


COUNCIL COMMUNICATION

	Number:	25-031	Meeting:	January 27, 2025
	Agenda Item:	30	Roll Call:	25-0123
	Submitted by:	Cody Christensen, Development Services Director		

AGENDA HEADING:

Resolution approving the preliminary terms of an Urban Renewal Development Agreement with 509 SE 6TH, LLC for the construction of Foundry Lofts, a 46-unit apartment building located at 509 SE 6th Street.

SYNOPSIS:

509 SE 6TH, LLC (Jake Christensen, President, Christensen Development, 215 East 3rd Street, Suite 300, Des Moines, IA 50309) is proposing the construction of Foundry Lofts, a four (4)-story, 46-unit apartment building at 509 SE 6th Street, located on a 1.04-acre infill site. Total project cost is estimated at \$15 million. Construction is anticipated to begin in the spring of 2026, with completion anticipated in late 2027.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with 509 SE 6TH, 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 preliminary terms are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The financial terms propose a capped TIF maximum value of \$625,000 in project-generated tax increment on a net-present-value (NPV) basis (at a 4.5% discount rate) based on the following schedule: 95% in Years 1 through 15. TIF is estimated to comprise 4% of the total project financing. The financial terms also include a forgivable loan in the amount of \$189,000 for the acquisition of an adjacent City-owned, 8,420 square-foot remnant parcel that will be included as part of the development plans.

The current assessed value of the existing property is \$226,900. Upon completion of the project, the total assessed value of the property including building and land is estimated at \$2,128,770.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$ 67,727	\$ 899,853	\$ 791,777	\$ 108,076
Sum 20 Years	\$150,275	\$1,993,904	\$1,143,159	\$ 850,745
Sum 30 Years	\$250,890	\$3,321,965	\$1,143,159	\$2,178,806

*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:
\$1,940,970 building valuation
\$187,800 land assessment

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

ADDITIONAL INFORMATION:

- The proposed \$15 million project is located south of East Martin Luther King Parkway, between SE 6th and SE 7th Street and will include a total of 46 dwelling units.
- The project is located within the Thriving Communities Designation boundary provided by the Iowa Finance Authority (IFA) to the City of Des Moines. The project will be applying to the Low-Income Housing Tax Credits (LIHTC) Program through IFA.
- The project will provide a variety of unit types including six (6) one (1)-bedroom units, 25 two (2)-bedroom units, and 15 three (3)-bedroom units. Downtown Des Moines currently lacks many housing options for families, especially units with three (3) bedrooms. Foundry Lofts provides a unique opportunity for larger households to live affordably in a downtown setting.
- Affordability requirements will target households earning 30%, 40%, and 60% of Area Median Income (AMI). Rents will be set well below LIHTC maximums.
- The development will be 100% electric and be built with energy efficiency standards - Home Energy Rating Systems (HERS) Index of 60 or less and Energy Star appliances.
- In addition to the growing neighborhood amenities of the Market District, the development will also have a playground, community room, exercise room, in unit washer and dryers, 10% fully American with Disabilities Act (ADA) accessible units, and onsite video security system and controlled entry for residents.



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- City Council – Final Terms of a Development Agreement and Certificate of Completion
- Urban Design Review Board – Preliminary and Final Design Review

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