

COMMUNICATION
URBAN DESIGN REVIEW BOARD

CITY OF DES MOINES, IOWA

MAY 17, 2022 MEETING

Subject:	Recommendation:	Prepared by:
INDIGO DAWN, LLC AND NTONTAN RE 1601 6TH AVENUE (NORTH DES MOINES HALL) INITIAL DESIGN & FINANCIAL ASSISTANCE REVIEW	X APPROVE DISAPPROVE NO ACTION OTHER	KATIE HERNANDEZ KLHERNANDEZ@DMGOV.ORG 515-283-4016
Attachment Listing: https://www.dsm.city/udrb_meeting_schedule.php		

Summary:

Indigo Dawn, LLC, represented by Chaden Halfhill, and Ntontan RE, represented by Kuuku Saah, have proposed a historic renovation of the existing 4,680-square-foot building at 1601 6th Avenue, which will be redeveloped as a mixed-use building, including commercial and multi-family residential uses.

The property is located within the City's only Main Street community, the Sixth Avenue Corridor. This project will sensitively and comprehensively rehabilitate North Des Moines Hall. Because this project is receiving historic tax credits, all work will be undertaken following the Secretary of the Interior's Standards for Historic Rehabilitation. The building is listed on the National Register of Historic Places.

The project cost is approximately \$2.5 million. The Development Team intends to begin construction in July 2022 and would finish construction in the summer of 2023.

Edward Shannon, AIA, has been selected as the project architect, and the historian of record is Jennifer Irsfeld James.

Scope of Review – Board to make recommendation to City Council on:

- Design review of renovation /remodeling/new construction for City-owned or leased project.
- Design review for urban renewal project with specific development requirements.
- Whether a proposed urban renewal project qualifies for funding from tax increment.
- Whether the level of financial assistance funded from tax increment revenues proposed for a specific individual project are reasonable and appropriate.
- The selection of urban renewal sites for clearance or rehabilitation and problems relating to acquisition, clearance or rehabilitation of property, relocation of displaced persons and disposition of acquired property.
- Skywalk System
- Other

Urban Design Review Board Action: The Board is asked to make its recommendation to City Council on the initial design and financial assistance package.

Staff Recommendation: Approval of the initial design and financial assistance package.

Background:

Constructed in 1888, the building at 1601 6th Avenue, commonly known as North Des Moines Hall and formally known as Perry and Brainard Block, is a 2-story solid brick structure built within the traditions of Victorian commercial architecture, with a rectangular footprint, flat roof, and symmetrical façade. The second floor was originally used as an opera house and meeting hall for municipal purposes and fraternal organizations. The building served as City Hall for the North Des Moines municipality until 1890, when the community was officially annexed by Des Moines.

This property was purchased by 6th Avenue Corridor in 2016, with the intent of directing the redevelopment of the property. The City granted Community Development Block Grand funds to 6th Avenue Corridor for assistance with acquisition and redevelopment, who selected Indigo Dawn, LLC as the developer for this project. The property was sold to Indigo Dawn, LLC in January 2022.

Current property assessments are very low, with the building fully assessed at \$50,400 and the land fully assessed at \$8,400, for a total property assessment of \$58,800. However, because this property was most recently owned by the 6th Avenue Corridor, the property has not been taxable while under that nonprofit ownership. The property is listed in 'poor' condition on the Assessor's site, and is currently declared a public nuisance. A recent fire, which happened in June 2021, has also negatively contributed to the existing condition of this building.

Currently vacant, this renovation will reactivate commercial space on the ground floor and in the large basement and offer four (4) rehabilitated residential units on the second floor. The first floor of commercial space will be home to a restaurant user with local operators.

Because this property is the recipient of a Community Development Block Grant from the City of Des Moines, there is the requirement of 51% of all residential units in the building to be affordable units at the 80% (or lower) area median income level.

