution Number: NA

Action: Ward moved to approve the final design, seconded by Brian Clark. Yes – 7; No – 0; Absent – 2. Clark moved to approve financial assistance package, seconded by Hielkema. Yes – 7; No – 0; Absent – 2.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- City Council – Certificate of Completion

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