 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date</b>	January 25, 2010
	<b>Agenda Item No.</b> <b>49</b> <b>Roll Call No.</b> <b><u>10-</u></b> <b>Communication No.</b> <b><u>10-036</u></b> <b>Submitted by: Matthew Anderson, Economic Development Administrator</b>	

**AGENDA HEADING:**

Resolution approving an Urban Renewal Development Agreement and Conceptual Development Plan with Metro Lofts LLC for the construction of a \$20 million apartment project immediately north of Vine Street between 2nd and 3rd Streets.

**SYNOPSIS:**

Recommend approval of the Urban Renewal Development Agreement with Metro Lofts LLC for the project to be located north of Vine Street between 2<sup>nd</sup> and 3<sup>rd</sup> Streets. The original 2005 development agreement with Metro Lofts, LLC (George Sherman, President and Owner, Sherman Associates, 223 Park Avenue South, Suite 201, Minneapolis, MN) has been replaced with a new agreement to reflect the change from construction of 70-80 condominiums to 111 apartment units and provide for a revised disbursement schedule for the remaining \$1 million from the originally approved Economic Development Assistance Grant of \$1.5 million.

**FISCAL IMPACT:**

Amount: \$1,000,000

Funding Sources: FY10 Operating Budget, SP370, FIN909105, page 115.

**ADDITIONAL INFORMATION:**

Sherman Associates committed to constructing housing on the site at 2<sup>nd</sup> and Vine in 2005. The original 70-80 unit condominium project became economically infeasible due to escalating construction costs, but the developer worked to analyze alternatives to make the project succeed. The most reasonable alternative was to pursue a mixed income apartment project as the way to contribute needed housing to the downtown market and utilize a key infill development site. The revised concept was presented to Council in 2006, where approval was given to proceed with amending the original development agreement. Subsequently, in late 2006 Council approval was also provided for application to the Iowa Finance Authority for Low Income Housing Tax Credit (LIHTC) funds to create the 60% affordable 40% market rate mix of housing for the Metro Lofts project. The project was not awarded credits in 2007 or 2008, but reapplied, again with City Council support, in 2009 and has received approval. The Urban Design Review Board reviewed the revised design plan for the Metro Lofts project in March 2009, and voted to approve the design as submitted.

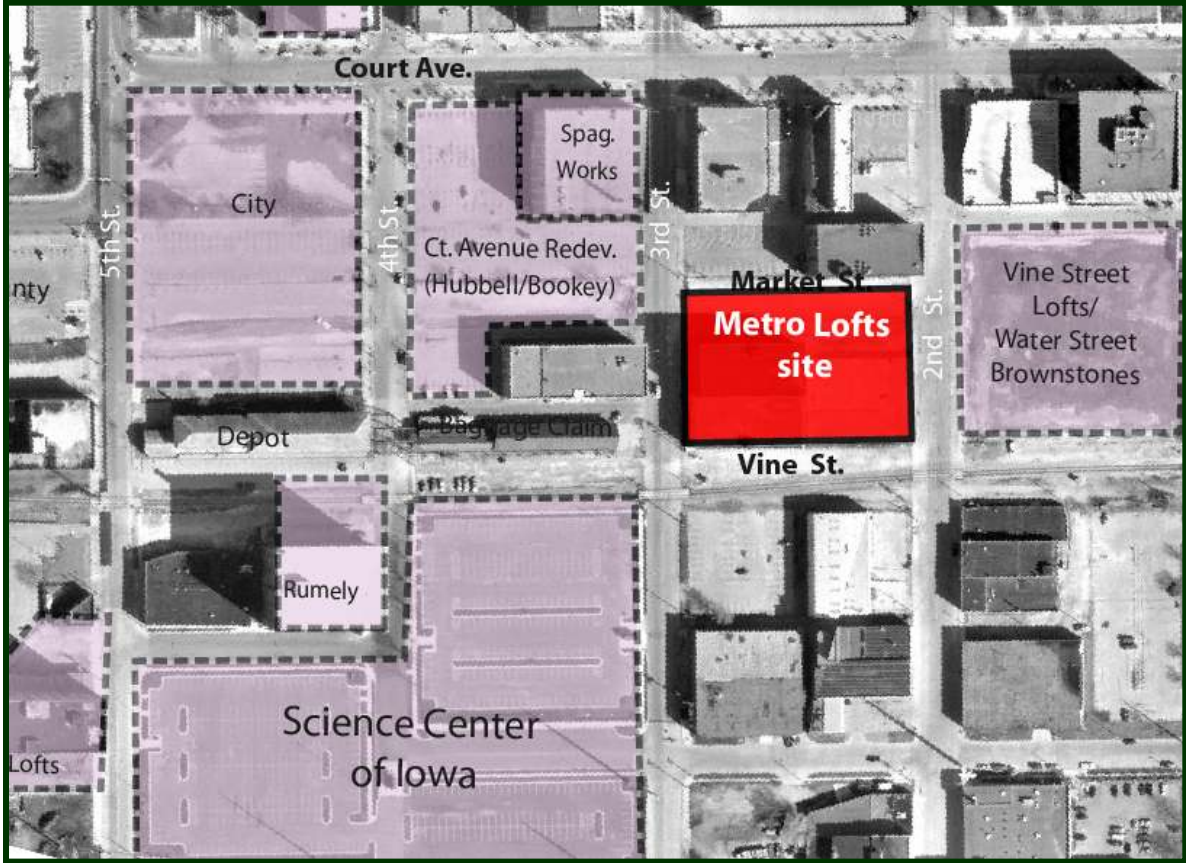
The revised Urban Renewal Development Agreement formally provides for the revision from 70-80 condominiums to 111 apartment units, and structures a revision to the disbursement schedule for the

