

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	February 25, 2013
	Agenda Item No.	37A
	Roll Call No.	<u>13-0343</u>
	Communication No.	<u>13-098</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution approving Amended and Restated Urban Renewal Development Agreement with Hubbell Realty Company and related entities for the redevelopment of the property bounded by Dart Way and SW 9th, SW 11th and Murphy Streets for a mixed use development and approving proposed conceptual development plan.

SYNOPSIS:

On September 10, 2012, by Roll Call No. 12-1470, Council authorized the City Manager to negotiate a final development agreement for City financial assistance based on the preliminary terms of agreement.

This resolution approves an Amended and Restated Urban Renewal Development Agreement with Hubbell Realty Company, Hubbell Terminal Corporation and 510 SW 9th Street, LLC, that: 1) redefines the site improvements to match the proposed CityVille on 9th mixed-use commercial and residential project; 2) approves a new \$160,000 economic development grant payable in semi-annual installments equal to 75% of the new tax increment revenues generated solely from the project; 3) changes the order of payments on grants contained in the original development agreement dated November 21, 2005 that reimburses to the Developer the environmental remediation costs incurred to clean the site for development; and 4) increases the calculation of the original grant payments in the 2005 Development Agreement from 50% to 75% of the new tax increment revenues generated by the Project. Additional Information Section contains further details on the financial assistance and provisions of the development agreement.

FISCAL IMPACT:

Amount: \$160,000 – Initial Economic Development Grant payable in semi-annual installments equal to 75% of the project generated new tax increment revenues. Semi-annual installments are to begin in December of the year following the year that the project’s Phase I is fully assessed for property tax purposes.

Funding Source: New tax increment revenues paid by the project into the Metro Center Urban Renewal Tax Increment Financing District.

Amount: \$178,000 – Supplemental Economic Development Grant contained in the November 2005 Development Agreement to reimburse Developer for portion on environmental remediation costs associated with cleanup of the site for development. Grant is payable in semi-annual installments equal to 75% of the project generated new tax increment revenues with payments to begin after the initial economic development grant has been fully paid.

Funding Source: New tax increment revenues paid by the project into the Metro Center Urban Renewal Tax Increment Financing District.

Amount: \$1.1 million Economic Development Grant contained in the November 2005 Development Agreement. Grant is payable in semi-annual installments equal to 75% of the project generated new tax increment revenues with payments to begin after the Supplemental Economic Development Grant has been fully paid. Payments of the Economic Development Grant will be used by the Developer to repay the City's Brownfields Cleanup Revolving Loan Fund Loan that was approved in November 2005 with proceeds used for the cleanup and remediation of hazardous environmental conditions on the project site. Payments of the Economic Development Grant will cease in 2030. Any outstanding balance remaining on the Brownfields Cleanup Revolving Loan Fund Loan in 2030 is the liability of the Developer to repay.

Funding Source: New tax increment revenues paid by the project into the Metro Center Urban Renewal Tax Increment Financing District.

ADDITIONAL INFORMATION:

On November 21, 2005, by Roll Call No. 05-2793, City Council approved an Urban Renewal Development Agreement with Hubbell Realty Company and Hubbell Terminal Corporation to undertake remediation of environmental contamination on the former Pittsburgh Des Moines Steel site and redevelopment of the site for three (3) 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 to change the project design to mixed-use residential and commercial/retail space.

City staff recommends and Hubbell Realty Company, Hubbell Terminal Corporation and 510 SW 9th Street, LLC have agreed to key terms contained in The Amended and Restated Urban Renewal Development Agreement for the proposed CityVille on 9th project, as follows:

- 1) Redefines the improvements to be constructed by Hubbell on the SW 9th Street Development Block to match the CityVille on 9th project parameters for a multi-family, mixed-use project that will contain up to nine (9), four (4) story buildings with approximately 339 market-rate apartment units with approximately 64,000 square feet of commercial space. The \$38.5 million project is proposed to be built in three phases beginning in 2013 and completed by the fall of 2017.
- 2) Tax abatement on the commercial portions of the CityVille on 9th Project. The proposed 64,000 square feet of commercial space comprises less than 25% of the entire Project's square footage and would be eligible for 10-year, 100% tax abatement under existing City Code as part of the residential complex. At the request of City staff, the Developer has agreed to create a vertical regime that places the commercial portions of the project on separate tax parcels from the residential units. The tax parcels containing the commercial space may then be eligible for tax abatement under either a five (5) year declining schedule or a 3-year 100% schedule. The Developer believes that tax abatement is an essential incentive in the leasing of the new, speculative commercial/retail space and has agreed to apply for abatement under the five (5) year declining schedule that exempts portions of the assessed value from taxation under the following schedule: Year One (1) by 75%; Year Two (2) by 60%; Year Three (3) by 45%; Year Four (4) by 30%; and Year Five (5) by 15%. The project must be in compliance with the

City-wide Revitalization Tax Abatement Commercial Construction and Sustainability Design Standards to be eligible for the tax abatement.

