

 <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>	<b>Date:</b>	June 9, 2014
	<b>Agenda Item No.</b>	<b>28</b>
	<b>Roll Call No.</b>	<b><u>14-0854</u></b>
	<b>Communication No.</b>	<b><u>14-259</u></b>
	<b>Submitted by:</b>	<b>Matthew A. Anderson, Assistant City Manager</b>

## **AGENDA HEADING:**

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

## **SYNOPSIS:**

On October 21, 2013, by Roll Call No. 13-1646, City Council approved preliminary terms of an urban renewal development agreement with East Village Towers, L.L.C. (Jake Christensen, Christensen Development, Managing Member, 506 3rd Street, Des Moines, Iowa 50309) for a \$9.5 million project to redevelop 600 East 5th Street into 103 market rate residential units and approximately 9,000-square-feet of commercial space targeted primarily for restaurant use. An additional future project is proposed to construct 16 townhome units on the west side of the site along East 3rd Street, which will add additional urban density and taxable valuation to the property.

Preliminary terms of agreement proposed that City financial assistance would not exceed \$1,050,000 in tax increment from the Metro Center Urban Renewal Area. This amount was to serve as a backstop in anticipation of receipt of State of Iowa Brownfield-Grayfield Tax Credits. The 2014 State of Iowa Legislative session approved changes to the Brownfield-Grayfield program that make it necessary to remove the credits as an anticipated funding source for the project. Staff has worked with the developer over several months to evaluate options, and now recommend approval of final terms of agreement with tax increment assistance in the amount of \$892,500 over 10 years.

## **FISCAL IMPACT:**

Amount: Not to exceed \$892,500 over 10 years, with annual payments of \$89,250 initiated following approved Certificate of Completion.

Funding Source: Metro Center Urban Renewal Area

## **ADDITIONAL INFORMATION:**

The 2014 Legislative session undertook review of several State of Iowa programs that have been essential financing layers in Des Moines' housing and mixed-use projects over the last several years, including Enterprise Zone Housing Tax Credits, State Historic Tax Credits, and Brownfield-Grayfield Tax Credits. Prior to this session, the Brownfield-Grayfield program accepted applications on a first come, first served basis, with the program being funded annually. Each new fiscal year, projects were funded until the annual allocation had been distributed, with any remaining projects going onto a waiting list for the next fiscal year.

With the 2014 changes, the program will no longer be first come, first served, and projects on the waiting list anticipating a July 2014 award are no longer assured of this timeframe, potentially being required to wait up to another year, or possibly not being able to meet new criteria adopted for the now competitive program. This uncertainty causes additional risk to the East Village Towers, L.L.C. project, and waiting would cause significant delay in the construction schedule, adding unanticipated interest and carrying costs.

The Office of Economic Development has worked with the developer and the Finance and Legal Departments to revise the terms for the East Village Towers, L.L.C. project in order to proceed without the anticipated Brownfield-Grayfield credits. The developer will forego tax abatement eligibility on the 9,000-square-foot of commercial space to allow that valuation to flow back into the project, and has agreed to a 15% reduction of the originally anticipated \$1,050,000 in tax increment financing (TIF) assistance, making the amount \$892,500.

East Village Towers, L.L.C. proposes an investment that will renovate a highly visible property on the northern boundary of 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 3rd Street and complement the neighboring market rate housing and restaurant projects, E-300 and Zombie Burger.

The project is working to provide market rate units for the downtown market 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. The existing building was constructed in 1970 and most recently consisted of senior apartment units and a separate skilled nursing facility. The senior apartment units are vacant. The skilled nursing facility, currently located on the lower level at the southeast end of the site, will remain as a tenant.

The building was in partial foreclosure at the time of preliminary terms of agreement, which has been resolved through the developer's acquisition, but resulted in significant back taxes to be addressed. The existing heating and cooling systems are in need of complete replacement, as well as substantial work to remove asbestos, replace pavement and address stormwater management issues on the site.

## **PREVIOUS COUNCIL ACTION(S):**

Date: October 21, 2013

Roll Call Number: [13-1646](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with East Village Tower Partners, LLC for the redevelopment of 600 E. 5<sup>th</sup> Street in the Metro Center Urban Renewal Area. ([Council Communication No. 13-513](#))

Date: September 9, 2013

Roll Call Number: [13-1438](#), [13-1439](#), [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):**

Board: Urban Design Review Board

Date: November 19, 2013

Resolution Number: N/A

Action: Motion by Clark, seconded by Rypma to approve the final design and financial assistance as proposed. Motion carried.

Board: Urban Design Review Board

Date: November 5, 2013

Resolution Number: N/A

Action: Preliminary design and financial assistance recommendation were given preliminary approval with a consensus of the members in attendance, as a quorum was not present.

Board: Plan & Zoning Commission

Date: August 15, 2013

Resolution Number: N/A

Action: Recommend approval that the proposed rezoning be approved, subject to conditions identified in the attached letter from the Planning Administrator. 10-0.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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