Components of the building will be rehabilitated or replaced, where necessary, including:

- exterior masonry
- storefront system
- windows
- site/landscaping
- foundation
- circulation between levels
- interior finishes
- a complete upgrade of the currently non-existent plumbing, electrical, sprinkler, HVAC and mechanical systems.

All work will be completed in ways which meet high-level energy efficiency and sustainability goals, which will include solar electric generation systems, as well as geothermal infrastructure as the primary source of heating and cooling.

Consistency with Goals and Objectives of Urban Renewal Plan

This property is located within the Metro Center Urban Renewal Plan. The project meets the following goals of the Urban Renewal Plan:

- Preserve and create an environment that will protect the health, safety, and general welfare of city residents, and maintain and expand taxable values of property within the area.
- Encourage the elimination of substandard and obsolescent buildings, blighting influences, and environmental deficiencies which detract from the functional unity, aesthetic appearance, and economic welfare of this important section of the city and establish conditions which will attract new investments and prevent the recurrence of blight and blighting conditions.
- Encourage private or joint public and private investment involving the creation of new quality jobs and/or the retention of existing jobs and income.
- Encourage intensive, coordinated, mixed-use development of commercial, residential, and parking facilities that will help assure the most efficient and effective use of available land and related public and private investments.
- Provide facilities that will help meet the convenience retail, recreation, educational, and cultural needs of persons who work and live in and near the project area.
- Encourage the development, rehabilitation and renovation of affordable and market-rate housing in decent, safe and sanitary conditions in attractive settings to serve employees and other people who would like to live in the downtown area and near-downtown areas.
- Support the maintenance and rehabilitation of sound existing structures and the preservation of properties of architectural and/or historic merit.

Proposed Financial Assistance:

On April 18, 2022, the City Council approved preliminary terms of an Urban Renewal Development Agreement that provides for two (2) non-project generated tax increment finance (TIF) payments to serve as a mechanism for responding to a financing gap, as presented by the Development Team.

This Developer applied on behalf of this project for the Neighborhood Commercial Revitalization (NCR) program and received the highest score out of all applications received. Because of the intent to fully fund this project at the requested amount, this proposal addresses and supports this project with increment generated from the Metro Center TIF in order to award more NCR applications, given the limited NCR program funding allocation.

The preliminary terms propose a non-project generated TIF grant in the total amount of \$160,000, which is equivalent to the maximum award from the NCR program. The proposed structure of the TIF grant would closely mimic the structure of the NCR award, with 50% of the grant to be awarded upon 50% completion of the project, and the balance of the grant to be awarded upon full completion of the project. As proposed in

the NCR grant rules, invoices and lien waivers for this project would be reviewed prior to grant disbursement. The Developer also intends to apply for tax abatement.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$12,248	\$43,478	\$160,000	\$(116,522)
Sum 20 Years	\$28,890	\$205,748	\$160,000	\$45,748
Sum 30 Years	\$51,203	\$422,380	\$160,000	\$262,380

*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:

\$203,000 commercial building valuation

\$224,000 residential building valuation

Financial Assistance Comp:

1230 6th Avenue - Urban Campus Apartments L.L.L.P.

The improvements are eligible for multi-family residential tax abatement, and the development team plans to utilize the 10-year declining abatement schedule. Approved final terms provide for a forgivable loan in the amount of \$164,000 to be paid at project completion, which is equivalent to 100% of the project generated tax increment financing (TIF) value in years 9-15 of the project on a net present value (NPV) at a 4.5% discount rate. The forgivable loan will be repaid by the TIF in years 9-15.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$38,498	\$60,329	\$164,000	\$-103,671
Sum 20 Years	\$85,421	\$619,458	\$164,000	\$455,458
Sum 30 Years	\$142,613	\$1,351,103	\$164,000	\$1,187,103

*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:

\$1,039,726 building valuation (90% rollback)

\$83,200 land assessment

Project Location/Photo:

