



Council Communication

Office of the City Manager

Date

June 19, 2006

Agenda Item No. 70

Roll Call No. 06-

Communication No. 06-375

Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Resolution approving an urban renewal development agreement with Village Place, L.L.C. for development of Village Place and authorizing submission of an Enterprise Zone application to the State of Iowa.

SYNOPSIS:

Village Place L.L.C. (John C. Burgeson, Managing Member, 627 E. Locust Street Des Moines, IA 50309) has proposed a \$12.1 million retail, office, housing, and parking garage project on land currently owned by the Iowa State Bank at 517 East Locust Street.

Economic development assistance has been negotiated as outlined below. The assistance is largely needed to assist with the cost of providing structured parking. Also, at the City's suggestion, the developer added the Oxford Court component of the project. This element was requested to screen the parking garage and to increase pedestrian traffic along East 6th Street. Oxford Court is a financially inefficient piece of the project to construct and operate, but provides a wonderful opportunity to extend the pedestrian activity of the East Village.

FISCAL IMPACT:

Amount: 20-year payment stream totaling \$2,045,000. The net present value of this assistance at a 7% discount rate is \$1,060,970.

First installment of \$50,000 will come during the first year taxes are due (projected to be December 2009). The following 19 annual installments will be \$105,000 each. The first installment is lower because the parking garage will be finished a year after the mixed-use building.

Funding Source: The project will be funded through new property taxes generated directly from the project. The completed project is projected to generate a new annual property tax increment of \$145,000 before payment of economic development assistance installments. This tax increment will be secured through a Minimum Assessment Agreement. The Finance Department will establish a new URR account code for the project.

ADDITIONAL INFORMATION:

Village Place consists of three buildings: a five-story mixed-use building, a two-story retail and residential building (referred to as Oxford Court), and a 204-stall parking ramp, all of which will be located at the 500 block between East Locust Street and East Walnut Street in the East Village.

Mixed-Use Building

The five-story, mixed-use building covers an approximate foot print of 7600 gross square feet on the north half of the block adjacent to East Locust. There is a below ground parking garage, accessible from the lower level of the parking ramp, designated for the residential tenants. The ground level consists of two retail tenants with exterior doors open to the north.

An outdoor corridor connects East Locust Street to the parking ramp providing easily accessible parking spaces to the streetscape to the north. The second level and approximately half of the third level are designated for commercial office space for one tenant each. The second half of the third floor is designated for residential condominiums. The fourth and fifth floors are also designated for residential condominiums, which will offer great views toward all directions, especially toward the State Capitol to the east.

The entire building is approximately 74 feet tall and is designed to contribute to the historical heritage evident in the East Village. This height is within the 75-foot height limit imposed by the Capitol Dominance Overlay District B. All of the spaces on floor three through five have outdoor balconies with black iron railings.

Retail/Residential Building – Oxford Court

The front of the two-story retail and residential building opens up to East 6th Street. The back of the building is adjacent to the parking ramp allowing access to parking for the tenants of this building. There are six retail spaces, each with approximately 580 gross square feet, and six residential spaces, each with approximately 540 gross square feet. It is possible to combine two retail bays to accommodate tenants' needs. The loft-style residential spaces will be located directly above each retail space. Each residential unit has an outdoor balcony looking toward the east.

Parking Ramp

The parking ramp will park 24 cars on the lowest level, 62 cars at grade, 72 cars on the second level, and 46 on the top level for a total of 204 cars. Spaces will be utilized by tenants of the project and adjacent buildings owned by Iowa State Bank. Ground level spaces will be available for patrons of East Village businesses. Proper signage will direct shoppers to the parking ramp. The developer is also required to exercise best efforts to accommodate any parking demand that may arise from future development of the City-owned land at the northeast corner of East 5th and East Walnut Streets.

Estimated Costs and Economic Development Assistance

The shell and interior of the five story mixed use building, parking lot and Oxford Court totals approximately \$12,136,169.

