


COUNCIL COMMUNICATION

	Number:	25-474	Meeting:	December 22, 2025
	Agenda Item:	20	Roll Call:	<input type="text"/>
	Submitted by:	Cody Christensen, Development Services Director		

AGENDA HEADING:

Recommendation of developer selection and preliminary terms of an urban renewal development agreement with The Annex Group for construction of a six (6)-story, mixed use building at 100 SW 5th Street.

SYNOPSIS:

Polk County issued a Request for Proposals (RFP) in June 2024 to solicit development proposals for a County-owned parking lot located at 100 SW 5th Street, immediately south of the historic Polk County Courthouse (commonly known as the “Cherry Street Parking Lot” and bounded by Cherry, SW 5th, and SW 6th Streets, as well as Iowa Interstate Railroad tracks).

With assistance from the City of Des Moines Office of Economic Development (OED) staff, Polk County re-issued the RFP in December 2024 with additional details on desired development concepts and submittal requirements.

On June 30, 2025, City Council authorized a 28E Agreement between the City of Des Moines and Polk County that defined and formalized the City’s role in soliciting and evaluating development proposals for the Cherry Street Parking Lot. While the County is required to maintain ownership of the property and transfer said property to a selected Developer once all conditions of conveyance have been satisfied, the City received, reviewed, and evaluated all development proposals and is negotiating any appropriate development assistance and/or development agreements subject to funding availability and City Council approval. The Polk County Board of Supervisors approved this 28E Agreement at their July 29, 2025, meeting.

The City is recommending the selection of a development proposal brought forth by The Annex Group (David Wesner, Vice President of Development; 1700 Lincoln Street, 17th Floor, Denver, CO 80203). The proposal is for a six (6)-story, mixed-use project that proposes approximately 280 residential units on floors two (2) thru six (6), 6,000 square feet of ground-floor commercial space, and additional ground-floor tenant amenity spaces. Total project cost is estimated at \$75.95 million. Construction is anticipated to begin in the winter of 2026 with completion anticipated in 2028.

OED has negotiated preliminary terms of an urban renewal development agreement with The Annex Group, 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 terms are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The financial terms propose a capped TIF maximum value of \$5.14 million in project-generated tax increment on a net-present-value (NPV) basis (at a 4.5% discount rate) based on the following schedule: 90% in years one (1) through 10 and 85% in years 11 through 20. The Developer intends to file for 10-year declining residential tax abatement on the project. The TIF is estimated to comprise 6.8% of the total project financing.

An additional “ground-floor commercial occupancy” grant is proposed to incentivize commercial occupancy by desirable, “activating” uses in the Downtown core. An additional incentive of \$5 per square foot would be paid to The Annex Group for occupied ground-floor commercial tenants (maximum of \$30,000 per year). Funds for this grant would be from projected-generated tax increment.

The current assessed value of the existing property is \$0. Upon completion of the project, the total assessed value of the property including building and land is estimated at \$55,830,000.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$1,182,229	\$ 6,557,270	\$ 4,272,241	\$ 2,285,029
Sum 20 Years	\$2,623,186	\$22,883,027	\$15,106,401	\$ 7,776,626
Sum 30 Years	\$4,379,494	\$42,715,601	\$15,106,401	\$27,609,200

*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:

\$53,430,000 building valuation

\$2,400,000 land assessment

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

ADDITIONAL INFORMATION:

- The Annex Group is a vertically integrated real estate development firm headquartered in the Indianapolis metro area. The company is experienced with developing market-rate, “workforce,” affordable, and student housing projects across the United States. In Des Moines, The Annex Group is in the process of completing construction at The Union at River’s Edge, a six (6)-story, 216-unit affordable housing project located at 1600 Indianola Avenue.
- A six (6)-story, mixed-use building is proposed with 6,000 square feet of commercial space, public-facing tenant amenity spaces, a leasing office, and internal-building vehicular parking stalls proposed for the first floor. There are approximately 280 housing units proposed for floors two (2) thru six (6), in a mix that includes approximately 115 one (1)-bedroom, 110 two (2)-bedroom, and 55 three (3)-bedroom units. Proposed tenant amenities include indoor bicycle storage facilities, a community room, fitness center, internal resident courtyard, and onsite storage units.

