



# Council Communication

Office of the City Manager

Date

September 24, 2007

Agenda Item No. 66

Roll Call No. 07-

Communication No. 07-573

Submitted by: Richard A. Clark, City Manager

## AGENDA HEADING:

Communication from the City Manager regarding preliminary terms of agreement with Rice Development Partners, LLC for development of a mixed-use project to be located at Beaver and Adams Avenues.

## SYNOPSIS:

Recommend proceeding with negotiations and final document preparation with Rice Development Partners, LLC (Richard R. Clark, Member), 206 6th Ave, Suite 1200, Des Moines, Iowa 50309, for the development of a mixed-use development on 4.39 acre parcel at the NE corner of Beaver and Adams Avenues in the Beaverdale Neighborhood.

The portion of the proposed Rice Development Partners' project requiring financial assistance is located on the southern portion of the site on Adams Ave and Beaver Avenue in 2 structures. The Beaver Ave. building contains about 22 underground parking spaces, 8,400 sq. ft. of first level commercial space with upper two levels containing about 22 apartments. The two-story Adams Ave. building contains about 15,800 sq. ft. of retail/commercial space. The remainder of the project encompasses 91,000 sq. ft. of land on the north portion of the site which will be developed for 16 row homes and 9 town homes.

The overall economic health of Beaverdale commercial corridor has been a positive note in the generally shrinking retail base in Des Moines. Retaining and enhancing this commercial corridor is important; financial assistance to the Rice Partner's project will enlarge and diversify the Beaverdale commercial corridor, generate new retail employment as well as strengthening and supporting the existing retail and commercial base.

The City Manager's Office has worked with the development team to identify a solution to fill the project's financing gap that has occurred between the cost to build the project and the level of revenues from the completed project that are required to make the project economically viable. The solution will utilize the new property taxes generated directly from the project to assist in filling the gap and making this key commercial project economically viable. The "gap," estimated at about \$2.2 million, is caused in large part by the required infrastructure for the commercial component of this project including the underground parking and the higher level of exterior materials and architectural detailing that has been required as part of the rezoning this property.

In addition, installation of a storm water sewer is required on this site by the City's storm water ordinance. Because of the site's northward slope, the nearest public connection point is at Wallace Lane which is an unusual distance from the site. The preliminary terms include a provision for the City to cost share in the installation of the public storm water sewer with a not-to-exceed cost of \$130,000. The developer is responsible for the remaining costs of the sewer, which are estimated to total about \$350,000-\$400,000.

**FISCAL IMPACT:**

Amount: An annual economic development grant for a term of 10 years is proposed on a cash-available basis; the value of the grant is based on 72% of the project's net tax increment generation. The proposed tax increment financing (TIF) assistance totals about \$1.4 - \$1.5 million with the remainder of the gap filled by the developer absorbing a lower rate of return on the development. The remainder of the TIF generated by the project—estimated to total about \$500,000 over the 10 year term of the urban renewal area—can be used by the City for public improvements in the urban renewal area.

The projected TIF revenues from this project are based on the residential tax abatement (5 year/100%) used for the townhome and rowhouse portion of the project; the developer will not apply for tax abatement for the apartment section of this development. No commercial tax abatement is available.

It should be noted the provision of TIF assistance to this project, which has a residential component, will entail "earmarking" funding for low-moderate income housing in accordance with State of Iowa provisions. The State requires a portion (39.7%) of the TIF assistance for this project be provided for low/moderate income (LMI) housing within Des Moines; the LMI contribution is estimated to range from about \$37,000-\$220,000 annually. The City will meet this State requirement within its annual allocation of discretionary funding to the Neighborhood Development Corporation, Neighborhood Finance Corporation, Polk County Housing Trust and/or Community Development Block Grant.

Funding Source: Funding of the TIF assistance is contingent upon approval of the Beaverdale Commercial Area Urban Renewal Plan. This developer assistance will be funded entirely through the new property taxes generated directly from the project after the required debt levies (about \$5.50 of the annual tax rate levy of \$46/\$1000) are paid. If the urban renewal plan and TIF are approved by City Council, the Finance Department will create a new URR account code for this project.

