



Agenda Item:

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COUNCIL COMMUNICATION

City Manager's Office

GENERAL INFORMATION

Agenda Date: 04/05/04 Communication
No.: 04-163
Agenda Item Type: Resolution, Ordinance, or Receive/File Roll Call
No.:

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Resolution Approving Urban Renewal Development Agreement with East Village Partners, LLC and Approving Proposed Conceptual Development Plan

SYNOPSIS—

This action would approve the development agreement, the utilization of tax increment financing (TIF) funding and the conceptual design plan for a mixed-use project at the corner of East 4th and East Locust Streets. The Developer for the project is East Village Partners, LLC (Tony DeAngelo, CEO & Manager, 5813 Waterbury Circle, Des Moines, Iowa).

The Developer will construct a mixed-use development containing 32 condominium units and 12,600 square feet of office or retail space and live/work space.

FISCAL IMPACT—

One Million, Six Hundred Eighteen Thousand, Seven Hundred Eighty Dollars (\$1,618,780.00) in TIF funds will be utilized for this project. The funds will be payable in installments in the amounts and upon the dates shown in the background section of this communication. The net present value of the City installments is \$1,066,686. The upfront injection (\$495,000) will be paid with available funding in the Eastern Gateway Redevelopment Account. The ongoing

payments (\$1,123,780) will be paid from tax revenue generated by and collected from the project.

RECOMMENDATION—

Approval

BACKGROUND—

On May 19, 2003 by Roll Call 03-1169, Council approved the Preliminary Terms of Agreement for this redevelopment project. Following is a summary of the most salient terms of the Development Agreement:

- City to grant 3 year 100% tax abatement on new commercial, and 5 year 100% tax abatement on residential. The estimated NPV of these abatements assuming discount rate of 7% is \$795,000.
- The City will provide a series of grants as follows:

Installments on Economic Development Grant		
Date of Installment	Amount of Installment	Notes
First Installment,	\$495,000.00	
November 10, 2009	\$34,195.00	
May 10, 2010	34,195.00	
November 10, 2010	\$34,195.00	First installment of full unabated taxes on commercial property valuation existing Jan 1, 2005, due 11-30-2009
May 10, 2011	\$34,195.00	
November 10, 2011	\$70,500.00	
May 10, 2012	\$70,500.00	
November 10, 2012	\$70,500.00	First installment of full unabated taxes on residential property valuation existing on Jan 1, 2005, due 11-30-2011
May 10, 2013	\$70,500.00	
November 10, 2013	\$70,500.00	
May 10, 2014	\$70,500.00	
November 10, 2014	\$70,500.00	
May 10, 2015	\$70,500.00	
November 10, 2015	\$70,500.00	
May 10, 2016	\$70,500.00	
November 10, 2016	\$70,500.00	
May 10, 2017	\$70,500.00	
November 10, 2017	\$70,500.00	

May 10, 2018	\$70,500.00	
Total Installments	\$1,618,780.00	

The net present value of the City installments is \$1,066,686.

The deeds transferring title of the condominium units shall include language referencing the minimum assessment agreement between the City and the Developer.

The upfront subsidy of \$495,000 is \$220,000 more than was anticipated in the preliminary terms of agreement. The adjustment was required because of refinement of the financing package and the subsequent reduction of the construction loan.

Developer Responsibilities:

- The Developer shall construct a mixed-use development located on the former Betts Hardware site on the northeast corner of East Locust and East 4th Street.
- Developer is responsible for all land acquisition
- The Developer shall construct at least 32 condominium units.
- The Developer shall construct at least 12,600 square feet of office and retail space and live/work apartments. The preliminary terms of agreement contemplated 15,000 square feet of retail/office use. The refined design necessitated the square footage reduction.
- The total project cost shall be at least \$6.6 million.
- A minimum assessment agreement in the amount of \$6.4 million is required which shall contain a schedule for the proportionate assessments of all condominium units.
- The project shall comply with the Eastern Gateway “Area 1” Design Guidelines.
- Until the project is sold to an unrelated party, developer shall make annual payments to the City. The percentage of the annual cash flow to be received by the City will be as follows.
- Twenty Percent (20%) of the Excess Cash Flow from the operation and leasing of the portions of the Property and Improvements devoted to other than residential use shall be paid by Developer to the City in repayment of the Economic Development Grant.
- Upon any sale or refinancing of any portion of the Property or Improvements devoted to other than residential use, Developer shall pay to City a portion of the Net Proceeds of Sale determined as follows:
 - Developer shall pay to City 20% of the net proceeds from any refinancing of the Property or Improvements.
 - Developer shall pay to City 20% of the net proceeds from any sale of the Property or Improvements remaining after any payment of indebtedness secured by a lien upon such Property or Improvements.
- Upon any sale or disposition of an portion of the Property or Improvements devoted to residential use, Developer shall pay to City a portion of the Net Proceeds of Sale determined as follows:
 - FIRST, the Developer shall be entitled to retain all Net Proceeds of Sale up to 120% of that portion of the total cost to Developer of acquiring the Property and constructing the Improvements allocated to

the portions of the Property and Improvements devoted to residential use.

- THEN, 50% of any remaining Net Proceeds of Sale shall be paid to City in repayment of the Economic Development Grant.

- The project may be assigned upon Council approval.

Although not an obligation outlined in the Development Agreement, the City intends to lease parking to the tenants of the project on the City-owned property north of East Grand Avenue. Any lease arrangement will be negotiated directly with the tenant.

The Urban Design Review Board reviewed the use of TIF funding for this project at a special meeting on March 30, 2004 and recommends approval. The Board also reviewed the conceptual design plan and recommends approval of the plans as submitted.