COUNCIL COMMUNICATION

Number:	**26-092**	Meeting:	**March 9, 2026**
Agenda Item:	**25**	Roll Call:	**26-0309**
Submitted by:	**Carrie Kruse, Economic Development Administrator**		

AGENDA HEADING:

Resolution approving the final terms of an Urban Renewal Development Agreement with Market District Apartments, LP, for the construction of Foundry Lofts, a 46-unit apartment building located at 509 SE 6th Street.

SYNOPSIS:

Market District Apartments, LP, (Gratus Development, LLC, 8375 East 96th Street #111, Indianapolis, IN 46256; {Danielle Welch Massey, Development Director} and Christensen Development, 215 East 3rd Street, Suite 300, Des Moines, IA 50309; {Jake Christensen, President}) is proposing the construction of Foundry Lofts, a 4-story, 46-unit apartment building at 509 Southeast 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 final terms of an urban renewal development agreement with Market District Apartments, LP, 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 $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 one (1) through fifteen (15). TIF is estimated to comprise 4% of the total project financing.

The current assessed value of the existing property is $229,200. 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	$602,777	$297,076
Sum 20 Years	$150,275	$1,993,904	$954,159	$1,039,745
Sum 30 Years	$250,890	$3,321,965	$954,159	$2,367,806

*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.

ADDITIONAL INFORMATION:

- The proposed $15 million project is located south of East Martin Luther King, between Southeast 6th and Southeast 7th Streets and will include a total of 46 dwelling units. The project was granted an award from the Iowa Finance Authority's Low-Income Housing Tax Credit (LIHTC) Program in 2025.

- A minimum of 19 apartment units will be devoted to affordable housing by keeping the average rental rate of all units at no more than sixty percent (60%) rent limits as published by the United States Department of Housing and Urban Development under its LIHTC Rents for Polk County, Iowa, which limit corresponds to individuals who earn an average of sixty percent (60%) or less of the area median income. All units shall remain affordable units for a minimum of 30 years under the Iowa Low-Income Housing Tax Credit Program.

- The project will provide a variety of unit types including six 1-bedroom units, 25 2-bedroom units, and fifteen 3-bedroom units. Downtown Des Moines lacks housing options for families, especially units with three bedrooms. Foundry Lofts provides a unique opportunity for larger households to live affordably in a downtown setting.

- Project will require the developer to acquire an 8,420 square foot, city-owned lot at 515 Southeast 6th Street. The proposed terms include a forgivable loan for the appraised, fair market value of the parcel which is $189,000. Promissory note is included in the development agreement.

- The development will be 100% electric and be built with energy efficiency standards - Home Energy Rating Systems (HERS) Index of 70 or less and Energy Star appliances.

- The Development Agreement includes requirements for participation in the Des Moines Area Regional Transit (DART) Authority Unlimited Access Program.

- In addition to the growing neighborhood amenities of the Market District, the development will also have a playground, community room, exercise room, unit washer and dryers, 10% fully ADA accessible units, and onsite video security system and controlled entry for residents.

PREVIOUS COUNCIL ACTION(S):

Date: January 27, 2025

Roll Call Number: 25-0123

Action: 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 Southeast 6th Street. (Council Communication No. 25-031) Moved by Gatto to adopt. Second by Voss. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: February 3, 2026

Resolution Number: NA

Action: Motion by Burnham to approval the final design. Motion was seconded by Hielkema. Yes – 9; No – 0; Abstain – 0; Absent - 2

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: [SELECT ONE]

- City Council – Final Terms of a Development Agreement and Certificate of Completion

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