

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	November 4, 2013
	Agenda Item No.	26
	Roll Call No.	<u>13-1726</u>
	Communication No.	<u>13-547</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution approving Preliminary Terms of an Urban Renewal Development Agreement with Doyle Properties, L.L.C. for the Historic Redevelopment of 130 East 3rd Street in the Metro Center Urban Renewal Area.

SYNOPSIS:

Doyle Properties, L.L.C. (Justin Doyle, Partner, 1717 Ingersoll, Des Moines, Iowa 50309) has proposed a \$14 million historic rehabilitation of a 100 year old warehouse and retail building at 130 East 3rd Street into the corporate headquarters for Modus Engineering. The project will be a flagship investment in the Market District area, providing the ability for the professional mechanical, electrical, and telecommunications engineering company to retain and grow high quality jobs through the adaptive reuse of the 57,000 square foot building. The project will provide the company with the ability to expand their current 22 member Des Moines workforce to an estimated total of 65 full-time employees, with the majority of positions being licensed professional engineers with a minimum of a four (4) year degree.

Modus Engineering specializes in the design of sustainable and high performance buildings, and these technologies will be incorporated into the project design. It is intended for the project to be the first true net zero commercial building in the State of Iowa, generating as much energy as it consumes. The design will also include extensive natural light usage, geothermal HVAC, LED lighting, the largest photovoltaic structure in Central Iowa and will achieve LEED Platinum designation.

The Office of Economic Development (OED) has negotiated preliminary terms of agreement that will provide for project-generated tax increment financing to serve as the core mechanism for responding to the financing gap presented by the developers. Details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: 100% of tax increment generated by the project in years 1-10; 75% of tax increment generated by the project in years 11-15. Estimated NPV \$1,489,999, or less than 10% of the total estimated project cost of \$15 million.

Funding Source: Tax increment generated by the project in the Metro Center Urban Renewal Area.

ADDITIONAL INFORMATION:

The Market District generally includes the area between East Court Avenue, Martin Luther King Jr. Parkway, the Des Moines River and SE 7th Street. An urban design study and planning effort were

conducted for the area in 2010. The extension of MLK and the new bridge across the Des Moines River to SE 9th Street, as well as the proximity to the East Village, provide the opportunity for the Market District to attract redevelopment interest and emerge as a thriving mixed use neighborhood.

Doyle Properties, L.L.C. has chosen 130 East 3rd for the Modus Engineering headquarters in part due to the reuse potential in the existing historic building, which was constructed in 1909, in part for the interest to be a pioneer in the Market District, and also because of the proximity to MLK and the ability to be within walking distance of numerous restaurants and residential buildings. Their expertise in high performance buildings and sustainable practices allow for strong stewardship of the building's transition to its next useful life, and provides the ability to structure City development incentives for a project that supports City Council sustainability initiatives. Doyle Properties, L.L.C. is currently in negotiation with additional adjacent and nearby properties in the Market District. Their intent is to acquire additional real estate in the area and work closely with the City to assist in bringing the elements of the Market District Plan to life.

The building was originally used as the first steam tractor manufacturing site in the nation and retains the original brick and limestone carvings from this use. As an historic rehabilitation, the original materials and character of the building will be retained and enhanced through the project. The project will create 18,000 square feet of professional office space for Modus Engineering, an additional 15,000 square feet of professional office space for lease, and complete remodeling of the warehouse and retail space on the main floor and basement to showcase products for the current tenants Builders Kitchen. A 5,000 square foot roof deck with a living roof and views to Principal Park, the State Capitol, and the East Village is planned. The original freight elevator is planned for conversion to an architectural stairwell, exposing the original steel elements and provide a nearly 80' tall atrium.

Sources

First Mortgage	\$ 7,272,195
Developer Equity	914,384
Federal Historic Tax Credit Equity	1,623,771
State Historic Tax Credit Equity	2,097,371
Project Generated Tax Increment	1,489,999
Renewable Energy Tax Credit Equity	224,962
Brownfield Tax Credit Equity	414,443
Geothermal Tax Credit Equity	30,278
<u>Utility Rebates</u>	<u>100,000</u>
	\$14,167,403

Uses

Construction Costs	\$ 7,882,967
Real Estate	4,310,000
Carrying Costs	598,278
A/E Fees	869,235
CxA/Testing Fee	86,923
Legal Fees	295,000
Tax/Accounting Fee	50,000
Financing Related Fees	50,000
Developer Fee	0
<u>Marketing</u>	<u>25,000</u>
	\$14,167,403

PREVIOUS COUNCIL ACTION(S): NONE

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 January 31, 2014.

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.