

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	September 26, 2011
	Agenda Item No. Roll Call No. Communication No. Submitted by:	30 <u>11-1640</u> <u>11-621</u> Terrance N. Vorbrich, Acting Economic Development Administrator

AGENDA HEADING:

Resolution approving final terms of an Urban Renewal Development Agreement with N.D. 22 Fleming, L.L.C., Jake Christensen, Co-Manager, 321 East Walnut Street Suite 2, Des Moines, Iowa 50309, for the historic adaptive reuse of the Fleming Building.

SYNOPSIS:

On September 12, 2011, by Roll Call No. 11-1581, City Council approved the 2nd Revised Preliminary Terms of Agreement with N.D. 22 Fleming, L.L.C. for the historic adaptive reuse of the Fleming Building. The \$19.8M project proposes conversion of the 100 year old office building at 604 Walnut Street into 96 market rate apartment units. These revised preliminary terms were presented as an alternative to a financial assistance package originally approved for the project on June 14, 2010, by Roll Call No. 10-923. The Office of Economic Development is now presenting the final development agreement for Council approval.

FISCAL IMPACT:

Amount: \$1,391,346; Net Present Value (NPV) of three economic development grants detailed under funding sources.

Funding Source: Five grant installments of \$160,000 per year funded from the 2011-2012 Recommended Operating Budget, Economic Development Enterprise Fund, SP743, CMO0980717, page 87, to be paid in years 1-5 following completion of the project; five grant installments equal to the new tax increment revenues to be paid on the residential component of the project in years 6-10 following completion of the project, to be funded by project generated tax increment; and five grant installments of \$235,000 per year to be paid in years 11-15, to be funded by project generated tax increment and supported through a Minimum Assessment Agreement for \$8 million.

ADDITIONAL INFORMATION:

The revised preliminary terms were presented as an alternative to a financial assistance package originally approved by Roll Call No. 10-923 on June 14, 2010. The 2010 package proposed 10 year 100% tax abatement and an economic development grant to be paid out in 10 annual installments of \$160,000, from tax increment in the Metro Center Tax Increment Finance (TIF) District.

The Office of Economic Development proposed a modification in the total amount of financial assistance

requested, based on updated project costs that presented additional need. N.D. 22 Fleming, L.L.C. had been able to identify adequate financing sources and project sufficient revenues to agree with keeping the amount of City TIF assistance at the level proposed in 2010, while also agreeing to extend payments of the assistance from 10 to 15 years to ensure the TIF was generated solely by the project. As N.D. 22 Fleming, L.L.C. continued to refine project costs and projections after the revised preliminary terms were approved July 11, 2011, it was determined that they could not be successful with the proposed TIF assistance in years 11-15 of the project. The developer proposed a revised amount of assistance in years 11-15 of the project, requesting five annual payments of \$235,000 in those years. This is an increase of \$75,000 in each of these years from the original proposal. The need is based on increased asbestos abatement and lead removal costs totaling \$1.2 million. This has a direct relationship to the dollars needed annually to meet debt service coverage ratio requirements, and particularly impacts years 11-15 of the project. The economic development grants will be funded from new tax increment generated by the project, based on a minimum assessment agreement for \$8 million.

The adaptive reuse of the Fleming Building will assist with the resurgence of Walnut Street, remove vacant square footage from the downtown office inventory, and put a historic building back into active use, generating new taxable valuation.

PREVIOUS COUNCIL ACTION(S):

Date: September 12, 2011

Roll Call Number: 11-1581

Action: [Second](#) revised preliminary terms of Urban Renewal Development Agreement with ND 22 Fleming LLC for the historic adaptive reuse of the Fleming Building at 604 Walnut Street. ([Council Communication No. 11-597](#))

Date: July 11, 2011

Roll Call Number: 11-1207

Action: [Preliminary](#) Terms of Urban Renewal Development Agreement with ND Fleming, LLC for residential redevelopment of Fleming Building, 604 Walnut Street. ([Council Communication No. 11-456](#))

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: September 20, 2011

Resolution Number: N/A

Action: Vice Chair Rypma clarified the action requested of the board. Motion by Todd and seconded by Garner to approve a letter of support for the revised financial assistance as proposed.

Board: Urban Design Review Board

Date: June 7, 2011

Resolution Number: N/A

Action: Motion by Garner that a third window option that replicates the original windows be presented to the National Park Service and that the board be provided a review of any changes recommended by the National Park service to the elevations in regard to fresh air intake. Seconded by Clark. Motion carried.

Board: Urban Design Review Board

Date: May 17, 2011

Resolution Number: N/A

Action: Clark motioned to approve the project's financial assistance request as requested and asked that the project come back at a later time with more design detail focusing on window treatment and landscaping. Seconded by Allen. Request and motion approved.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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