



# Council Communication

Office of the City Manager

<b>Date</b>	June 4, 2007
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<b>Agenda Item No.</b>	55
<b>Roll Call No.</b>	<u>07-</u>
<b>Communication No.</b>	<u>07-321</u>
<b>Submitted by: Matthew A. Anderson, Economic Development Administrator</b>	

## AGENDA HEADING:

Hold hearing on sale of City owned land at the northeast corner of East 5<sup>th</sup> and East Walnut Streets to ST Investments, L.L.C., \$161,500 and approval of Urban Renewal Development Agreement

## SYNOPSIS:

ST Investments, L.L.C. (Tom Howard, Manager, 1130 S.E. Westbrooke Drives, Waukee, IA 50263) proposes to construct a mixed-use project on an East Village site that includes a City-owned surface parking lot. ST Howard Development will purchase the City lot at the NE corner of East 5<sup>th</sup> and East Walnut for \$161,500 and combine the land with 2 parcels they own to the north.

The 5-story building will have floor plates varying from 8,430 – 8,908 square feet. The first floor will feature four retail bays that may be combined should tenants desire larger space. The second floor will consist of office space for up to four tenants. 33 for-sale condominiums will occupy the three upper floors. Units will range from 715 – 1,690 square feet. 21 off-street, surface parking spaces will be located on the east end of the site. ST Investments is negotiating additional tenant parking in the privately owned ramp currently under construction immediately to the east. This ramp is being developed by John Burgeson and was approved by City Council on June 19, 2006 by Roll Call 06-1259.

The Conceptual Development Plan has been approved by the Urban Design Review Board and is on file with the City Clerk. The proposed building is 72' high at its highest point. This falls within the 75' maximum established in the Eastern Gateway District Design Guidelines.

An economic development assistance package has been negotiated to assist this project. Despite an aggressive residential sales price averaging \$245/sq. ft., the project's return did not warrant the risk ST Investment would incur for pursuing the project. The City Manager's Office has negotiated an economic development assistance package comprised of two components. The first component equals \$435,000 as shown in the first two installments below. Additionally, the developer has agreed to forego the final five years of residential tax abatement for which the project is eligible. This new property tax stream will be split 25% to the City and 75% to the developer as shown in installments #3 - #7 below.

## FISCAL IMPACT:

### Amount:

Proceeds from the sale of the parking lot (\$161,500)

Economic development payments totaling \$914,505 (net present value = \$647,822) will follow the following schedule:

Installment #1, December, 2010 = \$17,500  
Installment #2, December, 2011 = \$417,500  
Installment #3, December, 2015 = \$95,901  
Installment #4, December, 2016 = \$95,901  
Installment #5, December, 2017 = \$95,901  
Installment #6, December, 2018 = \$95,901  
Installment #7, December, 2019 = \$95,901

Funding Source:

Proceeds from the sale of the parking lot will be deposited in the FY 2007-08 Operating Budget, EN051 ENG100701, page 124. Funds for the economic development payments are currently identified in the Adopted CIP FY07-08 – FY12-13, Economic Development Improvements page 5, CP065, CMO990000, URR099 Development Opportunities. The Finance Department will establish a new URR account code for this project.

**ADDITIONAL INFORMATION:**

ST Investments has been pursuing this project for over 12 months and has diligently attempted to produce a quality project that would not require City financial assistance. Initial iterations included design elements that created a financial gap that was too great for the City to overcome. A diluted version of the project could possibly move forward without City assistance, however, it would not be fitting with the character of other East Village developments. The City Manager's Office has worked with ST Investments and arrived at a development and assistance package to ensure that a high-caliber project is constructed with the lowest possible City assistance.

Details of the financial assistance package:

- The project will be limited to 5-year 100 % for tax abatement for the residential units.
- The developer has agreed not to file for tax abatement for the first floor retail space.
- The developer will file for 3-year 100% tax abatement for the second floor office space.
- The retail and office space is anticipated to generate new property taxes of \$70,000 and will be secured through a minimum assessment agreement.
- By limiting the project to 5-year residential tax abatement, the City will net approximately \$160,000 of new property tax revenue that otherwise would have been abated.
- The City's participation in the project totals 6.6% of the project cost.

The following sources and uses schedule provides a complete summary of the project's finances.

**Sources**

Sales Proceeds	\$ 10,373,380
Enterprise Zone Tax Credits	\$ 400,000
NPV of City Assistance	<u>\$ 647,822</u>

**Total Sources \$ 11,421,202**

**Uses**

Acquisition and Demolition	\$ 575,000
Hard Construction Costs	\$ 7,060,312
Architectural / Structural	\$ 350,000
Engineering	\$ 100,000
Developer Fee	\$ 350,000
Interest	\$ 650,000
Commissions and Marketing	\$ 385,000
Insurance/Legal/Closing	\$ 130,000
Other Soft Cost/Contingency	<u>\$ 215,000</u>
Total Hard and Soft Costs	<u>\$ 9,815,312</u>

Developer Profit \$ 1,605,890

**Total Uses \$ 11,421,202**

**PREVIOUS COUNCIL ACTION(S):**

Date: May 21, 2007

Roll Call Number: 07-968

Action: On Sale of City-owned property in vicinity of E. 5th and Walnut Streets to ST Investments, L.L.C., \$161,500, (6-4-07). (Council Communication No. 07-292) Moved by Vlassis to adopt. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S):**

Date: April 17, 2007

Roll Call Number: N/A

Action: Urban Design Review Board approval of the economic development assistance.

Date: February 20, 2007

Roll Call Number: N/A

Action: Urban Design Review Board approval of the conceptual development plan.

Date: September 5, 2006

Roll Call Number: N/A

Action: Preliminary design review. No action taken.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

**SITE MAP:**

