

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: October 11, 2010
	Agenda Item No. 21 Roll Call No. <u>10-1654</u> Communication No. <u>10-609</u> Submitted by: Matthew A. Anderson Economic Development Administrator

AGENDA HEADING:

Resolution Approving First Amendment to the Urban Renewal Development Agreement with Brownstones on Grand, LLC for pending phases of Brownstones on Grand.

SYNOPSIS:

On February 11, 2008, by Roll Call No. 08-250, the City Council amended the City’s Urban Revitalization Plans to remove the downtown core area from the Targeted Residential Area of the City-wide Urban Revitalization Plan. This action is effective for any improvements not commenced by December 31, 2010 and not completed by December 31, 2011. Thereafter, improvements to residential property in the downtown area will be limited to the 5-year 100% abatement schedule rather than the 10-year 100% schedule.

On January 7, 2008, by Roll Call No. 08-048, the City Council approved an Urban Renewal Development Agreement with Brownstones on Grand, LLC. Hubbell Realty Company (Steven L. Niebuhr, Senior Vice President, 6900 Westown Parkway, West Des Moines, IA 50266) expressed concern over the tax abatement change because later phases of their multi-phase Brownstones on Grand project were not scheduled to be completed in time to qualify for the 10-year schedule. Upon further examination of unintended consequences that could occur by changing the tax abatement schedule midway through a multi-phase project, the City Council approved an economic development assistance package to provide a grant payment equivalent to the property taxes paid in the non-abated years 6 through 10. Hubbell Realty Company will then pass that payment along to the individual residents who own the units.

Due to the slowdown in the residential real estate market, the remaining phases of the project will not hit target dates in the Agreement. The proposed amendment allows for revised phasing as described below and extends the project’s completion date by an additional 5 years.

FISCAL IMPACT:

The proposed amendment does not change the grant calculation of the original Development Agreement presented below. However, with only 21 units to complete now vs. 25 units in 2008 and a reduced sales price for future phases, the City’s grant exposure decreased from \$653,500 in 2008 to approximately \$286,153 now.

Amount: Up to approximately \$286,153. Actual amount will vary based on the assessed value of the completed units and whether certain units are completed in time to qualify for 10-year 100% abatement.

Annual property tax payments are estimated at \$2,725 per unit. The assistance payments, which Hubbell Realty will pass on to the residents, are presented in greater detail below. The analysis demonstrates the highest potential incentive assuming remaining phases are not completed in time to qualify for 10-year abatement. Should a unit qualify for the 10-year abatement schedule, it will be removed from the incentive calculation.

Anticipated Annual Property Tax	\$2,725
Multiplied by 5 years	<u>x 5</u>
Total Incentive per Unit	\$13,626
Multiplied by the Number of Units	<u>x 21</u>
Total Incentive	\$286,153

Funding Source: Metro Center Urban Renewal Area tax increment financing. SP370, FIN909105, FY2010-2011 Operating Budget, page 17.

ADDITIONAL INFORMATION:

Brownstones on Grand is a 43 unit rowhouse development on a site bound by Grand Avenue, 2nd Avenue, Watson Powell Jr. Way and 3rd Street. The first 2 buildings (18 units) have been completed. The third building (4 units) is under construction and the remaining five buildings (21 units) are scheduled to begin construction as each previous building reaches 75% occupancy. Construction phasing is dependent upon market absorption.

After the success of their Midtown Heights project on High Street, Hubbell has revised the unit and amenity package to better align with market demand. This revised design was approved by the Urban Design Review Board on October 5, 2010.

PREVIOUS COUNCIL ACTION(S):

Date: January 7, 2008

Roll Call Number: 08-048

Action: [Urban](#) Renewal Development Agreement with Brownstones on Grand, LLC and Conceptual Development Plan for pending phases of The Brownstones on Grand. ([Council Communication No. 08-021](#)) Moved by Vlassis to adopt. Motion Carried 7-0.

Date: February 11, 2008

Roll Call Number: 08-250

Action: [On](#) 2008-1 Omnibus Amendment to City’s Urban Revitalization Plan on a two year extension of tax abatement for residential and commercial development. ([Council Communication No. 08-052](#)) Moved by Hensley to adopt. Motion Carried 6-1. Nays: Meyer.

Date: July 9, 2007

Roll Call Number: 07-1343

Action: [Directing](#) City Manager to prepare an amendment to the City-wide Urban Revitalization Plan to remove the downtown core area from the Targeted Residential Area and extend the City-wide tax abatement program for residential development for another 5 years. ([Council Communication No. 07-387](#)) Moved by Hensley to direct the City Manager to prepare and present for further consideration by the City Council at the earliest practical time, an amendment to the City-wide Urban Revitalization Plan to remove the downtown core area from the Targeted Residential Area, and to extend the City-wide tax abatement program for residential development for another 5 years. City Manager will arrange a meeting with the Downtown stakeholders within 30 days. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: October 5, 2010

Roll Call Number: N/A

Action: By 6-0 vote, the Urban Design Review Board recommended approval of the Conceptual Development Plan Amendment as presented.

Date: December 4, 2007

Roll Call Number: N/A

Action: By 6-0 vote, the Urban Design Review Board recommended approval of the Conceptual Development Plan and financial assistance package as presented.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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