remaining \$1 million of the \$1.5 million in economic development assistance originally awarded to the project. The first disbursement of \$500,000 was used to purchase the site at 2<sup>nd</sup> and Vine from the Neighborhood Improvement Corporation in 2005. The second and third disbursements were to be disbursed at 80% project completion and 100% completion, respectively. With the revised agreement, the second disbursement of \$500,000 will be advanced at the time of closing on the financing for the project. The funds will be deposited with a trustee, designated by Sherman Associates and HUD, who will hold the proceeds of the HUD Guaranteed Loan for the project. The trustee will be authorized to draw upon the second disbursement in the same proportion as the amounts drawn from the proceeds of the HUD guaranteed loan designated for payment of construction costs for the Metro Lofts project. The third disbursement in the amount of \$500,000 shall be advanced after receipt of certification from the developer's architect or project engineer that the improvements are at least 50% completed, and shall be managed in the same manner as the second disbursement.

The City of Des Moines has held a \$500,000 interim mortgage on the site at 2<sup>nd</sup> and Vine since 2005. In conjunction with the amendment to the disbursement schedule for the financial assistance, it has been requested that the interim mortgage amount be amended to \$1.5 million. The interim mortgage will serve as security in the event that the project is not diligently pursued to completion, and the developer is required to return all advance payments made on the Economic Development Assistance Grant.

The proposed resolution authorizes the Mayor and City Clerk to execute the Development Agreement on behalf of the City, and also all associated financing documents approved by the Office of Economic Development and Legal Department.

Location Map



**PREVIOUS COUNCIL ACTION(S):**

Date: November 23, 2009

Roll Call Number: 09-2140

Action: Memorandum of Agreement with State Historic Preservation Officer (SHPO) and SA Metro Lofts Limited Partnership for archaeological survey of site for Metro Lofts Project at 255 Vine Street. (Council Communication No. 09-832) Moved by Hensley to adopt. Motion Carried 7-0.

Date: October 27, 2008

Roll Call Number: 08-1904

Action: SA Metro Lofts, Limited Partnership for new construction of mixed income housing at 255 Vine Street and a commitment of TIF funds for an application to the Iowa Finance Authority requesting Low Income Housing Tax Credits. Moved by Kiernan to adopt. Motion Carried 7-0

Date: May 8, 2006

Roll Call Number: 06-910

Action: From Sherman & Associates requesting City consideration of an amendment to the Metro Lofts project (100 2<sup>nd</sup> Avenue) to change development from approximately 70-80 condominiums with underground parking, to an estimated 105 unit apartment with underground parking similar to the Vine Street Lofts at 101 2<sup>nd</sup> Avenue. (Council Communication No. 06-270) Moved by Hensley to receive and file, and to authorize the City Manager to negotiate with Sherman & Associates for an amendment to the Urban Renewal Development Agreement for Metro Lofts consistent with the Council Communication, for further consideration by the City Council. Motion Carried 6-1.

Date: February 7, 2005

Roll Call Number: 05-1157 to 05-1161

Action: Urban Renewal Development Agreement with Lander-Sherman Urban Development LLC for redevelopment of property, north of Vine Street between 2<sup>nd</sup> and 3<sup>rd</sup> Streets. (Council Communication No. 05-060) Moved by Hensley to adopt. Motion Carried 6-1. Absent: Vlassis.

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

Date: March 17, 2009

Roll Call Number: N/A

Action: Urban Design Review Board approved the design and level of financial assistance as presented for the Metro Lofts project.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the second floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).