Cost estimates include:

- Land purchase and parking lot demolition (\$635,000)

- Mixed Use Building Construction (\$5,420,198)
- Parking Ramp Construction (\$4,052,466)
- Oxford Mixed-Use Construction (\$972,000)
- Additional soft costs and fees (\$1,056,505)

The following Sources and Uses schedule was provided by the developer:

Uses		Sources	
Land	\$ 600,000	Equity	\$ 800,000
Parking Lot Demolition	\$ 35,000	Loan for Oxford Mixed-Use	\$ 729,000
Mixed-Use Building Construction	\$ 5,420,198	Loan for Parking Ramp	\$ 3,133,350
Parking Ramp Construction	\$ 4,052,466	Loan for Mixed-Use Building	\$ 4,271,944
Oxford Mixed-Use Construction	\$ 972,000	<u>Enterprise Zone</u>	
Mixed-Use Architectural Fees	\$ 205,098	Sales Tax Rebate	\$ 69,239
Parking Ramp Architectural Fees	\$ 125,334	10% Investment Credit	\$ 160,600
Construction Loan Fee	\$ 18,199	<u>Financial Gap</u>	\$ 2,972,036
Perm. Loan Fee	\$ 15,699		
Construction Period Interest	\$ 382,175		
Misc. Fees and Overhead	\$ 220,000		
Developer Fee	\$ 90,000		
		Total Uses \$	12,136,169

Total Uses \$ 12,136,169

The development does not produce enough property tax increment for the City to fully fund the developer's financial gap. Instead, the City has offered the following incentive package:

- 20 years of economic development assistance. First installment of \$50,000 will come during the first year taxes are due (projected to be December 2009). The following 19 annual installments will be \$105,000 each. The first installment is lower because the parking garage will be finished a year after the mixed-use building.
- Total of this payment stream is \$2,045,000. The net present value of this assistance at a 7% discount rate is \$1,060,970.
- The developer will be required to fund the additional gap with added equity or debt.
- Net new tax revenue to the City after the incentive package ranges from \$26,000 in year 1 to \$134,000 in year 20 (assumes annual 2% increase in property values). The economic development assistance is fully funded from the project's new tax increment and in no way hinders the City's ability to assist other projects.
- Assistance equals 16.85% of the project's \$12,136,169 total cost. The NPV of the assistance package equals 8.74% of the total cost.
- The developer will not file for tax abatement on the commercial space and parking garage.
- Residential units will be eligible for tax abatement.
- The City will require a minimum assessment agreement on the commercial space.
- The City will prohibit the developer from leasing parking spaces to the public at a rate lower than the City's prevailing rate for equivalent spaces in the vicinity. This protects the City from being undercut by a private project with City assistance.

PREVIOUS COUNCIL ACTION(S):

Date: February 6, 2006

Roll Call Number: 06-251

Action: Regarding request from Iowa State Bank for vacation and conveyance of air rights of segments adjoining 517 E. Locust Street, subject to conditions. Moved by Vlassis to receive and file, and to refer to the City Manager for further processing in accordance with standard City property disposition procedures. Motion Carried 7-0.

Date: June 6, 2005

Roll Call Number: 05-1417

Action: From William J. Lillis, regarding East Locust Development, John C. Burgeson. Moved by Brooks to receive, file and refer to the City Manager for review and recommendation. Motion Carried 7-0.

Date: May 19, 2003

Roll Call Number: 03-1176

Action: Regarding Eastern Gateway District Area "1" Design Guidelines. (Council Communication No. 03-237). Moved by Hensley to approve the Eastern Gateway District Area "1" Design Guidelines. Motion Carried 6-1.

BOARD/COMMISSION ACTION(S):

Date: June 6, 2006

Roll Call Number: N/A

Action: Urban Design Review Board recommended approval of tax increment financing assistance for Village Place. The Board also recommended approval of the conceptual development plans for the mixed-use building and Oxford Court. Conceptual development plans are determined to be in accordance with the Eastern Gateway District Area "1" Guidelines. Motion carried 7-0.

The conceptual development plan for the garage will be presented at a later date.

Date: January 19, 2006

Roll Call Number: N/A

Action: Planning and Zoning Commission approved a request from Iowa State Bank, represented by John Burgeson, for vacation and conveyance of the air rights of the segments shown below adjoining the subject property at 517 East Locust Street, commencing at an elevation 12' above the right-of-way, to allow for balconies to overhang up to 8' into the right-of-way, subject to the approval of the final site plan for the proposed development.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Conceptual development plan review of the parking garage.

Site Map

