



# Council Communication

Office of the City Manager

Date

September 25, 2006

Agenda Item No. 24

Roll Call No. 06-

Communication No. 06- 601

Submitted by: **Richard A. Clark, City Manager**

## AGENDA HEADING:

Approving preliminary terms of agreement with Neighborhood Development Corporation (NDC) for use of up to \$300,000 of ACCENT Urban Renewal Area tax increment funds for redevelopment.

## SYNOPSIS:

The City Council is asked to approve the preliminary terms of agreement for use of ACCENT Urban Renewal tax increment funds by the non-profit Neighborhood Development Corporation (Carol Bower, Executive Director, 601 Forest Ave., Des Moines, IA 50314) for land acquisition and related activities for the redevelopment of a site at East 30<sup>th</sup> Street and East Grand Avenue.

## FISCAL IMPACT:

Amount: Up to \$300,000 as a grant to Neighborhood Development Corporation based on completion of specified benchmarks as outlined below in "Additional Information".

Funding Source: ACCENT Urban Renewal Area Tax Increment Funds – Adopted CIP FY2006-FY2011, Page 99, URR099 Development Opportunities

## ADDITIONAL INFORMATION:

The City Council previously approved an expansion of the ACCENT Urban Renewal Area in 2002 to include the west side of East 30<sup>th</sup> Street extending from East University to Dean Avenue to allow for commercial redevelopment related to the neighborhood and the adjacent Iowa State Fairgrounds.

Neighborhood Development (NDC) has met with the adjoining neighborhoods which have indicated support for the commercial redevelopment of the site fronting East 30<sup>th</sup> Street between East Grand Avenue and Capitol Street, especially for Iowa State Fair-related uses such as overnight lodging.

NDC has received a proposal from a group based in Iowa City/Coralville, IA for a limited service, 69-room hotel to be flagged by the Choice® hotel system. (Choice® includes Comfort Inn, Sleep Inn and Clarion brands). In order for the proposal to be financially feasible, the developer has indicated the property purchase price needs to be at about \$5-\$6 per square foot (or about \$300,000-\$340,000 for the site) which is the market rate for property in the general area.

NDC is willing to sell the property at the \$5-6 per square foot range if it can recover a large portion of its incurred costs of about \$1 million, associated with the property assemblage (including relocation and demolition) and environmental remediation. At this time, NDC has requested \$600,000 of financial

assistance from the City and Polk County. The Polk County Supervisors will consider the NDC request at its September 20, 2006 meeting.

City staff believes it is appropriate to provide the financial assistance to NDC for this project. NDC has undertaken the land acquisition/redevelopment preparation and relocation activities in general accordance with City procedures without the use of eminent domain; their incurred costs have been documented.

The proposed terms of the City financial assistance are:

- The City will provide financial assistance of up to \$300,000 on a dollar-to-dollar match with Polk County's assistance provided to the Neighborhood Development Corporation for development activities in east Des Moines.
- The City of Des Moines' financial support is subject to the requirement that its funding be used for a redevelopment project to be located on the west side of East 30th Street between East Grand Avenue and East Capitol Street in the ACCENT Urban Renewal Area.
- This redevelopment project must contain, at a minimum, a 69-room, three story overnight lodging facility associated with a national hotel system and 70 on-site parking spaces.
- The City will vacate and sell the portion of the E-W alley and East Capitol Street adjoining the development site to NDC or its assign; the City shall set the purchase price of the former rights-of-way at 50% of the fair market value to assist in the land assemblage for this development.
- The City's Urban Design Review Board shall review the preliminary site plan and elevations with their comments and recommendations forwarded to the Council prior to disbursement of any City funds.

The City will disburse its portion of funding to NDC based on the following:

1. 100% of the purchase price of the rights-of-way when title is conveyed to NDC or its assignee.
2. 50% of the remaining City funding at the time the project architect certifies the project is 50% completed.
3. All remaining funding from the City to be disbursed at time the structure receives Certificate of Occupancy.

**PREVIOUS COUNCIL ACTION(S):**

Date: December 3, 2001

Roll Call Number: 01-3576

Action: From Council Member Archie Brooks to accept proposal from Lee Town Revitalization Partnership that the ACCENT TIF District be extended down East 30th Street from University to Dean,

to accommodate a 60-room motel on East 30th Street. Moved by Brooks to receive, file and refer to the City Manager to take the necessary actions for approval. Motion Carried 7-0.

Date: February 4, 2002

Roll Call Number: 02-382

Action: Close Hearing and approve First Amendment to the ACCENT Neighborhood Urban Renewal Plan and direct City Manager to rename 7th Ward Ditch and its related projects as the Leetown Creekway, Leetown Creek Basin. (Council Communication No. 02-066) Moved by Brooks to adopt. Motion Carried 6-1. Absent Vlassis.

Date: March 4, 2002

Roll Call Number: 02-588

Action: Amending Ordinance No. 13,386 to designate the expanded ACCENT Neighborhood Urban Renewal Area as a Tax Increment Financing District. Moved by Vlassis that this ordinance does now pass, #14,058. Motion Carried 6-1.

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Review and approval of the formal development agreement with Neighborhood Development Corporation.
- Receipt of Urban Design Review Board comments on site design
- Vacate and convey various rights of-way related to the site