

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> January 12, 2015
	<b>Agenda Item No.</b> 52 <b>Roll Call No.</b> <u>15-0075</u> <b>Communication No.</b> <u>15-019</u> <b>Submitted by:</b> Matthew A. Anderson, Assistant City Manager

**AGENDA HEADING**

Approve preliminary terms of agreement and authorize City Manager to proceed with the necessary documents for a developer-initiated redevelopment proposal with 420 Court Avenue, LLC (a joint limited liability company formed by William C. Knapp, L.C. and Hy-Vee, Inc.) for the purchase and redevelopment of Disposition Parcel No. 99C/ Metro Center Urban Renewal Area located at 420 Court Avenue.

**SYNOPSIS**

420 Court Avenue, LLC (Gerard Neugent, 5000 Westown Parkway/Suite 400, West Des Moines, IA, agent) has proposed development of a 108,000-square-foot mixed-use building and a combination of surface and structured parking. On the first floor, the building will contain a 37,000-square-foot full-service 24-hour Hy-Vee grocery store with a Market Grille restaurant that will provide full-time employment for approximately 100 people. The upper levels, floors 2-4, will have 81 market-rate apartments. A 100 car surface parking area will be covered by a one-story parking deck that will have another 100-105 spaces for residential use. A linear greenspace area is shown on the south end of the property, immediately north of the former Rock Island Railroad depot.

**FISCAL IMPACT**

Amount:

- Land Conveyance: Economic development grant of \$3.3 million of proposed \$3.57 million land sales price
- Years 1-10: 10 year/100% tax abatement on all residential improvements and economic development grant for commercially-assessed improvements
- Years 11 and 12: 80% of project-generated tax increment on improvements (after subtraction of debt-protected levies)
- Years 13-15: 75% of project-generated tax increment on improvements (after subtraction of debt-protected levies)

Full taxes will be paid by the developer on the land portion of the assessment during the entire term of the economic development assistance.

Funding Source: Metro Center Urban Renewal Area Tax Increment Financing District Revenues. A specific fund code will be assigned to the project when payments begin.

## **ADDITIONAL INFORMATION**

### Background

The site, currently leased for public surface parking, was purchased about 15 years ago for redevelopment after receiving two (2) development proposals for a large multiscreen movie theater complex with related uses for a site that extended across 4<sup>th</sup> Street. After selection of a developer and numerous extensions, the City terminated the redevelopment contract in 2002 because the selected redeveloper was unable to obtain the required financing. In 2003, the site was reconfigured to provide for two (2) sites located to the east and west of 4<sup>th</sup> Street; Court Avenue Partners purchased the east site and developed housing with Dos Rios restaurant on the first floor of the Court Avenue Apartments.

In 2006, the City requested developer interest in the western site; two (2) developers were selected for a multiple use concept. Again, financing proved difficult and redevelopment did not proceed.

### 2014 Development

The City issued a request for developer interest in the western site in January 2014. It asked for identification of a development team, its experience in undertaking projects similar in scope and scale to this site, a narrative, and site layout and general graphics describing the proposed project. The City indicated the architectural design needed to be appropriate in building scale, massing, materials, and site placement given its important location next to several National Register buildings and that on-site parking should include parking spaces available to the public as potential replacement for public spaces currently on the site.

The Knapp/Hy-Vee proposal was selected by the City Council in late February 2014 as a ‘preferred developer’ based on the proposed development of housing, a full-service grocery store with restaurant and parking that was being undertaken by entities with strong financing and experience backing the project. Both have extensive experience in housing and commercial development and the ability to undertake the development in a timely manner.

Since its selection as the preferred developer, 420 Court Avenue, LLC, has worked extensively with OPN Architects to create a site and building layout. They have held a number of meetings with various groups including the Downtown Neighborhood Association, Court Avenue Business Association, Downtown Community Alliance, and City staff on the design work as it has progressed. Suggestions from these groups have helped refine various project elements.

Proposed preliminary terms include:

- a. Economic development assistance previously described in the “Financial Impact” section of this communication;
- b. The surface parking on the site be open to public after 7 p.m. each day;
- c. If Hy-Vee stops operations on the site and space is not reoccupied by commercial use within one (1) year, economic development assistance terminates; and
- d. If any residential units sold before 15<sup>th</sup> year, economic development assistance will terminate.

### Other

In June 2014, the City of Des Moines was selected by the State of Iowa to submit a formal application for the new state Iowa Reinvestment Act program. This program allows certain state hotel and motel, and sales and use tax revenues generated from new projects in a designated reinvestment to be reinvested the district.

Des Moines had submitted a preliminary application to this program in March 2014 showing creation of a reinvestment district located generally between the proposed Events Center Hotel and the 420 Court Avenue project containing the Hy-Vee project. The Hy-Vee store is projected to be an important sales tax generator within the district.