- 3) Economic Development Grant. A \$160,000 economic development grant (the "Initial Economic Development Grant") is proposed to reduce the Developer's increased project costs associated with the provision of the commercial space as part of the project, and the lease-up costs associated with the commercial portions of the project. The commercial portions of the CityVille on 9th are 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 semi-annual installments based on 75% of the new tax increment revenues generated from the taxable portions of the project. The semi-annual grant installment will begin in December of the year following the year that the project's Phase I portions are first fully assessed for taxation (the project's first phase is projected to be complete and fully assessed by January 2014 with the first grant installment due and payable December 2015).
- 4) Realigns the order of payment of the installments on the Economic Development Grant (\$1.1 million) and the Supplemental Economic Development Grant (\$178,000) 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. The Economic Development Grant (\$1.1 million) and the Supplemental Economic Development Grant (\$178,000) represent documented environmental remediation costs incurred by the Developer in cleaning the Brownfield site and obtaining the Iowa Department of Natural Resources approval for redevelopment upon the site.
- 5) Increases the percentage from 50% to 75% of the new tax increment revenues generated by the CityVille on 9th project into the Metro Center Urban Renewal Area Tax Increment Finance District to fund payments of the Supplemental Economic Development Grant and the Economic Development Grant.
- 6) Non-appropriation Clause: The City requires a non-appropriation clause be contained in all City development agreements. Should City Council at a future date not appropriate sufficient funds from the Metro Center Urban Renewal Tax Increment Finance District to pay the Economic Development Grant payment when due, then the City agrees to reduce the amount owed by the Developer under the Brownfields Cleanup Revolving Loan Fund Loan for a like amount.
- 7) Conversion of Apartments: The Developer has agreed that the residential apartments will be taxed as commercial property during the term of the agreement rather than placing them in a form that would qualify for the residential property tax rollback. The Developer is concerned that by agreeing to the commercial property tax classification that the CityVille project not be put at a competitive disadvantage to other potential residential projects that might be developed in the area. To address this concern the agreement states that in the event other investor owned housing in a multi-dwelling structure which: i) is under construction prior to the earlier of December 31, 2030, or three (3) years after substantial completion of all phases of the planned Improvements to the Property as identified in the approved Conceptual Development Plan; ii) is located within 1500 feet of the Property; iii) receives tax increment funded financial incentives from the City; and iv) obtains a competitive advantage by being taxed as residential property, then the Developer may request that the City release the Developer from the

commercial property limitation, which release shall not be unreasonably withheld. The City agrees that the reclassification of real estate from commercial to residential for property tax purposes may have a negative financial impact on the revenues to the City and this factor shall not be a reason upon which the City relies to withhold releasing the Developer from the commercial property limitation.

PREVIOUS COUNCIL ACTION(S):

Date: February 11, 2013

Roll Call Number: [13-0206](#)

Action: [On](#) request from Hubbell Realty Company for review and approval of an amendment to the Riverpoint Flex Office Park West PUD Conceptual Plan at 510 SW 9th Street to allow development of 10.5 acres of vacant land with nine (9) mixed-use four-story buildings with a total of 339 residential units on floors 2-4, 4,554 square feet of clubhouse, and up to 85,485 square feet of first-floor commercial space with an option of 92 first-floor parking spaces in lieu of 35,577 square feet of commercial space, (2-25-13). Moved by Hensley to adopt. Motion Carried 7-0.

Date: January 28, 2013

Roll Call Number: [13-0114](#)

Action: Applications to the Iowa Economic Development Authority for Enterprise Zone Benefits for the following: ([Council Communication No. 13-034](#))

(A) [CityVille](#) on 9th, LLC for construction of 111 housing units at 510 SW 9th Street in the Gateway Enterprise Zone. Moved by Hensley to adopt. Motion Carried 7-0.

Date: September 10, 2012

Roll Call Number: [12-1470](#)

Action: [Regarding](#) the proposed CityVille Development at SW 9th and Murphy Streets by Hubbell Realty and authorize the City Manager to negotiate a final agreement for City financial assistance. ([Council Communication No. 12-492](#)). Moved by Hensley to receive and file and to authorize the City Manager to negotiate a final development agreement for City financial assistance based on the preliminary terms of agreement as outlined in Council Communication No. 12-492; refer to the City Manager to report on what category of property tax will be used for the project and if the dwellings will be market rate. Motion Carried 7-0.

Date: May 19, 2008

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

Action: Supplemental Development Agreement with River Point West LLC, Hubbell Realty Company and Hubbell Terminal Corporation for construction of SW 11th and Murphy Street improvements in conjunction with Riverpoint West and former Pittsburgh DSM Steel redevelopment projects. ([Council Communication No. 08-304](#)). Moved by Hensley to adopt. Motion Carried 7-0.

(B) 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):

Board: Plan and Zoning Commission

Date: February 7, 2013

Resolution Number: NA

Action: Voted 14-1 in support of a motion to recommend Approval of a request from Hubbell Realty Company for review and approval of an amendment to the Riverpoint Flex Office Park West PUD Conceptual Plan on property located at 510 Southwest 9th Street, to allow development of 10.5 acres of vacant land for development of nine (9) mixed-use four-story buildings with a total of 339 residential units on floors 2-4, 113,238 square feet of first floor commercial space (including 4,554 square feet of clubhouse) with an option of 106 first-floor parking spaces in lieu of 48,766 square feet of commercial space.

Board: Urban Design Review Board

Date: January 15, 2013

Resolution Number: NA

Action: Motion by Clark for approval of CityVille on 9th conceptual design plan as presented with a codicil that there are shrubs inserted along exposed parking lots to screen car bumpers and provide street tree relief along retail areas. Seconded by Hearn. Motion carried.

Board: Urban Design Review Board

Date: January 15, 2013

Resolution Number: NA

Action: Motion by Garner to approve staff recommendation to City Council on the appropriate and necessary use of tax increment financing revenues to provide economic development grants to the project in the amounts and form as presented. Seconded by Clark. Motion carried.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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