

Meeting Agendas/Info

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

01-049

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

SYNOPSIS -

AGENDA:

JANUARY 22, 2001

SUBJECT:

DEVELOPMENT
AGREEMENT WITH
IOWA STATE BANK
HOLDING COMPANY

On the January 22, 2001, Council agenda are two roll calls relating to the development of an approximate 30,000 square foot, two-story commercial building to be built at 601 East Locust in the Gateway East area by Iowa State Bank Holding Company, John Burgeson, President. The roll calls (1) approve the final development agreement between the City and Iowa State Bank Holding Company; and (2) set the date for public hearing on the vacation and sale of all the north/south and east/west alley rights-of-way located within the block generally described as between East Locust and East Walnut, East Sixth and East Seventh Streets, and the City-own property located at the northwest corner of East Sixth and East Walnut.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

By Roll Call No. 00-4292, dated November 6, 2000, City Council approved the preliminary Terms of Agreement and directed the City Manager to prepare a final development agreement.

FISCAL IMPACT -

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

The project has agreed to a minimum assessment agreement of \$2,456,000. The City's economic development grant is to be paid in ten annual installments equal to 75 percent of the net new tax increment revenues generated by the project from the Metro Center Urban Renewal Area. The obligations under this agreement shall not constitute a general obligation of the City. Based on the minimum assessment agreement value, the estimated economic development grant will total about \$389,000; and the project will generate an estimated increase in net new property taxes (after tax abatement and the economic development grant) of about \$130,000 over the project's first ten years.

RECOMMENDATION -

1. Approve the development agreement with Iowa State Bank

Holding Company and direct the City Manager to carry out the City obligations; and

2. Approve the setting of a date for public hearing on the vacation and sale of all the north/south and east/west alley rights-of-way located within the block generally described as between East Locust and East Walnut, East Sixth and East Seventh Streets, and the City-owned property located at the northwest corner of East Sixth and East Walnut.

BACKGROUND -

Terms of Agreement

Following are the essential features of the development agreement between the City and Iowa State Bank Holding Company.

1. The Developer will undertake to construct a new commercial building of approximately 30,000 square feet to provide for retail and commercial office space in substantial compliance with the Conceptual Development Plan attached to the agreement.
2. The Developer will begin construction within 90 days of final execution of the development agreement and shall complete construction by December 31, 2002.
3. The Developer agrees to a minimum assessment agreement on the value of the new construction in the amount of \$2,456,000 for a period of 15 years following completion of the project.
4. The Developer agrees to apply for prior approval of an urban revitalization tax exemption for the project's value-added improvements under the ten-year declining exemption schedule.
5. The City will provide economic development grants through the Metro Center Urban Renewal Area tax increment financing revenues in an amount equal to 75 percent of the net new taxes generated by the project (after tax abatement and exclusive of the value of the underlying land) for a period of ten years. The economic development grant will be paid in annual installments over the ten-year period that coincides with the urban revitalization ten-year declining exemption schedule.
6. To receive the economic development grant annual installment, the Developer has agreed to comply with the following conditions:

- (a) Timely payment of all property taxes;
- (b) Maintenance of the improvements; and if materially damaged by fire or casualty, repairs to return the property to compliance with the approved construction plans within six months;
- (c) The project must serve as the principle place of employment for at least 20 full-time equivalent employees; and
- (d) At least 60 percent of the leasable space must be occupied and used for commercial/retail purposes.

7. As long as the Developer is not under default of this agreement and the City is obligated to make further installments of the economic development grant, the City will not repeal the urban renewal area, or repeal Ordinance No. 13,565, and shall timely certify to Polk County each installment of the economic development grant for payment from the Metro Center Urban Renewal Project Tax Increment.

Vacation and Sale of City Alleys and Property

The City will sell to the Developer, City-owned property located at the northwest corner of East Sixth and East Walnut for a price of \$88,750. The property is currently a 17-space parking lot and will be used to provide parking to the proposed project. The sale of this property is contingent upon the Developer constructing a new building of approximately 30,000 square feet for use as commercial/retail space at 601 East Sixth Street and is to be used as dedicated parking for the new development. The property will not be conveyed until the Developer has been issued a Certificate of Completion in accordance with the development agreement. The City will retain the right, at its discretion, to purchase the property back from the Developer at the then to be determined fair market value.

The City will sell, at a price of \$29,960, all the north/south and east/west alley rights-of-way located within the block generally described as between East Locust and East Walnut, East Sixth and East Seventh Streets. The Developer owns all the adjacent properties to these alleys and will use these areas as part of the project's improvements and to provide general vehicular circulation within the block.

Plan and Zoning Commission

On January 4, 2001, the Plan and Zoning Commission voted to recommend approval of the vacation and conveyance of all the

north/south and east/west alley rights-of-way located within the block generally described as between East Locust and East Walnut, East Sixth and East Seventh Streets.

Urban Renewal Board and Architectural Advisory Committee Action

The project's preliminary conceptual development plan was reviewed at a joint meeting of the Urban Renewal Board and Architectural Advisory Committee on December 5, 2000. The Architectural Advisory Committee and the Urban Renewal Board members in attendance recommended approval of the preliminary conceptual development plans subject to the following design considerations:

(a) Enhance the exterior façade by lowering windowsills to reflect a more traditional-type storefront design as called for in the Capitol Gateway East Urban Design Plan. This change in window design should extend along East Sixth Street and a continuation of the lower sills to the first bay on the north and south elevations;

(b) Sensitivity to the streetscape pavement transition from East Locust to East Sixth Streets to complement the proposed East Locust Streetscape design;

(c) Addition of tree plantings along East Sixth Street to complement the proposed East Locust Streetscape design; and

(d) Evaluation of circulation around the building and parking in an effort to eliminate one curb cut along East Locust Street to reflect the design character intended by the East Locust Streetscape design.

The Developer has submitted the project's final conceptual development plan, which staff has reviewed and attached to the development agreement. Staff finds the final conceptual development plan to have substantially incorporated the recommendations of the Urban Renewal Board and Architectural Advisory Committee and to comply with the development agreement.