### **PREVIOUS COUNCIL ACTIONS:**

Date: March 10, 2013

Roll Call Number: [14-0383](#)

Action: [Proposed](#) Preliminary District Plan for the Iowa Convention and Entertainment Reinvestment District and the submission of a pre-application to the Iowa Economic Development Authority (IEDA). ([Council Communication No. 14-109](#)) Moved by Coleman to adopt. Motion Carried 7-0.

Date: February 24, 2014

Roll Call Number: [14-0329](#)

Action: [Selection](#) of Knapp Properties/Hy-Vee as the preferred developer to purchase and redevelop 420 Court Avenue. ([Council Communication No. 14-080](#)) Moved by Coleman to acknowledge that this is the first step of the process, refer to the City Manager to develop a communication strategy and to submit it to Council for their review that will keep the Mayor and Council apprised of the negotiations and development plan, and to adopt the recommendations contained in Council Communication No. 14-080. Motion Carried 5-1-1. Nays: Moore. Absent: Cownie.  
\*Mayor Cownie left the meeting during item 52.

Date: December 23, 2013

Roll Call Number: [13-1971](#)

Action: [Authorizing](#) the City Manager to seek proposals for the purchase and redevelopment of City-owned parcels in the vicinity of 420 Court Avenue with a mixed-use project. ([Council Communication No. 13-603](#)) Moved by Hensley to adopt; refer to the City Manager to include a communication plan for the Council into this project. Motion Carried 7-0.

Date: January 9, 2006

Roll Call Number: [06-0097](#)

Action: Regarding City-owned site between 4<sup>th</sup> and 5<sup>th</sup> Street on south side of Court Avenue and direct negotiations of Preliminary Terms of Agreement for redevelopment. ([Council Communication No. 06-019](#)) Moved by Hensley to adopt; and include the following key items: 1) Penalty on subsidies. 2) Financial feasibility of the project. 3) Dialog on hotel feasibility. Motion Carried 6-1. Nays: Brooks.

Date: February 4, 2002

Roll Call Number: [02-0360](#)

Action: Termination of Redevelopment Agreement with Centertainment Development, Inc. for the Court Avenue Entertainment Center Project. Moved by Brooks to adopt. Motion Carried 7-0.

Date: August 17, 1998

Roll Call Number: 98-2604 to 98-2609

Action: Hearing on items regarding Proposals for redevelopment of property south of Court Avenue, between 3<sup>rd</sup> and 5<sup>th</sup> Streets, Capitol-Center Development Area and Riverpoint Capitol-Center Development Area Urban Renewal projects, (Court Avenue Entertainment Center Project):

98-2604 (A) Recommendation from Architectural Advisory Committee. Moved by Vlassis to receive and file. Motion Carried 5-2. Nays: Flagg and McPherson.

98-2605 (B) Recommendation from Urban Renewal Board. Moved by Vlassis to receive and file. Motion Carried 5-2. Nays: Flagg and McPherson.

98-2606 (C) Recommendation from City Manager's Office. ([Council Communication No. 98-343](#)). Moved by Vlassis to receive and file. Motion Carried 5-2. Nays: Flagg and McPherson.

**ALTERNATE RESOLUTIONS:**

98-2607 (D) Accepting Proposal from PLC Commercial, Inc., Newport Beach, CA, or; Moved by Vlassis to receive and file. Motion Carried 5-2. Nays: Flagg and McPherson.

98-2608 (E) Accepting Proposal from Centertainment, Inc., Kansas City, MO. Moved by Vlassis to approve. Motion Carried 5-2. Nays: Flagg and McPherson.

WITHDRAWN (F) Selection of Appraisers for Appraisal Services.

98-2609 (G) Communications/petitions received regarding proposals for Court Avenue Entertainment Center. Moved by Vlassis to receive and file. Motion Carried 5-2. Nays: Flagg and McPherson.

**BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: January 6, 2015

Resolution Number: NA

Action: Recommended approval of the proposed preliminary conceptual plan with addition refinement of various elements of the façade, the loading dock and drive areas and the linear greenspace located on the southern edge of the property.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Staff will work with the developer on the submission of a developer initiated proposal pursuant to State of Iowa Urban Renewal Law. It is anticipated that the final development proposal and competitive offering period will be before Council at its January 26, 2015 meeting. If no responsive competing proposal is received, the land sale is expected to occur in April/May 2015. Project construction would occur in 2015 and completion anticipated in 2016.

Future City Council actions include:

- Appropriate board and commission review and recommendation on final development plans.
- Actions pursuant to State of Iowa urban renewal land disposition and conveyance.

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