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|  <p style="text-align: center;">Council Communication Office of the City Manager</p> | Date: | July 25, 2011 |
| | Agenda Item No. Roll Call No. Communication No. Submitted by: | 48 <u>11-1326</u> <u>11-483</u> Terrance N. Vorbrich, Acting Economic Development Administrator |

AGENDA HEADING:

Approval of Urban Renewal Development Agreement and Conceptual Development Plan for the redevelopment of property at 3801 Merle Hay Road by 3801 LLC (Richard Eychaner).

SYNOPSIS:

3801 LLC (previously referred to as Eychaner Properties), Richard Eychaner, Managing Member, 300 Walnut, Des Moines, IA 50309, is proposing to develop a 15,353 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, environmental and hazardous waste remediation, and estimated underground stormwater management that is restricting his ability to proceed with the project without city assistance. By Roll Call 11-1167 dated June 27, 2011 City Council approved preliminary terms of agreement for city assistance and authorized the City Manager to negotiate a final urban renewal development agreement. The Urban Renewal Development Agreement has been negotiated following the preliminary terms of agreement and is being presented for approval by City Council.

FISCAL IMPACT:

Amount: Estimated value of \$508,500: 30 semi-annual economic development grant installments equal to 50% of the new tax increment revenues generated by the proposed new value-added improvements (estimated at \$16,950 each) from the Merle Hay Commercial Tax Increment Financing District. The Developer will execute a minimum assessment agreement for the project's new value-added improvements (buildings only excluding land value) of \$2,000,000.

Funding Source: Available cash revenues generated in the Merle Hay Commercial Area Tax Increment Finance District. The Merle Hay Commercial Area Tax Increment Financing District was certified in 2009, at that time the value-added improvements (buildings) was assessed at \$305,000 and generated approx. \$13,792 per year in property taxes. Based on the minimum assessment agreement, the gross property tax generation on the new value-added improvements is estimated at \$76,648 per year. Over 15 years the project will generate accumulatively \$431,852 in net new property taxes (over the 2009 certified base on the buildings and after payment of the economic development grant).

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 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.

Merle Hay Neighborhood Association

The Merle Hay Neighborhood Association met with the Developer and reviewed the development plans and request for city assistance. In a communication dated July 11, 2011, the neighborhood association Board of Directors voted to support the proposed development as designed and voted in support of the Developer's use of tax increment funds for the project.

PREVIOUS COUNCIL ACTION(S):

Date: July 11, 2011

Roll Call Number: 11-1252

Action: [Preliminary](#) approval of Conceptual Development Plan for the redevelopment of 3801 Merle Hay Road by Richard Eychaner. ([Council Communication No. 11-459](#)) **Moved by Griess to adopt. Motion Carried 7-0.**

Date: June 27, 2011

Roll Call Number: 11-1167

Action: [Preliminary](#) Terms of Agreement with Richard Eychaner for City Assistance for the Redevelopment of Property at 3801 Merle Hay Road. Sponsor: Council Member Halley Griess. ([Council Communication No. 11-437](#)) **Moved by Griess to receive and file, and to authorize and direct the City Manager to negotiate with Richard Eychaner for a formal Development Agreement consistent with the preliminary terms identified in Council Communication No. 11-437. Motion Carried 7-0.**

Date: June 13, 2011

Roll Call Number: 11-1033

Action: [Communication](#) from William Lillis and Chris Pose, attorneys for 3801 LLC (Rich Eychaner), regarding possible Development Agreement for property on the northeast corner of Merle Hay Road and Douglas Avenue. **Moved by Griess to receive, file and refer to the City Manager for review and recommendation. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: July 19, 2011

Action: Approval of Recommendation to City Council on acceptance of project's final design plans, subject to further Board review of proposed signage and landscaping plans; and Approval of Recommendation to City Council on the necessary and appropriate use of tax increment financing for the project as detailed in the preliminary terms of agreement.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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