

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> June 27, 2011
	<b>Agenda Item No.</b> Extra Item 1 <b>Roll Call No.</b> <u>11-1167</u> <b>Communication No.</b> <u>11-437</u> <b>Submitted by:</b> Terrance N. Vorbrich, Acting Economic Development Administrator

**AGENDA HEADING:**

Resolution approving Preliminary Terms of Agreement with Richard Eychaner for city assistance for the redevelopment of property at 3801 Merle Hay Road.

**SYNOPSIS:**

Eychaner Properties, Richard Eychaner, 300 Walnut, Des Moines, IA 50309, is proposing to develop a 15,777 square foot, multi-tenant, in-line retail development at 3801 Merle Hay Road (northeast corner of Merle Hay Road and Douglas Avenue). Mr. Eychaner has incurred higher costs than originally anticipated for the costs of acquisition, demolition and environmental remediation and underground storm water management that is restricting his ability to proceed with the project without city assistance. Mr. Eychaner has requested city assistance in the form of 100% of the new tax increment revenues generated by the project over fifteen (15) years to off-set a portion of the project costs so the project may move forward providing new retail opportunities to the area. City staff is recommending an economic development grant to be funded in fifteen (15) annual installments funded from 50% of the new tax increment revenues generated by the proposed project. The developer is to execute a minimum assessment agreement for the new value-added improvements (excluding land) of \$2,000,000.

**FISCAL IMPACT:**

Amount: \$508,500: paid in fifteen (15) annual economic development grant installments (estimated at \$33,900 each) that are equal to 50% of the new tax increment revenues generated by the proposed project, with a minimum assessment agreement for the new value-added improvements (excluding land) of \$2,000,000.

The urban renewal tax increment financing district was certified in 2009, at that time the project site was assessed at \$624,000 and paid approx. \$28,000 per year in property taxes. Based on the minimum assessment agreement, the gross property tax generation is expected to increase to an estimated \$105,700 per year or a 277% increase. Over 15 years the project will generate accumulatively \$656,955 in net new property taxes (over the 2009 certified base and after payment of the economic development grant).

Funding Source: Annual economic development grant installments to be made from available tax increment revenue in the Merle Hay Commercial Area tax increment finance district after satisfying other contractual obligations.

**ADDITIONAL INFORMATION:**

On July 14, 2008, by Roll Call No. 08-1240, City Council adopted the Merle Hay Commercial Area Urban Renewal Plan (MHURP). The MHURP establishes the following requirements for developers to observe with new development in the area and to be included in an urban renewal agreement:

Construction of private improvements will be initiated and completed with a reasonable time;  
City Council shall review and approve architectural design plans prior to start of construction;  
Developers will comply with the City's non-discrimination policy set forth in Section 62-169 of the Des Moines Municipal Code, as amended.

The design objectives of the MHURP are to encourage attractive and functionally sound redevelopment through appropriate architectural design, construction techniques and landscape principals to achieve an attractive and efficient building design that complements the adjacent neighborhoods and businesses, and needs to comply with the City's Zoning Ordinance, Site Plan Ordinance and Site Plan/Landscape Policies.

The MHURP allows for the use of tax increment revenue to fund financial assistance in the form of loans or grants to assist in the development of commercial and mixed use projects in compliance with the plan. As part of the urban renewal plan, additional development controls and guidelines shall be imposed on projects receiving tax increment revenue assistance. The intent of these requirements is to provide design and financing guidance that will integrate new development in the commercial urban renewal area and assist in meeting the goals of the MHURP. All development assisted with tax increment revenue in the urban renewal area is subject to review and recommendation from the Urban Design Review Board and approval by the City Council. The MHURP sets out the following criteria for making recommendations on development project design:

- How detail is handled in terms of scale, proportion, color articulation, massing, patterning, setbacks and exterior materials. Details that add character and define depth by adding richness to the large and scale elements are desired.
- How the project promotes an attractive and appealing physical environment for visitors and respects the adjoining residential areas.
- How long-term sustainability is incorporated in the building and site plans based on selection of construction materials and internal systems such as energy, lighting, heating and ventilation, and landscaping. Exceeding minimum standards of the energy code and reducing the carbon footprint of building scheme is desired.
- How the project promotes efficient utilization of existing infrastructure and deployment of effective private stormwater management.
- How the project advances accessibility with a choice of transportation options, so functions can be easily reached from inside and outside the area through the installation of walkways, bike racks, bus stops, etc.
- Reduction of undesired signage including pole signs.

The City Council may solicit comments from the city-recognized neighborhood organization on a proposed public or private project's design prior to Council's formal action on the project's design.

**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Approval of terms and conditions of a final Urban Renewal Development Agreement.

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