

# COUNCIL COMMUNICATION

	Number:	<b>26-097</b>	Meeting:	<b>March 9, 2026</b>
	Agenda Item:	<b>26</b>	Roll Call:	<input type="text"/>
	Submitted by:	<b>Carrie Kruse, Economic Development Administrator</b>		

## AGENDA HEADING:

Resolution approving the first amendment to the urban renewal development agreement with Ruan Redevelopment Partners, LLC for the conversion of an existing office building at 601 Locust Street to a 221-unit multi-family residential building, including existing commercial uses on the skywalk level.

## SYNOPSIS:

The City Council approved an Urban Renewal Development Agreement with Ruan Redevelopment Partners, LLC (Ruan, Incorporated, 3200 Ruan Center, 666 Grand Avenue, Des Moines, IA 50309; represented by Tracey Ball, Chief Financial Officer and Block Real Estate Services, LLC, 4622 Pennsylvania Avenue, Suite 700, Kansas City, MO 64112; Aaron Mesmer, Executive Vice President and Chief Investment Officer) for this project on June 17, 2024. The original Agreement for this project included a completion date of December 2027. Due to a delayed approval for state historic tax credits, the Development Team has requested a delayed completion date of December 2028.

The delay has also resulted in the project being subject to a state code change in the tax abatement application formula, also prompting this amendment, which includes a change to the financial terms of the development agreement. See Fiscal Impact details below.

All other terms of the Agreement remain the same, and the project has been value-engineered to reflect an updated cost of \$76.2 million, but the scope of the project remains the same as originally proposed.

## FISCAL IMPACT:

**Amount:** The amended financial terms propose approximately \$8.74 million in project generated tax increment on a cash basis (\$4.88 million on a net-present-value {NPV} at a 4.5% discount rate) based on the following schedule: 100% in years one (1) through eight (8), 95% in years nine (9) through 12, 90% in years 13 through 15, 80% in years 16 through 18, 70% in years 19 through 20. Additionally, the taxable base has been adjusted from \$4.72 million to \$1.2 million, reflecting a portion of the actual reduction in the property's assessment. The Developer intends to file for the 10-year declining residential tax abatement schedule on the project. The tax increment financing (TIF) is estimated to comprise 6.4% of the total project cost.

The previous schedule included approximately \$5.79 million in the value of tax abatement, and \$2.68 million in the value of TIF<sup>1</sup>, both NPV at a 4.5% discount rate. The proposed update to the schedule

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<sup>1</sup> Please note – this estimate has been updated since the 2024 Final Terms Council action due to updated TIF rates being available for more accurate projections.

includes approximately \$3.58 million in the value of tax abatement, and \$4.88 million in the value of TIF, both NPV at a 4.5% discount rate. The adjusted schedule provides for a comparable value between the TIF and tax abatement schedules.

The current assessment value of the existing property is \$1.3 million. Upon completion of the project, the total assessed value of the property including building and land is estimated at \$40.9 million.

Year	Estimated Tax Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received*
Sum 10 Years	\$ 529,306	\$ 4,126,225	\$ 2,547,295	\$ 1,578,930
Sum 20 Years	\$ 1,174,450	\$ 14,161,083	\$ 8,739,832	\$ 5,421,251
Sum 30 Years	\$ 1,960,782	\$ 26,498,202	\$ 8,739,832	\$ 17,758,370

\*Taxes received without project estimates used the following assumptions: 2.5% growth in reassessment years, 1.5% growth in non-reassessment years.

\*Building and land valuation assumptions at completion of construction:

\$39,591,250 building valuation

\$1,310,000 land valuation

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

#### **ADDITIONAL INFORMATION:**

- The building was constructed in 1981. The development team for this renovation and conversion of the Two Ruan building at 601 Locust is pursuing State Historic Tax Credits, with the Part 2B submission currently pending, and all work will be undertaken following the Secretary of the Interior's Standards and Guidelines for Historic Rehabilitation. The development team will also be working with the State Historic Preservation Office (SHPO) on design requirements.
- The project will feature fitness centers, coworking space, bike wash and repair station, pet spa and rooftop pet park, covered indoor parking, and a rooftop lounge and gathering space.
- The development agreement will require participation in the MidAmerican Energy Company's Commercial New Construction Program, and the development team will include a minimum of one (1) Level 2 electric vehicle charging stations. The project will also incorporate the required Energy Efficiency & Sustainability Features to qualify for the tax abatement program.
- The development team has committed to providing a minimum of 10% of the residential units at an affordable rent structure of 65% HOME Rent Limits which corresponds to households earning 80% or less of the area median income (AMI) levels for the term of the development agreement.
- Ruan Redevelopment Partners, LLC's proforma indicates a financial gap created by the continued rise in construction costs on a project of this scope and quality that makes debt coverage and return on investment a challenge without financial assistance.

**PREVIOUS COUNCIL ACTION(S):**

Date: June 17, 2024

Roll Call Number: [24-0871](#)

Action: [Final](#) terms of an urban renewal development agreement with Ruan Redevelopment Partners, LLC for the conversion of an existing 14-story office building at 601 Locust Street into a mixed-use 221-unit multi-family housing development with commercial uses on the skywalk level. ([Council Communication No. 24-274](#)) Moved by Gatto to adopt. Second by Voss. Motion Carried 7-0.

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

Board: Urban Design Review Board

Date: June 4, 2024

Resolution Number: N/A

Action: Motion by Rypma to recommend approval of the final design. Seconded by Ward. Yes – 7, No – 0, Absent – 4, Abstain – 0.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- City Council – Certificate of Completion

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