

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 24, 2013
	Agenda Item No. 53D Roll Call No. [] Communication No. <u>13-309</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution Approving First Amendment to the Urban Renewal Development Agreement with Alexander Company for the \$37 million historic renovation of the former Younkens Building at 713 Walnut Street.

SYNOPSIS:

On December 3, 2012, by Roll Call No. 12-1883, City Council approved a \$2.35 million Urban Renewal development agreement with the Alexander Company (Joe Alexander, President, 145 East Badger Road, Suite 200, Madison, Wisconsin, 53713) to undertake the \$37 million historic renovation of the former Younkens department store building.

Alexander Company will bring the iconic building back into service through an adaptive reuse project consisting of 120 affordable housing units, first floor and skywalk level retail space, and restoration of the former Younkens Tea Room space. The project will remove approximately 188,000 square feet of vacant space from the downtown building inventory and be an essential flagship project for the renovation of Walnut Street.

The Office of Economic Development is recommending an amendment to the approved development agreement terms that will revise the current 10 year economic development grant payment schedule to 15 years. The total amount of the City’s assistance will not change. The construction start date for the project is also recommended for revision, from April 30, 2013 to July 20, 2013.

Construction is anticipated to be completed by November 2014.

FISCAL IMPACT:

Amount: Extending the payment stream to 15 years vs. 10 years lowers the net present value of the City’s economic development assistance by \$188,458.

Source: Metro Center Urban Renewal Area Tax Increment Financing, SP371, CMO990000

ADDITIONAL INFORMATION:

Following the December 2012 Council approval of the development agreement, the Alexander Company has worked to secure their remaining financing commitments for the project. Additional investors have committed, and closing on funds is planned by early July, which will allow construction to begin by July 20.

Alexander Company has requested an amendment to the current payment schedule for the economic development grant from 10 years to 15 years. The revised schedule has a direct relationship to the funds needed annually to meet debt service coverage ratio requirements in years 11-15. Revising the current 10 year schedule to 15 years will allow the City's assistance payments to be spread out over time, will lower the City's annual payments from \$235,000 to \$156,667, lower the net present value of the total assistance by \$188,458 and will allow the economic development assistance in years 11-15 to be project generated, rather than provided through general Metro Center Urban Renewal Area tax increment funds, as previously committed.

The Office of Economic Development has determined that the revision to the payment schedule is important to the project's financing structure, and to the ability move forward with closing and the initiation of construction. In accordance with this revision and the overall improvement to the City's original financial commitment to the project, it is recommended that the previously anticipated backstop for the project's historic tax credits be foregone. The backstop was originally in place to potentially offset anticipated negative impact from the Virginia court decision determining the transfer of historic tax credits would be treated as a taxable sale, thereby lowering their potential value to investors. The backstop also could have potentially lowered the city's annual assistance payments; however this has already been achieved through the shift to a 15-year payment schedule. Alexander Company is in the final stages of securing the historic tax credit investors, the National Equity Fund. The debt service coverage ratios achieved through the revised City payment schedule in years 11-15 will assist with this process.

PREVIOUS COUNCIL ACTIONS(s):

Date: December 3, 2012

Roll Call Number: [12-1883](#)

Action: Items regarding historic renovation of former Younkers building at 713 Walnut Street:
([Council Communication No. 12-600](#))

- (A) [Approving](#) \$3,000,000 in Community Development Block Grant Disaster Recovery (CDBG-DR) funds and \$250,000 HOME Investment Partnerships Funding (HOME) loan with 713 Walnut, LLC for the development of 120 housing units as part of the Younkers Building Project.
- (B) [Approving](#) Urban Renewal Development Agreement with the Alexander Company, Inc. and Conceptual Development Plan.
- (C) [Approving](#) application for Enterprise Zone Benefits to be referred to the Des Moines Enterprise Zone Commission and the Iowa Economic Development Authority for Younkers Building, LLC (Joe Alexander, President, Alexander Company) \$35 million dollar project constructing of 120 housing units at 713 Walnut Street in the Gateway Enterprise Zone.

Date: June 11, 2012

Roll Call Number: [12-0893](#)

Action: [Regarding](#) amended preliminary terms of agreement with The Alexander Company, for redevelopment of the former downtown Younkers Department Store, 813 Walnut Street. ([Council Communication No. 12-260](#)). Moved by Hensley to receive, file and approve amended preliminary terms of agreement as set forth in the accompanying Council Communication and to direct the City Manager to proceed with negotiations of formal agreements with The Alexander Company consistent with such terms. Motion Carried 7-0.

Date: October 25, 2010

Roll Call Number: [10-1782](#)

Action: [Preliminary](#) terms of agreement with The Alexander Company for redevelopment of the former downtown Younkers Department Store at 713 Walnut Street. ([Council Communication No. 10-623](#)). Moved by Hensley to receive, file and approve preliminary terms of agreement set forth in the Council Communication and to direct the City Manager to proceed with negotiations of formal agreements with The Alexander Company consistent with the terms set forth in the Council Communication. Motion Carried 7-0.

Date: November 8, 2010

Roll Call Number: [10-1849](#)

Action: [Major](#) Amendment No. 4 to Community Development Block Grant Housing Disaster Recovery (CDBG-DR) Fund Contract with Iowa Department of Economic Development (IDED) adding funds for Anawim/Hubbell Project in 2200 block of Forest Avenue and Younkers Building/Alexander Company projects. ([Council Communication No. 10-675](#)) Moved by Hensley to approve. Motion Carried 7-0.

Date: June 28, 2010

Roll Call Number: [10-1096](#)

Action: Submittal of Multi-Family New Construction Applications for Community Development Block Grant Disaster Recovery (CDBG-DR) funds to the Iowa Department of Economic Development (IDED) for the following: ([Council Communication No. 10-391](#)).

B) [Redevelopment](#) of 140 rental units at 713 Walnut (Former Younkers Building), \$3,060,000. Moved by Griess to approve. Motion Carried 7-0.

Date: December 8, 2008

Roll Call Number: [08-2161](#)

Action: [Communication](#) from the Office of Economic Development seeking authorization to negotiate with New Market Investors, LLC for the possible redevelopment of the former Younkers Building, 713 Walnut Street ([Council Communication No. 08-728](#)). Moved by Hensley to receive, file and authorize the City Manager to negotiate with New Market Investors, LLC as set forth in the accompanying Council Communication and to direct the City Manager to engage the State of Iowa, Polk County, the local business community and other stakeholders to gauge their interest in assisting with the redevelopment of the property. Motion carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: July 17, 2012

Resolution Number: N/A

Action: Motion for final approval as submitted by Hearn. Seconded by Rypma. Motion carried.

Board: Urban Design Review Board

Date: June 19, 2012

Resolution Number: N/A

Action: Motion to approve by Allen. Seconded by Clark. Motion carried.

Board: Urban Design Review Board

Date: February 15, 2011

Resolution Number: N/A

Action: No action taken. Board requested that Low Income Housing Tax Credits be evaluated for the projected to potentially reduce the amount of City tax increment assistance needed.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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