

**COMMUNICATION**  
**URBAN DESIGN REVIEW BOARD**

CITY OF DES MOINES, IOWA

SEPTEMBER 20, 2022 MEETING

<b>Subject:</b>	<b>Recommendation:</b>	<b>Prepared by:</b>
<b>FINAL DESIGN REVIEW AND FINANCIAL ASSISTANCE REVIEW (AMENDED) – 13TH &amp; MULBERRY, FALCON DRIVE MIXED USE DEVELOPMENT</b>	<b>X</b> APPROVE DISAPPROVE NO ACTION OTHER	WHITNEY L. BAETHKE ECONOMIC DEVELOPMENT COORDINATOR WLBAETHKE@DMGOV.ORG
<b>Attachment Listing:</b> <a href="https://www.dsm.city/udrb_meeting_schedule.php">https://www.dsm.city/udrb_meeting_schedule.php</a>		

**Summary:**

13th & Mulberry, LLC (Josh Aberson and Byron Schafersman of Green Acre Development, Jake Quasney of Lloyd Companies, Owners and Developers, 230 S Phillips Avenue, #205, Sioux Falls, SD 57107) is proposing to construct a new 5-story, mixed-use building including 9,952 square feet of commercial space. The upper four (4) floors will contain 81 residential units, a mix of studio through four-bedroom units, as well as amenity spaces. Located northwest of the 13th & Mulberry Street intersection, this project represents phase two of the development which also included the historic renovation of the one-story, 15,000 square foot Iowa Ford Tractor Company building located at 213 13th Street. Total estimated investment of both phases is \$27.2 million.

The exterior materials palette consists of blonde brick masonry as the predominate material, accompanied by bronze cement fiber panels on the top floor and pigmented concrete on floors two (2), three (3), and four (4). Full height insulated clear glazing and aluminum doors complete the storefront system. Schemmer is providing the architecture and civil engineering services with engagement by Koch Hazard Architects as well.

Preliminary design comments included:

- Appreciate the simplicity, consider extra articulation
- Encourage secure bike storage space
- Material choices appropriate, landscaping should provide nice space

**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 final design of the project and amendment to financial assistance package.

**Staff Recommendation:** Approval

### **Background:**

City Council approved final terms of an Urban Renewal Development Agreement with 13th & Mulberry, LLC in December of 2020. The approved terms include tax increment financing (TIF) incentives generated from the building valuations (exclusive of land and in lieu of tax abatement) with a schedule of 100% in years 1-10 and 75% in years 11-15. The phase two (2) incentive is approximately \$4.1 million on a cash basis (\$2.7 million on a net present value {NPV} at a 4.5% discount rate).

The phase one Iowa Ford Tractor Company renovation building permit was issued in April 2021 and was completed in early 2022. Developer is required to begin construction of phase two prior to December 1, 2023 in order to receive any of the approved incentives on phase one. Urban Design Review Board approved the initial financial assistance package on November 3, 2020, along with the final design of phase one.

### **Consistency with Goals and Objections of Urban Renewal Plan**

The project site is located within the bounds of the Metro Center Urban Renewal Plan. This investment addresses the following goals listed in 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.
- 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.
- Support the maintenance and rehabilitation of sound existing structures and the preservation of properties of architectural and/or historic merit.
- 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.

- 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.

**Proposed Financial Assistance**

On December 21,2020, the City Council approved final terms of an Urban Renewal Development Agreement with 13th & Mulberry, LLC. The following financial terms are recommended as an amendment to the 2020 development agreement. The amendment is being considered in response to a widening financial gap caused by the fluctuations in the development environment over the past 24 months.

The terms recommend provision of incentives generated from the increment of the building valuations with a schedule of 100% in years 1-7, 95% in years 8-12, 90% in years 13-16, 80% in years 17-18 and 70% in years 19-20. The Falcon Drive incentive is approximately \$5.8 million on a cash basis (capped at \$3.6 million on a net present value {NPV} at a 4.5% discount rate). The TIF incentive represents 17% of total project costs. The project is eligible for multi-residential tax abatement but is pursuing this TIF rebate structure in lieu of abatement. Current total assessed value for land and building is \$382,900, and the estimated total assessed value at completion is \$13,327,900.

Year	Estimated Taxes Received without Projects*	Estimated Taxes Received with Projects**	Estimated TIF Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$171,629	\$3,649,888	\$2,845,907	\$803,981
Sum 20 Years	\$380,819	\$8,098,553	\$5,825,547	\$2,273,005
Sum 30 Years	\$635,789	\$13,520,799	\$5,825,547	\$7,695,251

\*Taxes include all property taxing authorities (not just City property taxes).

\*\*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:

- \$ 12,945,000 Building Assessment
- \$ 382,900 Land Assessment

The current development agreement includes affordable housing provisions for a minimum of 10% of the units built as part of this second phase. Rents will not exceed a maximum of the 65% HOME rent limits annually as determined by the United States Department of Housing and Urban Development for the Des Moines-West Des Moines metropolitan statistical area and restricted to households earning at or below the HOME 80% income limits. The number of affordable units will double with the development agreement amendment to 20%.

Financial Assistance Comp

Heart of America Group (d.b.a HOA EVMF, LLC) is constructing a 110-unit, 7-story, 75-foot-tall mixed-use apartment building located on a .82-acre infill site at 317 East 6th Street within the Historic East Village Neighborhood. The \$21 million project contains a mix of studio, 1-bedroom and 2-bedroom apartment units. The first floor will also contain at least 4,000 square feet of commercial space primarily along East 6th Street.

The financial terms include capped tax increment financing (TIF) maximum value of \$2.3 million in project-generated tax increment on a net-present-value basis {NPV} (at a 4.5% discount rate) based on the following schedule: 100% in years nine (9) and 10, 90% in years 11-14, 85% in years 15-17 and 75% in years 18-20. Additionally, the Developer intends to file for 10-year declining residential tax abatement on the project. The TIF is estimated to comprise 12.10% of the total project financing.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$ 700,005	\$ 1,349,123	\$ 519,601	\$ 829,522
Sum 20 Years	\$1,553,204	\$ 8,225,141	\$4,824,132	\$ 3,401,008
Sum 30 Years	\$2,593,124	\$16,605,960	\$4,824,132	\$11,781,828

**Site Vicinity Map**

