

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	September 10, 2012
	<b>Agenda Item No.</b>	<b>43</b>
	<b>Roll Call No.</b>	<b><u>12-1470</u></b>
	<b>Communication No.</b>	<b><u>12-492</u></b>
	<b>Submitted by:</b>	<b>Terrance N. Vorbrich, Acting Economic Development Administrator</b>

**AGENDA HEADING:**

Receive and File Communication from Office of Economic Development regarding proposed CityVille on 9th development to be located at SW 9th and Murphy by Hubbell Realty Company and authorize the City Manager to negotiate a final development agreement for City financial assistance based on the preliminary terms of agreement as outlined in the communication.

**SYNOPSIS:**

Hubbell Realty Company (Rick Tollakson, President and CEO, 6900 Westown Parkway, West Des Moines, Iowa) is proposing to develop a multi-family, mixed-use development known as CityVille on 9<sup>th</sup>. The proposed project, to be located at SW 9<sup>th</sup> and Murphy, will contain up to **nine** buildings with 288 market-rent apartment units with **approximately** 75,600 square feet of commercial space. The \$35 million project is proposed to be built in three phases beginning in 2012 and completed by 2017.

On November 21, 2005, by Roll Call No. 05-2793, City Council approved an Urban Renewal Development Agreement with Hubbell Terminal Corporation to undertake remediation of environmental contamination on the former Pittsburgh Des Moines Steel site and redevelopment of this site and develop three new single-story buildings containing about 143,000 square feet for flex space commercial use. Due to changing national and local economic market conditions that made the original proposal unfeasible, the Developer is proposing the change in the conceptual design to mixed-use residential with limited speculative commercial space. The limited commercial space is a speculative venture and the construction, redevelopment opportunities and resulting employment opportunities will not occur without additional economic development assistance in the form of an economic development grant in the amount of \$160,000 to be paid in annual installments from the new tax increment funds generated solely from the project’s new commercial valuations and the continuation of the economic development grants previously approved in the Urban Renewal Development Agreement dated November 21, 2005, for remediation of environmental contamination on the site.

The current and expected future environment in this area of Des Moines supports the development of residential apartments with limited commercial uses. Staff recommends approval of the new conceptual design plan and the preliminary terms of agreement for economic development assistance detailed below in Additional Information.

**FISCAL IMPACT:**

Amount: \$160,000.00, economic development grant payable in annual installments.

Funding Source: 75% of the new tax increment revenues generated in the Metro Center Urban Renewal Area Tax Increment Financing District by the CityVille on 9th new commercial space.

### **ADDITIONAL INFORMATION:**

City Staff recommends and Hubbell Realty Company and Hubbell Terminal Corporation have agreed to the key terms for an economic development assistance package to the proposed CityVille on 9th project, as follows:

**Tax abatement on the commercial portions of the CityVille on 9th Project.** The Developer believes that tax abatement is an essential incentive to commercial businesses to assist in the leasing of the new, speculative commercial space. The SW 9th Development Block presently is not within an area where improvements to property assessed as commercial property is eligible for tax abatement under the City of Des Moines City-Wide Urban Revitalization Plan. City staff are recommending to City Council that the Council authorize Staff to initiate amendments to the City-wide Urban Revitalization Plan to allow tax abatement under either a 5-year declining tax abatement schedule or a 3-year 100% tax abatement schedule for improvements assessed as commercial property within an area that includes the SW 9th Development Block.

**Economic Development Grant.** A \$160,000 economic development grant (the "Initial Economic Development Grant") to assist in the completion of the commercial portions of the CityVille on 9th project. The construction of the commercial portions of the CityVille on 9th is of a speculative nature and the construction, resulting employment and redevelopment opportunities will not occur without economic development assistance. The economic development grant will be paid to the Developer in annual installments based on 75% of the new tax increment revenues generated from the taxable portions of the project's commercial portions. The annual grant installment will begin in December of the year following the year that the project's commercial portions are first fully assessed for taxation.

**2nd Amendment to the Urban Renewal Development Agreement dated November 21, 2005, as amended by the First Amendment dated May 19, 2008.** Proposed amendments will:

- Redefine the improvements to be constructed by Hubbell on the SW 9th Street Development Block to match the CityVille on 9th project parameters;
- Reschedules the order of payment of the installments on the Economic Development Grant and the Supplemental Economic Development Grant whereby installments on the Supplemental Economic Development Grant provided for in Section 23 of the existing development agreement are to be paid prior to payments on the Economic Development Grant, and all such installments are to commence after payment of the Initial Economic Development Grant; and
- All payments of the Supplemental Economic Development Grant and Economic Development Grant will be generated from new tax increment paid by the CityVille on 9<sup>th</sup> Project into the Metro Center Urban Renewal Urban Renewal Area Tax Increment District prior to its expiration on 12-31-2030.

**1st Amendment to the Brownsfields Revolving Loan Fund Agreement dated November 29, 2006.** Proposed amendments will;

- Reschedule the payments due under the agreement by Hubbell Terminal Corporation to align with the payments of the Economic Development Grant under the Urban Renewal Development Agreement dated November 21, 2005 as amended above.
- The principal balance on the Brownsfields Revolving Loan Fund Promissory Note, if any, and accrued interest will be due and payable by Hubbell Terminal Corporation on 12-31-2030.

**1st Amendment to the Supplemental Development Agreement dated May 19, 2008.** Proposed amendments will:

- Provide for payment terms by Hubbell Terminal Corporation and Hubbell Realty of the amount owed to the City (\$445,633.40) for payment towards SW 11th Street improvements, as follows: **\$165,633** payable upon approval of the final amendment to the Supplemental Development Agreement and then \$290,000 in payments of \$150,000 by 12-31-2012 and \$140,000 by 12-31-2013; and
- Provides the City as security for the payment terms an assignment of Hubbell's interest in the payments of \$150,000 and \$140,000 to be made by River Point West LLC to Hubbell and in the land to be so purchased from Hubbell by River Point West LLC pursuant to a the Settlement Agreement and Releases by and between Hubbell Terminal Corporation, Hubbell Realty Company, River Point West LLC, and Sherman Associates, Inc., dated September, 2011.

**PREVIOUS COUNCIL ACTION(S):**

Date: May 19, 2008

Roll Call Number: [08-937](#)

Action: Resolution Approving First Amendment to Urban Renewal Development Agreement with Hubbell Realty Company and Hubbell Terminal Corporation. ([Council Communication No. 08-312](#)). Moved by Hensley to adopt. Motion Carried 7-0.

Date: November 21, 2005

Roll Call Number: 05-2793

Action: Urban Renewal Development Agreement and Brownfields Cleanup Revolving Loan Fund ("BCRLF") Agreement with Hubbell Realty Company and Hubbell Terminal Corporation for the redevelopment of a portion of the Riverpoint West Area. ([Council Communication No. 05-674](#)). Moved by Hensley to adopt. Motion Carried 7-0.

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

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Design review and recommendations on the final development plan by the Urban Design Review Board and the Plan and Zoning Commission and consideration by City Council for final approval.

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