

COMMUNICATION
URBAN DESIGN REVIEW BOARD

CITY OF DES MOINES, IOWA

JUNE 04, 2024 MEETING

Subject:	Recommendation:	Prepared by:
DESIGN REVIEW FOR CONVERSION OF TWO RUAN AT 601 LOCUST STREET FROM OFFICE TO MULTIFAMILY RESIDENTIAL	X APPROVE DISAPPROVE NO ACTION OTHER	KATIE HERNANDEZ ECONOMIC DEVELOPMENT COORDINATOR KLHERNANDEZ@DMGOV.ORG
Attachment Listing: https://www.dsm.city/udrb_meeting_schedule.php		

Summary:

Ruan Redevelopment Partners, LLC (Tracey Ball, Chief Financial Officer, Ruan, Incorporated, 3200 Ruan Center, 666 Grand Avenue, Des Moines, IA 50309, and Aaron Mesmer, Executive Vice President and Chief Investment Officer, Block Real Estate Services, LLC, 4622 Pennsylvania Avenue, Suite 700, Kansas City, MO 64112) is proposing the conversion of the existing 14-story office building located at 601 Locust Street to a 221-unit multi-family residential building, with the existing commercial uses to remain on the skywalk level. The lower level of the building will remain indoor parking, and the street level will include predominantly residential amenity spaces. The skywalk level will be a mix of the existing commercial uses, residential units, and amenity spaces. Levels 3-14 will contain residential units, and the penthouse space will be converted into a rooftop amenity area for the residential tenants.

While there are minimal changes proposed to the exterior of the building, other than overall site plan compliance and rooftop alterations, there are significant and complex alterations to the building's interior. The HVAC, electrical, and mechanical upgrades to convert the building require significant design, time, and investment.

Please note – most streetscape and landscaping improvements were included in and installed according to the previously approved site plan associated with improvement projects related to 666 Grand Avenue and 601 Locust Street via lot-tie agreement, dated October 22, 2021.

This project represents a total investment of \$81.2 million. Construction is anticipated to begin at the end of 2024, with completion anticipated in 2026. GastingerWalker is the architect, Neumann Brothers is the general contractor, and IMEG is providing engineering services.

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 proposed design qualifies for funding from tax increment revenues under the applicable urban renewal plan.**
- 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 regarding the final design.

Staff Recommendation: Staff recommends approval of the final design subject to any board comments/recommendations.

Financial Background Information: On May 20, 2024, the City Council considered preliminary terms of an Urban Renewal Development Agreement that provides for project-generated tax increment financing (TIF) to serve as a means for responding to a financing gap, as presented by the development team. The financial terms propose approximately \$5.57 million in project generated tax increment on a cash basis (\$2.77 million on a net-present-value {NPV} basis at a 4.5% discount rate) based on the following schedule: 95% in years nine (9) through 12, 90% in years 13 through 15, 80% in years 16 through 18, and 70% in years 19 and 20. The development team intends to apply for and receive the 10-year tax abatement schedule for multifamily residential improvement projects. The TIF is estimated to comprise 3.4% of the total project cost.

Ruan Redevelopment Partners, LLC’s proforma indicates a financial gap created by the continued rise in construction costs and higher interest rates on a project of this scope and quality that makes debt coverage and return on investment a challenge without financial assistance.

Year	Estimated Taxes Received Without Project*	Estimated Taxes Received with Project**	Total Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$ 2,911,095	\$ 2,456,846	\$ 332,538	\$ 2,124,308
Sum 20 Years	\$ 6,459,277	\$12,675,842	\$5,569,449	\$ 7,106,393
Sum 30 Years	\$10,783,972	\$25,178,515	\$5,569,449	\$19,609,066

*Taxes include all property taxing authorities (not just City property tax dollars).

**Taxes Received 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 assessment
- \$1,310,000 land assessment

Tax Increment Comparison:

Edna Griffin building – 319 7th Street (historic renovation; commercial-to-residential conversion)

Total Project Cost: \$12.4 million

Project Size: 50,400 square feet

TIF Assistance: 100% project-generated TIF economic development grant in years 8-20 with an estimated value of \$1.6 million, as well as the 10-year declining tax abatement program, allowed by right.

Tax Increment Comparisons:

Argonne Apartments

1723 Grand Avenue (historic renovation)

Total project cost: \$7.7 million

Project Size: 35,720 sq. ft.

TIF Assistance: 100% project-generated TIF economic development grant in years 9-20 with an estimated value of \$984,000, as well as the 10-year declining tax abatement program, allowed by right.

Falcon Apartments

1435 Mulberry Street (new construction)

Total project cost: \$62 million

Project Size: 220,010 sq. ft.

TIF Assistance: 95% project-generated TIF economic development grant in years 9-20 with an estimated value of \$5.3 million, as well as the 10-year declining tax abatement program, allowed by right.

Background:

The building was constructed in 1981. The project team for this renovation and conversion of the Two Ruan building at 601 Locust will pursue State and Federal Historic Tax Credits, and all work will be undertaken following the Secretary of the Interior's Standards and Guidelines for Historic Rehabilitation. The project 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 project team is considering the inclusion of electric vehicle charging stations, all-electric design for the residential units, and Des Moines Area Regional Transit Authority (DART) Unlimited Access Pass Program for its tenants. The project will incorporate the required Energy Efficiency & Sustainability Features to qualify for the tax abatement program.

The project will incorporate affordability into the project by providing 10% of the residential units (23) 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 a minimum of the 20-year life of the development agreement.

Vicinity Map:

