

Meeting Agendas/Info

CITY COUNCIL COMMUNICATION:

ITEM _____

01-152

OFFICE OF THE CITY MANAGER CITY OF DES MOINES, IOWA

AGENDA:

APRIL 2, 2001

SUBJECT:

NEW DEVELOPMENT
PROPOSAL, 300 EAST
LOCUST - EASTERN
GATEWAY

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

SYNOPSIS -

On the April 2, 2001 Council agenda are two roll calls relating to the development of a 42,000 square foot, three-story commercial building at 300 East Locust in the Eastern Gateway area by 300 East Locust, L.P. The Metro Waste Authority (521 East Locust, Des Moines, Tom Hadden, III, Executive Director) and CPMI (100 East Grand, Des Moines, Richard Janssen, President) are the investors in this corporation.

The first roll call is the public hearing on the vacation of portions of the East 2nd Street right-of-way for use for parking in association with the project. The second roll call approves the final development agreement between the City and 300 East Locust, L.P.

By Roll Call No. 01-619, dated February 26, 2001, the Council approved the preliminary Terms of Agreement and directed the City Manager to prepare the final development agreement. Jackie Nickolaus with the Office of Economic Development is the staff person coordinating this project.

FISCAL IMPACT -

300 East Locust, L.P. has agreed to a minimum assessment agreement of \$3,600,000. The City will provide an interest-free loan through the Metro Center Urban Renewal Area tax increment financing (TIF) revenues in the amount of \$742,739. A portion of these funds will come from the Gateway budget and a portion has been allocated in the Capital Improvement Program (CIP). The proceeds of the economic development loan will be disbursed at the time of closing on the permanent project financing. The loan will be paid back over a 15-year period with repayment of principal beginning on the five-year anniversary of the receipt of permanent financing. The project will generate an estimated increase in net new property taxes (after tax abatement) of about \$615,000 over the project's first 15 years.

RECOMMENDATION -

- 1. Approve the vacation of right-of-way in East 2nd Street to provide parking for the development project. The hearing for the lease will be April 16, 2001.**
- 2. Approve the development agreement with 300 East Locust, L.P. and direct the City Manager to carry out the City obligations.**

BACKGROUND -

Terms of Agreement

Following are the essential features of the development agreement between the City and 300 East Locust, L.P.

1. The developer will undertake to construct a new 42,000 square foot commercial building to provide for office space in substantial compliance with the Conceptual Development Plan attached to the agreement.
2. The developer agrees to enter a minimum assessment agreement on the value of the new construction in the amount of \$3,600,000 for a period of 15 years following completion of the project.
3. The developer agrees to apply for tax abatement on the value added improvements resulting from the project under the Urban Revitalization three-year 100 percent exemption schedule.
4. The City will provide an economic development loan through the Metro Center Urban Renewal Area TIF revenues in the amount of \$742,739. The loan will be repaid over a 15-year period with repayment of principal beginning at such time that 90 percent occupancy is reached or on the five-year anniversary of receipt of the permanent financing, whichever is first.
5. The City will vacate a portion of the right-of-way in East 2nd Street and temporarily lease the vacated street to 300 East Locust, L.C. for use as on-site parking for the new development. 300 East Locust, L.C. will make the required improvements to the property. The spaces will be leased to 300 East Locust, L.P. for a rate of \$35/month. The construction costs will offset rent payments until accrued rents equals the total improvement costs. City staff will work with the developer to identify a permanent parking solution.

6. To receive the deferred payment no-interest loan, 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.

Vacation of City Right-of-Way, East 2nd Street

The City will vacate and temporarily lease to the developer portions of the East 2nd Street right-of-way. The vacated right-of-way will be used to provide private parking to serve the new office building at 300 East Locust.

The City will lease the vacated right-of-way to 300 East Locust, L.P. in consideration of a monthly rental equal to \$35 per month for each private parking space. The developer may credit against rent due the reasonable costs incurred to construct the new parking. The hearing for the lease will be held April 16, 2001.

Plan and Zoning Commission

On February 15, 2001, the Plan and Zoning Commission voted to recommend approval of the vacation and conveyance of the eastern 25 feet and the western 25 feet of East 2nd Street from East Grand to East Locust for purposes of leasing for private parking. The center driving lanes will remain in place.

Urban Renewal Board and Architectural Advisory Committee

On January 9, 2001, the Urban Renewal Board and the Architectural Advisory Committee recommended approval of the conceptual development plans. The Urban Renewal Board also met on January 23, 2001 to review the TIF request and recommended that the Council approve the \$742,739 no-interest loan.

East Village Neighborhood

The East Village Neighborhood Association met on July 17, 2000 to review the project. The Association recommended approval of the project design, with the following stipulations:

1. Public entrances should be included on Locust Street.

2. The windows should be designed to insure a "pedestrian friendly" atmosphere for the street level.

3. The parking on East 2nd Street should be carefully designed to ensure that it does not become a "private" drive.

After this meeting, the architect on the project modified the design to address the first two concerns. The parking solution is temporary and will become public parking at such time that permanent parking is identified for the project.