



Council Communication

Office of the City Manager

Date February 12, 2007

Agenda Item No. 71
Roll Call No. 07-
Communication No. 07-079
Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Resolution Approving Loan Agreement with Court Avenue Ventures, L.L.P. for Improvements Related to Restaurant Development at 4th Street and Court Avenue

SYNOPSIS:

On August 8, 2005, by Roll Call 05-1973, the City Council reaffirmed its direction that the City Manager proceed with negotiating an assistance package for a potential restaurant in the building currently under construction at the SE corner of Court Avenue and 4th Street.

The developer initiated proposal accepted by City Council on August 9, 2004, by Roll Call 04-1693, originally contemplated restaurant/entertainment financial assistance of \$945,000 for multiple venues. This portion of the project was determined to be integral to the overall project proposal; however, there were many details yet to be finalized, so specific terms of the assistance package were left to be negotiated at a later date. This component of the project has now been refined to one high-end restaurant proposal. Other potential venues, such as the former Nacho Mamma's building at 3rd and Court, are being redeveloped by other parties and are no longer considered a part of this project.

The City Manager has negotiated a \$350,000 loan with Court Avenue Ventures, L.L.P. (Rick Tollakson, President and CEO, Hubbell Realty Company, 6900 Westown Parkway, West Des Moines, IA 50266). Proceeds will be used for tenant improvements related to an 8,900 square foot, high-end Latin-themed restaurant. Total cost of the restaurant will exceed \$1.6 million.

FISCAL IMPACT:

Amount: \$350,000 loan, 4.5% annual interest rate, 25-year amortization, annual principal and interest payments to begin at the end of year 1, balloon payment of outstanding principal balance at the end of year 5. The loan will be secured by a second mortgage on the restaurant space.

Funding Source: FY 2006-07 Operating Budget, pg. 310, Economic Development Enterprise Account, SP743, CMO970717

Funds shall be disbursed upon City's review and approval of developer's documented verification of expenditures.

ADDITIONAL INFORMATION:

The restaurant will be on the ground level of the MarketPlace Lofts and 4th Street Condos project. These buildings feature a total of 98 residential units, 8,900 square feet of restaurant space and underground

parking. This project follows the completion of another Hubbell Realty project, Court Avenue Lofts. The Court Avenue Lofts project involved the residential conversion of the upper floors of the Spaghetti Works building at 3rd and Court. Residents began moving into the building in January 2007.

All phases of these projects represent an investment of approximately \$40 million. The development of high-finish entertainment space was integral to the developer's decision to make this commitment in residential development. High caliber restaurant and entertainment venues are seen as a key resource in attracting new residents to buy and lease downtown units.

The building to house the restaurant is currently under construction and the restaurant is slated to open no later than March 31, 2008.

PREVIOUS COUNCIL ACTION(S):

Date: December 18, 2006

Roll Call Number: 06-2475

Action: Third Amendment to Urban Renewal Agreement for Metro Center Urban Renewal Area (Court Avenue Lofts and 4th Street Condos). (Council Communication No. 06-787) Moved by Vlassis to adopt. Motion Carried 6-0.

Date: May 8, 2006

Roll Call Number: 06-911

Action: Receive and file communication from Urban Design Review Board and approve the Conceptual Development Plan for the Court Avenue Lofts and the 4th Street Condos. (Council Communication No. 06-268) Moved by Hensley to adopt. Motion Carried 6-1.

Date: March 20, 2006

Roll Call Number: 06-537

Action: Second Amendment to Development Agreement and authorizing closing on sale of vacant parcel west and south of Spaghetti Works Building to Court Avenue Partners II L.P. Moved by Brooks to adopt. Motion Carried 7-0

Date: November 7, 2005

Roll Call Number: 05-2679

Action: First Amendment to Development Agreement with Court Avenue Partners II, L.P. and Court Avenue Investors, Inc. (Vacant parcel west and south of the Spaghetti Works Building). (Council Communication No. 05-639) Moved by Vlassis to adopt. Motion Carried 7-0.

Date: August 8, 2005

Roll Call Number: 05-1973

Action: City Manager recommendation regarding Streetscape Improvements for the Court Avenue District. (Council Communication No. 05-449) Moved by Hensley to approve. Motion Carried 7-0. Mayor Cownie declares a conflict of interest and abstains from voting on the potential restaurant development portion.

Date: November 8, 2004

Roll Call Number: 04-2446

Action: Hearing regarding Urban Renewal Agreement for sale of land for Private Redevelopment with Court Avenue Partners II, L.P. (Council Communication No. 04-567) Moved by Hensley to adopt. Motion Carried 5-1-1. Nays: Brooks. Pass: Vlassis.

Date: August 9, 2004

Roll Call Number: 04-1693

Action: Regarding redevelopment of City-owned parcels, south of Court Avenue, and proposed schedule for consideration of a developer-initiated proposal expected from Court Avenue Partners, L.P., and any competing proposals. (Council Communication No. 04-401) Moved by Hensley to receive and file, and to direct the City Manager to proceed with solicitation of a developer initiated proposal and possible competing proposals in the manner set forth in the Council Communication. Motion Carried 5-2. Pass: Brooks and Vlassis.

Date: June 7, 2004

Roll Call Number: 04-1164

Action: Regarding preliminary terms of agreement with Court Avenue Partners II, L.P., (Rick Tollakson, President, Hubbell Realty Company) for the redevelopment of City-owned property between 3rd and 5th Streets, south of Court Avenue. (Council Communication No. 04-293). Moved by Hensley to approve the preliminary terms of agreement and to authorize the City Manager to negotiate an Urban Renewal Agreement with Court Avenue Partners II, L.P., consistent with the preliminary terms of agreement; including negotiations regarding consultant/developer fee and equity for the City. Motion Carried 6-1. Nays: Brooks.

Date: November 21, 2003

Roll Call Number: 03-2652

Action: Receipt of proposals for the Court Avenue development and approval of development agreement for the project. (Council Communication No. 03-556) Moved by Coleman to adopt. Motion Carried 5-2.

BOARD/COMMISSION ACTION(S):

Date: April 4, 2006

Roll Call Number: N/A

Action: The Urban Design Review Board, at its April 4, 2006 meeting, by unanimous consensus vote of the members present, recommended approval of the Conceptual Development Plan for Court Avenue Lofts and 4th Street Condos.

The Board also recommended the Community Development Director grant an exception to the Court Avenue tax abatement design guidelines for new construction, noting the total percentage of brick and the solid appearance of the precast on the base level is very close to meeting or exceeding the 75% requirement.

Date: March 21, 2006

Roll Call Number: N/A

Action: Preliminary review of the Conceptual Design Plan. No action taken. Developer's design team was asked to consider the Board's comments and present a revised Conceptual Design Plan at a future Board meeting.

Date: April 20, 2006

Roll Call Number: N/A

Action: Planning and Zoning Commission, by 10-0 vote, approved the site plan for Court Avenue Lofts and 4th Street Condos on the following conditions:

- Provision of 37 shrubs in parking lot landscape buffer along Third Street frontage.
- Provision of a total of 2 street trees along Court Avenue.
- Provision of a total of 11 street trees along Fourth Street.
- Consultation with the City Arborist to determine the number, species and locations appropriate for street trees along Third Street in accordance with the City's Landscape Standards.
- Compliance with all Site Plan requirements of the Permit and Development Center.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE