

 <div style="text-align: center;"> <h1 style="margin: 0;">Council</h1> <h1 style="margin: 0;">Communication</h1> <p style="margin: 0;">Office of the City Manager</p> </div>	Date:	October 21, 2013
	Agenda Item No.	30
	Roll Call No.	<u>13-1646</u>
	Communication No.	<u>13-513</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution Approving Preliminary Terms of an Urban Renewal Development Agreement with East Village Tower Partners, L.L.C. for the Redevelopment of 600 East 5th Street in the Metro Center Urban Renewal Area.

SYNOPSIS:

East Village Tower Partners, L.L.C. (Jake Christensen, Christensen Development, Managing Member, 506 3rd Street, Des Moines Iowa 50309) has proposed a \$9.5 million project to redevelop 600 East 5th Street into 103 market rate residential units and a first floor restaurant space, and construct an additional 12-16 townhome units on site, along East 4th Street.

The existing building, constructed in 1970 and consisting of senior apartment units and a skilled nursing facility, is more than 50% vacant, in partial foreclosure, and in need of complete replacement of the existing heating and cooling systems, as well as substantial work to remove asbestos, replace pavement and address stormwater management issues on the site. The new housing and restaurant space proposed by East Village Tower Partners, L.L.C. will add significant improvement to a prominent structure on the north border of the East Village and contribute to the surrounding neighborhood. The skilled nursing facility, currently located on the lower level at the southeast end of the site, will remain as a tenant.

The Office of Economic Development (OED) has negotiated preliminary terms of agreement with East Village Tower Partners, L.L.C, that will provide for the City to pay an Economic Development Grant as a backstop to the Iowa Brownfield-Grayfield Tax Credits sought by the project, with the grant to be paid in ten annual installments having a net present value of \$1,050,000, reduced by the value of any such credits received by the project, as a means to respond to the financing gap presented by the developer. In addition, East Village Tower Partners, L.L.C. will forego tax abatement on a portion of the building's square footage to make the project work.

FISCAL IMPACT:

Amount: Not to exceed \$1,050,000 over 10 years; to be utilized as a back stop funding source pending the receipt of State of Iowa Brownfield-Greyfield tax credits, which have been applied for but would not be awarded after July 1, 2014.

Funding Source: Metro Center Urban Renewal Area tax increment, pending availability of funds to be confirmed by Finance Director.

ADDITIONAL INFORMATION:

East Village Tower Partners, L.L.C. proposes an investment that will renovate a highly visible property in the East Village, complementing other improvements to commercial and residential properties in this district. The additional density proposed with the construction of 12-16 townhome units along the project's western boundary will maximize the use of the property, provide a positive activation of East 4th Street and complement the neighboring market rate housing and restaurant project, E-300 and Zombie Burger.

The project is working to provide market rate units without the benefit of historic tax credits or affordable housing tax credits as part of the financing structure, and faces numerous construction challenges to bring the building back into fully active use. In addition, the property's near foreclosure status will require the developer to address substantial back property taxes as part of the acquisition.

PREVIOUS COUNCIL ACTION(S):

Date: September 9, 2013

Roll Call Number: 13-1440

Action: Items regarding request from Jake Christensen for property at 600 E. 5th Street:

- (A) [Hearing](#) on rezoning from "R-4" (Multiple-Family Residential District) to "C-3B" (Central Business Mixed-Use District) to allow use of the property for 103 multiple-family dwelling units, 19,433 square feet of area for a skilled nursing facility, and 4,392 square feet of area for a restaurant use, subject to conditions.
- (B) [Amendment](#) to the Des Moines 2020 Community Character Plan to revise the future land use designation from High-Density Residential to Downtown Retail/Office Core/Core Fringe.
- (C) [First](#) consideration of ordinance above.
- (D) [Final](#) consideration of ordinance above (waiver requested by the applicant), requires 6 votes.

BOARD/COMMISSION ACTION(S): NONE**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

The Urban Design Review Board will review the project design and proposed financial assistance request at a November meeting. Final terms of agreement will be negotiated and presented to City Council prior to December 31, 2013.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.