



**Council
Communication**
Office of the City Manager

Date	May 8, 2006
Agenda Item No.	34
Roll Call No.	<u>06-</u>
Communication No.	<u>06-270</u>
Submitted by: Richard A. Clark, City Manager	

AGENDA HEADING:

Resolution to Receive/File Communication from George Sherman & Associates on Metro Lofts Development (200-300 blocks of Market and Vine Streets)

SYNOPSIS:

The developer for the Metro Lofts project, George Sherman (George Sherman, President and Owner, Sherman Associates, 233 Park Avenue South Suite 201, Minneapolis, MN), has requested Council consideration of redesign of this project from approximately 70-80 condos to a 105 unit (estimated) apartment project with underground parking that would be very similar to the adjacent Vine St. Lofts at 101 2nd Avenue. The developer has requested Council endorsement of his plan change that will require use of 9% Low Income Housing Tax Credit (LIHTC) funds to create a 60% affordable/40% market rate mix or if this funding is not received, use of 4% LIHTC funds for a 100% affordable project.

FISCAL IMPACT:

Amount: No changes proposed.

Funding Sources: 2006/07 CIP, Page - Economic Development Improvements – 5, Economic Development Improvements – CMO99000 – CP065 – URR092.

ADDITIONAL INFORMATION:

The developer is committed to constructing housing on the site; however, the approved development plan for 70-80 condo units is economically infeasible due to rapidly increasing construction costs. In its place, Sherman would like to construct an apartment building similar to the adjacent Vine St. Lofts; there would be about 105 units with about 95 underground parking spaces.

To make the project viable without increasing the amount of City funding, the developer has proposed applying to Iowa Finance Authority (IFA) for the 9% low income housing tax credits to create a mixed income project of 60% affordable/40% market rate units. (Affordable is defined as 60% of the median income.)

As a back-up plan, Sherman is willing to use the more readily-available 4% funding which would then require 100% of the units to be affordable. Because the 9% funds are competitive and are not anticipated to be awarded by IFA until March 2007, construction under either scenario would not start until next year.

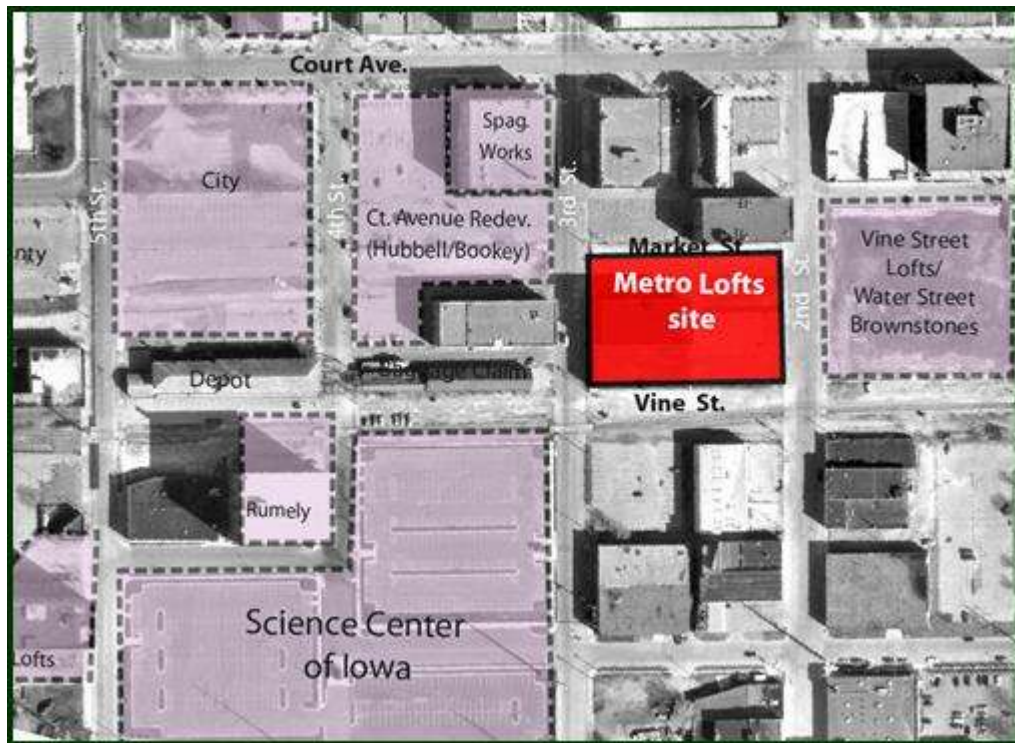
The developer has requested endorsement of this proposed redesign and likely support of his application for 9% funding before additional expenses are incurred.

