


# COUNCIL COMMUNICATION

	Number: <b>25-163</b>	Meeting: <b>April 21, 2025</b>
	Agenda Item: <b>35</b>	Roll Call: <b>25-0588</b>
	Submitted by: <b>Cody Christensen, Development Services Director</b>	

## AGENDA HEADING:

Resolution approving final 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 five (5) residential units on the upper level and first floor. The project scope also includes a new construction or a three (3)-story 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 two (2) buildings will not be physically connected. The project is anticipated to cost approximately \$13.1 million and is expected to begin the summer of 2025, with a completion date of November 2026.

The Office of Economic Development has negotiated final terms of an urban renewal development agreement with Townhall Associates LP, which provides for financial assistance 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 final terms propose financial assistance in an amount not to exceed \$460,000, which is equivalent to 100% of the estimated project-generated Tax Increment Financing (TIF) in Years 1 through 20 from the project on a Net Present Value (NPV) at a four and a half percent (4.5%) discount rate. The proposed structure of the financial assistance has been adjusted as follows:

- Financial assistance will be provided as a loan of \$300,000 upon issuance of the certificate of completion and repaid through the tax-increment generated by the project in Years 1 through 20. The agreement will require a minimum assessment agreement for the 20-year duration of the loan, and in the event the actual tax-increment generated from the project fully repays the \$300,000 loan prior to Year 20, the project will be eligible to receive 100% of project-generated tax-increment in excess of \$300,000 NPV up to an additional maximum of \$160,000 (NPV at a 4.5% discount rate). The project will be prohibited from applying for tax abatement to allow for the repayment of the up-front financial assistance. As long as the project complies with all of the affordability requirements and conditions of the development agreement, any balance outstanding on the original \$300,000 loan will be forgiven at the end of the 20-year term.

- 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 final terms match the original total financial commitments to the project but consolidate the benefit amount within one (1) incentive program (TIF). The maximum incentive represents about 3.5% of the total project costs.

Funding Source: Tax increment from the Metro Center TIF District.

#### **ADDITIONAL INFORMATION:**

- The project includes two (2) mixed-use buildings, totaling 29 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 26 units at 60% Area Median Income (AMI) income levels, and three (3) units at 30% AMI income levels.
- There is an existing urban renewal development agreement for the project at 1601 6th Avenue, which will be terminated due to the execution of final terms of this urban renewal development agreement with Townhall Associates LP.
- Ntontan RE, a community-focused real estate development company, has partnered 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 more than 100 years. The project is seeking Historic Property Tax Credits, so the project will be consistent with the State Historic Preservation Office (SHPO) standards.
- The food hall concept was awarded funds from the Iowa Low Income Housing Tax Credit (LIHTC) Innovation Set Aside program from the Iowa Finance Authority (IFA), which was a competitive process with only one (1) potential recipient per round. The residential units in the historical building are eligible within this program as qualified costs/units and are therefore considered within the LIHTC scope of review. However, due to the new construction nature of the food hall building, the food hall building will not be within the SHPO scope of review.
- This project will incorporate principles of the Living Building Challenge Framework for Affordable Housing, offered by the International Living Future Institute. The project will also participate in the MidAmerican Energy Company's Commercial New Construction program, as well as the Des Moines Area Regional Transit Authority (DART) Unlimited Access Program to provide free use of DART buses to employees/tenants. Additionally, the Developer will provide two (2) electric vehicle charging stations and conduit to provide more stations if needed, and will utilize geothermal fields for partial regulation of heating and cooling.
- 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 of the food hall building, 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: February 19, 2024

Roll Call Number: [24-0258](#)

Action: [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 and 1619 6th Avenue. ([Council Communication No. 24-064](#)) Moved by Coleman to adopt. Second by Gatto. Motion Carried 6-0.

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

Board: Urban Design Review Board

Date: March 4, 2025

Resolution Number: N/A

Action: Rypma moved to approve the final design, with the following considerations requested of the Development Team: landscape adjustments to create larger canopy, encouragement of operable windows, and encouragement of indoor bike storage. Seconded by Burnham. Yes – 9; No – 0; Absent – 2; Abstain – 0.

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- City Council – Approval of Certificate of Completion to commence economic development assistance.

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