

**CITY COUNCIL  
COMMUNICATION:**

**03-398**

**AGENDA:**

AUGUST 11, 2003

**SUBJECT:**

COURT AVENUE  
REDEVELOPMENT

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**SUBMITTED BY:**

ERIC A. ANDERSON  
CITY MANAGER

**ITEM\_\_\_\_\_**

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

**SYNOPSIS —**

On the August 11, 2003 Council agenda is a roll call authorizing the City Manager to initiate negotiations with the Court Avenue Partners (Jim Hubbell and Harry Bookey) for a development on Court Avenue subject to certain parameters as outlined below. A comparative analysis of the four proposals received by the Court Avenue Housing Fund (CAHF), as well as the blended project proposal as recommended by the CAHF, has been provided to Council under separate cover.

**FISCAL IMPACT —**

The fiscal impact and total cost of the project will not be known until a development agreement is negotiated with the developer. However, one of the important considerations of the negotiation with the developer will be defining a project that is both financially feasible for the developer as well as affordable for the City.

**RECOMMENDATION —**

**I. Authorize the City Manager to initiate negotiations with Court Avenue Partners (CAP) for their development proposal as submitted to the CAHF, subject to the considerations identified below. This negotiation would result first in a detailed preliminary agreement that would be reviewed by Council, and, if approved by Council, would then be turned into a formal developer-initiated proposal that would undergo a competitive process. Further, it is recommended that Council stipulate that the City Manager address the following considerations in the negotiations:**

- **The City's analysis of the proposals indicates that the total funding gap for the CAP's proposal is close to \$11.6 million, including land write-down, on top of ten year, 100% tax abatement on the housing. Given other financial needs of the City, we must reduce this amount.**
- **Because of annual limitations in the amount of tax credits or other public financing programs, it will be necessary to phase the project.**
- **Specific project components, such as the indoor Farmer's Market, may not prove to be financially feasible. If so, these elements would be deleted by mutual agreement with the**

**developer.**

**In order that we ensure clear and consistent communication between the developer and the City, both the City and the developer shall identify a point of contact for purposes of the negotiation. For the City, the City Manager shall establish the point of contact. The developer shall similarly identify a point of contact. Negotiations on behalf of the City should take place only at the direction of the City Manager.**

**It is important to understand that the negotiation may not result in a project that is workable for both the developer and the City.**

- II. In addition to the above action regarding the proposal of the CAP, it is recommended that the City begin negotiations with Lander Sherman on the redevelopment of the NIC (Neighborhood Improvement Corporation, Fred Weitz, President) owned property located between 2<sup>nd</sup> and 3<sup>rd</sup> Streets south of Court Avenue. Lander Sherman was the only developer to express an interest in this property.**

**BACKGROUND —**

In April 2003, the CAHF received four proposals for the next phase of redevelopment in the Court Avenue Neighborhood. The managers of the fund interviewed all four developers and recommended that MetroPlains Development, LLC and Lander Sherman Urban Development be selected to complete a multi-phased project.

At their meeting of July 3, 2003, the Court Avenue Housing Committee received the CAHF's recommendation. The Committee voted to forward the recommendation to Council with the condition that City staff complete a detailed review and analysis of the proposals.

At their July 14, 2003 meeting, the Council received and filed the recommendation of the CAHF and the Court Avenue Housing Committee, and authorized the City Manager to conduct an analysis of the four proposals received by the CAHF, plus the blended proposal as recommended by the CAHF and the Court Avenue Housing Committee.

However, in reviewing their proposals it is clear that the CAP's proposal would have a dramatic effect on the Court Avenue District and the City as a whole. If issues relating to affordability, phasing, and feasibility can be successfully addressed, the CAP proposal will be a major step forward in rejuvenating the Court Avenue District and creating an area that has significant housing as well as commercial (retail, restaurants, and entertainment) that will make the area an important draw for residents and visitors.

Analysis of Proposals

Project summaries will be provided to Council under separate cover. The calculations are based on information submitted in the initial proposals and responses to staff's requests for clarification. Staff took the developers' calculations at face value and did not recalculate the value of tax abatement, the amount of tax increment generated, or the amount of Low Income Housing Tax Credit equity.

Total Subsidy Required:

Court Avenue Partners—\$11,616,075  
Lander Sherman Urban Development—\$10,723,000  
MetroPlains—\$8,278,143  
Community Housing Initiatives—\$1,535,000  
Court Avenue Housing Fund Recommendation—\$9,878,520

Total Number of Units:

Court Avenue Partners	307
Lander Sherman Urban Development	345
MetroPlains	284
Community Housing Initiatives	42
Court Avenue Housing Fund Recommendation	393

Type/Diversity of Housing Units

Court Avenue Partners	100% Rental
Lander Sherman Urban Development	72% Rental
MetroPlains	87% Rental
Community Housing Initiatives	100% Rental
Court Avenue Housing Fund Recommendation	88% Rental

Phasing of Project:

Phase	Court Avenue Partners	Willing to
Phase	Lander Sherman Urban Development	Willing to
Phase	MetroPlains	Willing to
Phase	Community Housing Initiatives	Not Phased (1 Bldg.)
Phasing	Court Avenue Housing Fund Recommendation	Recommends

Amenities/Funding of Amenities:

Court Avenue Partners: health club, business center, 11,000 s.f. retail  
Lander Sherman Urban Development: 40,000 s.f. retail; public market  
MetroPlains: 27,200 s.f. retail  
Community Housing Initiatives: southwest only; no retail  
Court Avenue Housing Fund Recommendation: 27,500 s.f. retail

Several subjective criteria may also impact the selection of a developer. These include but are not limited to: market absorption, funding constraints,

type/diversity of housing units, and developer experience:

#### **NEXT STEPS —**

Assuming Council authorizes negotiation with CAP, the following steps will be followed up to the point of a signed contract with the developer:

- Staff will proceed to negotiate a detailed **preliminary development agreement** and present to Council for review and approval. This preliminary agreement will contain a detailed project description, schedule, funding plan, and the City's financial participation. At the time Council acts on the preliminary development agreement, the developer will be asked to make a public presentation of the proposed project, and the public will be invited to provide input before Council makes a decision.
- Upon approval by Council of the preliminary agreement with CAP, staff and the developer will complete the supporting documents required for a **developer-initiated proposal** to purchase City-owned urban renewal property.
- The completed proposal will be submitted to the **Urban Renewal Design Review Board** for review. The Board will make its recommendations to Council on the minimum development requirements and competitive criteria.
- **Council will review and approve the developer-initiated proposal**, the minimum development requirements and the competitive criteria state its intent to enter into a contract(s) with the developer(s) if no competing proposals are received, and set the date of public hearing. **At this point, other developers will be able to bid on the project.**
- After the bidding period has closed and assuming that no competing proposals were received, the **Council will enter into a development agreement** with the developer.

Staff will proceed with negotiations with Lander Sherman on the NIC property that will, if successful, result in a development agreement between the City and the developer. Because the City does not own the property, no public offering or competitive process is required.