If the Council approves this proposed change, the project contract will be revised – which is currently based on payment of the remaining \$1 million when units are completed – for Council approval.

Background

On August 11, 2003 by Roll Call 03-1913, the City Council directed the City Manager to proceed with negotiations with Lander-Sherman Urban Development for the property owned by the Neighborhood Improvement Corporation (Fred Weitz, President) north of Vine Street between 2nd and 3rd Streets.

In February 2005, the developer received City approval to construct a \$21 million project of 70- 80 condominiums with underground parking and City assistance of \$1.5 million. At the time of project approval, the developer then purchased the property from the Neighborhood Investment Corporation using the first assistance payment of \$500,000 from the City. The remaining City assistance was structured to have \$500,000 paid upon completion of the first phase (July 1, 2007 or later) and the last \$500,000 paid on completion of the second phase (July 1, 2008 or later).



In May 2005, the Council approved the Conceptual Development Plan for Phase I of the project. In June 2005, revised conceptual design plans were approved; the changes were to the building massing, number of units, exterior materials and brick percentages. Then in September 2005, the Council approved a reduction of the amount of brick on the exterior facades due to additional costing issues.

Location Map

PREVIOUS COUNCIL ACTION(S):

Date: September 12, 2005

Roll Call Number: 05-2216

Action: Second Amended Conceptual Design Plan for Metro Lofts Condominiums/Metro Center Urban Renewal Area for proposed reduction of brick on the exterior facades. (Council Communication No. 05-490) Moved by Hensley to adopt. Motion Carried 7-0.

Date: June 20, 2005

Roll Call Number: 05-1527 and 05-1528

Action: First Amendment to Development Agreement for The Metro Lofts between 2nd Avenue and 3rd Street, north of Vine and approving Revised Conceptual Development Plan. (Council Communication No. 05-354) Moved by Kiernan to adopt. Motion Carried 6-1. A) Communication from Urban Design Review Board. Moved by Kiernan to receive and file. Motion Carried 6-1.

Date: May 9, 2005

Roll Call Number: 05-1157 to 05-1161

Action: Items regarding The Metro Lofts for construction of condominium units between 2nd Avenue and 3rd Street, north of Vine Street:

- (A) Phase I Conceptual Development Plan. (Council Communication No. 05-260) Moved by Hensley to adopt. Motion Carried 6-1.
- (B) Application for Enterprise Zone Benefits in Des Moines Gateway Enterprise Zone. Moved by Hensley to adopt. Motion Carried 6-1.
- (C) Receive and file communication from Urban Design Review Board. Moved by Hensley to receive and file. Motion Carried 6-1.
- (D) Release of utility easement within site of Metro Lofts. Moved by Hensley to adopt. Motion Carried 6-1.

Date: February 7, 2005

Roll Call Number: 05-352

Action: Urban Renewal Development Agreement with Lander-Sherman Urban Development LLC for redevelopment of property, north of Vine Street between 2nd and 3rd Streets. (Council Communication No. 05-060) Moved by Hensley to adopt. Motion Carried 6-1. Absent: Vlassis.

Date: August 11, 2003

Roll Call Number: 03-1319

Action: City Manager's recommendation regarding Court Avenue Development. (Council Communication No. 03-398). Moved by Hensley to adopt. City Manager to arrange for informal forums for public input. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

Date: NA

Roll Call Number: NA

Action: NA

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Council will be asked to support the developer's application for low income housing tax credits in November 2006.
- The design change will necessitate revisions to the terms and conditions in the development agreement with review by the Urban Design Review Board and approval by the City Council.