



Council Communication

Office of the City Manager

Date November 5, 2007

Agenda Item No. 37
Roll Call No. 07-
Communication No. 07-657
Submitted by: Matthew A. Anderson
Economic Development Administrator

AGENDA HEADING:

Approving development agreement and authorizing execution of contract documents for a \$350,000 grant to Joe's Square LLC for development of a mixed-use project to be located at Beaver Avenue and Fagen Drive.

SYNOPSIS:

Recommend approval of a Development Agreement with Joe's Square LLC (Joe Giudicessi, President, 5967 Hickory Court, Johnston, IA 50131) for the development of a mixed-use development on a 1.2-acre parcel at the NE corner of Beaver Avenue and Fagen Drive in the Beaverdale Neighborhood.

The project will feature 10,900 sq.ft. of retail space on the ground level and 10,900 sq.ft. of office space on the second level. Each floor consists of 5 bays that may be combined to suit the tenants' needs. The location was previously the site of a one-story retail building constructed in 1942. The improvements had seen decreasing assessed values since peaking in 1999. The building was demolished earlier this year.

The City Manager's Office has worked with the development team to identify a strategy to fill the project's financing gap. On September 24, 2007, by roll call 07-1892, City Council set November 19th as the date of public hearing for the Beaverdale Commercial Area Urban Renewal Plan. If approved, the Plan will allow the use of tax increment financing to fill this project's financing gap. However, in an effort to complete the project's foundation work prior to winter and in the event the Urban Renewal Plan is not approved by City Council, it is recommended that the economic development assistance presented below move forward with an alternative funding source, the Economic Development Enterprise Account, which will then be repaid through the project's tax increment should Council approve the urban renewal plan when it is presented at a later date. Should Council elect not to approve the urban renewal plan, the Economic Development Enterprise Account will not be repaid.

FISCAL IMPACT:

Amount: \$350,000 through an economic development grant consisting of 7 annual installments of \$50,000. Grant payments will begin after the project has paid its first fully assessed property tax installment (typically 18 months following construction completion).

Funding Source: Economic Development Enterprise Account – Account: 528190, Fund: SP743, Org.: CMO980717. Should the Beaverdale Commercial Area Urban Renewal Plan be approved by City Council, the Economic Development Enterprise Account will be repaid in 7 annual installments of \$50,000 through project-generated tax increment.

ADDITIONAL INFORMATION:

Joe’s Square represents the type of in-fill neighborhood commercial development the City Council set forth in its Goal Statements adopted October 23, 2006. The building will provide new opportunities for businesses wishing to establish themselves in Des Moines’s historic Beaverdale neighborhood. The smaller retail bays will offer amenities and flexibility that did not exist in the building that previously occupied the site. In addition to the retail opportunities, the office space will provide new employment opportunities to an area that currently has very few office options. The developer, Joe Giudicessi, also owns and operates Christopher’s Restaurant, located across the street from the Joe’s Square site.

The building will be constructed primarily of brick in keeping with Beaverdale’s “Beaverdale Brick” theme. The 2-story steel frame building is pulled to both streets to continue the pedestrian corridor common to Beaverdale’s retail core. An arched entry off Beaver responds to this pedestrian nature of the neighborhood and directs visitors to the elevator lobby access to the second floor office. The retail bays are book-ended with masonry piers that are the full height of the building. Between these piers at the office level, the punched window openings reflect traditional architecture. Each retail tenant will have the opportunity to present a unique presence on the street through storefront design and the use of canopies. A drive thru on the north end is planned for a coffee shop at this location.

The City’s Urban Design Review Board played an active roll by collaborating with the project’s architect to fine-tune certain architectural details and ensure the building’s integration with the neighborhood’s defining architectural characteristics.

The project’s financial gap is primarily attributable to the high quality building materials and the cost of such construction versus the market rents in the neighborhood. Similar new office space in suburban projects achieves rental rates that are \$2 - \$4 per square foot higher than those projected at Joe’s Square.

The following Sources and Uses statement provides greater detail into the project’s financing.

<u>Sources</u>	<u>Uses</u>
\$ 678,946 Developer Equity	\$ 535,000 Land
\$ 2,120,000 Bank Loan	\$ 2,125,859 Hard Construction Costs
\$ 350,000 City Assistance	\$ 194,950 TI Allowance
	\$ 91,559 Architecture and Engineering
\$ 3,148,946 Total Sources	\$ 91,578 Brokerage fees
	\$ 90,000 Financing charges
	\$ 20,000 Developer Overhead
	<u>\$ 3,148,946 Total Uses</u>

This financing structure will allow the project to achieve a 1.2 debt coverage ratio required by the permanent lender.

It is anticipated that the new project will generate approximately \$90,000 per year in new property tax increment.

PREVIOUS COUNCIL ACTION(S):

Date: September 24, 2007

Roll Call Number: 07-1892

Action: Setting Date of Hearing and authorizing various related actions on the Beaverdale Commercial Area Urban Renewal Plan, (11-19-07) (Council Communication No. 07-579) Moved by Vlassis to adopt. Motion Carried 7-0.

Date: August 20, 2007

Roll Call Number: 07-1678

Action: Receive and file communication from Office of Economic Development regarding preliminary terms of agreement with Joe's Square LLC for development of mixed-use project at Beaver Avenue and Fagan Drive. (Council Communication No. 07-517) Moved by Vlassis to receive, file and approve the preliminary terms of agreement as set forth in the accompanying Council Communication, and to direct the City Manager to proceed with negotiations of formal agreements with Joe's Square LLC consistent with the terms set forth in the accompanying Council Communication. Motion Carried 7-0.

Date: March 26, 2007

Roll Call Number: 07-579 thru 07-581

Action: On request from Joe's Square, LLC, to rezone property at 4049 Fagen Drive from "C-2" (General Retail and Highway Oriented Commercial) to "NPC" (Neighborhood Pedestrian Commercial) to allow for mixed-use pedestrian-oriented redevelopment. Moved by Vlassis to adopt and approve the rezoning, subject to final passage of the rezoning ordinance. Motion Carried 7-0.

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

(B) 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, #14,638. Motion Carried 7-0.

Date: March 12, 2007

Roll Call Number: 07-455

Action: On request from Joe's Square, LLC, to rezone property at 4049 Fagen Drive from "C-2" (General Retail and Highway Oriented Commercial) to "NPC" (Neighborhood Pedestrian Commercial) to allow for mixed-use pedestrian-oriented redevelopment, (3-26-07). Moved by Mahaffey to adopt. Motion Carried 6-1.

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):

Date: October 16, 2007

Roll Call Number: N/A

Action: Urban Design Review Board recommends approval of the Conceptual Development Plan and financial assistance package as presented.

Date: March 1, 2007

Roll Call Number: N/A

Action: Plan and Zoning Commission recommends approval of a request from Joes's Square, LLC to rezone property located at 4049 Fagen Drive from "C-2" General Retail and Highway-Oriented Commercial District to "NPC" Neighborhood Pedestrian Commercial District to allow for a mixed-use pedestrian-oriented redevelopment of the property. Motion Carried 10-0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

City Council consideration of the Beaverdale Commercial Area Urban Renewal Plan