**ADDITIONAL INFORMATION:***Sale of Land*

On July 14, 2006 Des Moines Public Schools (DMPS) issued a Request for Proposals (RFP) for the sale and redevelopment of the former Rice Elementary School Site. DMPS had demolished the school in 2000 and determined the property is not needed for future DMPS use. An RFP review and recommendation team comprised of participants from DMPS, City of Des Moines Office of Economic Development, City of Des Moines Neighborhood Development Division, Beaverdale Neighborhood Association, Beaverdale Business Coalition, and Beaverdale Main Street Initiative recommended the Rice Development Partners' proposal to the DMPS Superintendent. The School Board then voted to sell the land subject to City of Des Moines rezoning approval.

The rezoning was approved by the City Council pursuant to conditions that were to be met as part of the project's Conceptual Development Plan; greater detail is provided in the "Previous Council Action" section of this communication. The Final Conceptual Development Plan is scheduled for Council consideration on September 24, 2007

**PREVIOUS COUNCIL ACTION(S):**

Date: March 26, 2007

Roll Call Number: [07-571](#) thru [07-578](#)

Action:

Items regarding property at 3001 Beaver Avenue, Rice School Site:

(A) To amend the Des Moines 2020 Community Character Land Use Plan future land use designation from Public/Semi-Public to Commercial: Pedestrian-Oriented, Neighborhood Node and Low/Medium Density Residential. Moved by Vlassis to approve the proposed amendment. Motion Carried 7-0.

(B) Hearing on rezoning of the property from “R1-60” (One-Family Low Density Residential) to “PUD” (Planned Unit Development), and approve the Rice Development PUD Concept Plan for mixed-use commercial and residential development. ([Council Communication No. 07-170](#)) Moved by Vlassis to adopt and approve the rezoning and Conceptual Plan, subject to final passage of the rezoning ordinance and subject to the Conceptual Plan being first amended as set forth in the roll call, and subject to the Conceptual Plan being further amended to add the following notes: i) Vinyl siding shall not be used as an exterior material. ii) The use of traffic calming measures shall be considered at the Development Plan stage. iii) The sustainability of the development and the application of the Leadership in Energy and Environmental Design (LEED) Green Building Rating System shall be considered at the Development Plan stage. iv) The Developer shall participate in two neighborhood meetings to be facilitated by the City Staff prior to review and consideration of the Development Plan by the City Council. Motion Carried 7-0.

(C) First consideration of ordinance above, requires 6 votes. Moved by Vlassis that this ordinance be considered and given first vote for passage. Motion Carried 7-0.

(D) Final consideration of ordinance above, (waiver requested by applicant), requires 6 votes. Moved by Vlassis that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#14,637](#). Motion Carried 7-0.

(E) Communication from Beaverdale Main Street Initiative. Moved by Vlassis to receive and file. Motion Carried 7-0.

(F) Communication from William Lillis, Attorney for Rice Partners. Moved by Vlassis to receive and file. Motion Carried 7-0.

(G) Report from Beaverdale residents – Land Use Principles as applied to Development of Rice School. Moved by Vlassis to receive and file. Motion Carried 7-0.

(H) Communication from Beaverdale Neighborhood Association. Moved by Vlassis to receive and file. Motion Carried 7-0.

Date: November 6, 2006

Roll Call Number: [06-2248](#)

Action: [Communication](#) from William J. Lillis requesting City Council to consider initiating a Tax Increment Financing (TIF) District in the Beaverdale area. SPONSORS: Coleman and Vlassis. Moved by Vlassis to refer to City Manager for review and recommendation. Motion Carried 6-0.

**BOARD/COMMISSION ACTION(S):** Plan and Zoning Commission

Date: February 15, 2007.

Roll Call Number: N/A.

Action: A motion to find the proposed zoning inconsistent with the existing 2020 Community Character Land Use Plan Map designation of Public / Semi-Public was approved by a vote of 11-0-1. Motions to approve and deny the request failed due to a lack of affirmative votes. The Plan and Zoning Commission voted 10-1-1 to recommend that any development of the site be subject to the requirements of the Planned Unit Development (“PUD”) zoning district and approval of a “PUD” Concept Plan.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Completion of negotiations and final document preparation.