- The Developer has committed to providing 20% of the residential units at an affordable rent structure of 80% Housing and Urban Development (HUD) Rent Limits and available to households earning 80% or less of the area median income (AMI) levels for 30 years.
- The Developer will be purchasing the site from Polk County for \$2.4 million. However, OED staff have negotiated a 50% discount on the land purchase price that would be structured as a forgivable loan from Polk County. A \$1.2 million forgivable loan would be issued by Polk County towards the acquisition price of \$2.4 million. Net proceeds due to Polk County from the Developer at time of closing would be \$1.2 million. The Developer is required to keep the housing affordability provisions of the project for 30 years (longer than the duration of a future development agreement) for the loan to be forgiven.
- Ground-floor commercial space eligible for the commercial occupancy incentive will be pegged at an agreed-upon “market” lease rate at time of development agreement execution, and reasonable inflationary increases in lease rates will be permitted. All ground floor commercial spaces will be required to be actively marketed. Uses that would be eligible for this incentive include personal services (barbers, salons, spas, tattoo shops, etc.), studio/instructional services (dance, yoga, photography, tutoring, music instruction, etc.), consumer maintenance/repair services (tailors, electronics repair, dry cleaners, etc.), restaurants, retail (sans uses that include alcohol sales, tobacco/vape sales, etc.), sports and recreation uses, artisanal fabrication/production uses, and office uses.
- The building is proposed to “fill” the site, with each façade exhibiting a high degree of lot line coverage that is typical of Downtown-style development. A ground floor of internal vehicular parking is generally “ringed” by occupiable space for residential and commercial tenants, as well as by storage areas and mechanical rooms, with the exception of portions of the SW 6th Street frontage. As proposed, the design choice to have portions of the SW 6th Street façade abutted by vehicular parking would require a Type 2 Design Alternative request and approval by the Plan and Zoning Commission. Commercial spaces are proposed for the 5th and Cherry corner and the duration of the SW 5th Street frontage; common areas, leasing office, and tenant amenity spaces are proposed for the Cherry Street frontage. The Developer has committed to constructing a percentage of the proposed commercial tenant spaces to be 1,000 square feet or less to encourage the population of “microretailing” in this corridor.
- The building is proposed to be clad by tan-colored face brick as its dominant façade material, an homage to the historic Polk County Courthouse located immediately to the north. The building’s primary entrance for residential tenants would be located on Cherry Street. An additional building entrance would be located on SW 6th Street, and commercial tenant entrances would line SW 5th Street. “Storefront” style window glazing is proposed for the first floor of the building.
- Public-facing site improvements proposed include the underground of existing overhead utility infrastructure, replacement of any wood or galvanized steel streetlights with the black, LED fixtures typical of Downtown development, and construction of “class A” sidewalk on all public street frontages.
- The Developer will be participating in Mid-American Energy’s Commercial New Construction Energy Efficiency Program. Additional sustainability goals proposed as part of this project’s site/building design include:

- All-electric appliances and energy sources inside of the building.
 - Provision of four (4) “sustainability points” to meet the City of Des Moines’ High-Density Residential Tax Abatement standards.
 - Design strategies to meet at least LEED (Leadership in Energy and Environmental Design) Silver certification.
 - Solar Readiness: Flat roof surfaces and infrastructure will support future solar panel installation.
 - Water conservation: Drought tolerant native landscaping and low-flow indoor fixtures.
 - Construction waste reduction: A waste management plan will minimize, sort, and recycle materials during construction.
 - Healthy living and indoor air quality: Fitwel inspired design will promote active lifestyles, with outdoor spaces and pedestrian connections. Low emitting materials and well-ventilated units will ensure healthy indoor air quality, while acoustic design will enhance comfort and privacy.
- All residents will be provided with a Des Moines Area Regional Transit Authority (DART) all-access pass.
 - The Annex Group’s proforma indicates a financial gap created by the continued rise in construction costs on a project of this quality that makes debt coverage and return on investment a challenge without financial assistance.

PREVIOUS COUNCIL ACTION(S):

Date: June 30, 2025

Roll Call Number: [25-0924](#)

Action: [28E](#) Agreement with Polk County to market, convey, and assist in selecting a developer for the development of a Polk County owned surface parking lot at 5th Avenue and Cherry Street. ([Council Communication No. 25-263](#)). Moved by Gatto to adopt. Second by Voss. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Urban Design Review Board – Preliminary design review, final design review
- Plan and Zoning Commission – Potential review of Type 2 Design Alternative requests

- City Council – Final Terms of an Urban Renewal Development Agreement and Certificate of Completion

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