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|  <p style="text-align: center;">Council Communication Office of the City Manager</p> | Date: | May 18, 2015 |
| | Agenda Item No. | 65 |
| | Roll Call No. | <u>15-870</u> |
| | Communication No. | <u>15-250</u> |
| | Submitted by: | Matthew A. Anderson, Assistant City Manager |

AGENDA HEADING:

Communication from the City Manager regarding development of the City-owned parking lot east of City Hall.

SYNOPSIS:

The City of Des Moines owns the surface parking lot in the East Village across Robert D. Ray Drive from City Hall, bordered by East Grand Avenue, East Locust Street, and East Second Street. Developers with interest in creating a mixed-use project have approached the City Manager’s Office. 219 East Grand, LLC (Jake Christensen and Tim Rypma, officers and Jim Cownie, principal investor) would like to develop a mix of housing, retail, office, and structured parking on the City Hall parking lot. A related project would include retail and housing on a privately-owned site at the southeast corner of East Grand Avenue and East 2nd Street.

The City Council has directed City staff to solicit additional interest that provides material improvement, review any additional developer interest in the site, and provide a recommendation to City Council at the June 22 Council meeting.

FISCAL IMPACT:

The financial proposal will be negotiated with the selected developers and presented to the City Council at a future date.

ADDITIONAL INFORMATION:

The supply of commercial and residential development in the East Village is currently not keeping pace with market demand. Both retail/restaurant space and residential units are nearly 100% occupied and those seeking new opportunities must delay their decisions or seek space elsewhere in the market. Staff believes that timing is opportune for redeveloping this large City-owned site that serves as a key connector between the East Village neighborhood and commercial activity and Riverwalk and the western side of downtown.

Staff was approached by the development team as they were trying to arrive at a parking solution for the redevelopment of the privately-owned parking lot at 219 East Grand. A 6-story mixed-use project with approximately 90 apartment units and 12,000-square-feet of ground floor retail on this site will generate the need for approximately 150 new and replacement parking spaces.

The development team proposed structured parking at the center of the City-owned parking lot that could provide the parking demand for 219 E. Grand redevelopment, collect the parking spaces currently used by City Hall employees and leased to Embassy Suites, and provide parking for new demand generated by additional redevelopment program at the perimeter of the City-owned site, including retail and commercial along the East Locust Street frontage and housing along East Grand Avenue. The demand generated from all identified parking needs is estimated at 500-600 spaces. The redevelopment would be implemented in phases, likely leading with structured parking, then E. Locust retail/commercial/office, and housing and office in the final phase(s).

The redevelopment idea for the City Hall parking lot reserves space on the site along Robert D. Ray Drive for a potential future civic building. The first step in evaluating if this new building is even necessary is to get a better understanding of the City's existing employee base, their optimal adjacencies, and overall facility needs. As this redevelopment proposal is refined, staff will initiate the space needs study that was identified in the 2015 CIP (\$200,000). The resulting space program will determine what quantity, if any, should be preserved on the City-owned site for the City's future office needs in this area of the East Village and whether the City's continued operations in the Armory Building are viable. Up to this point, the private redevelopment of the parking lot and the space study were separate issues, but necessity and timing loosely tie them together.

While this site has been the subject of developer inquiries over the years, this is the first serious proposal that has surfaced since prior to the recession. The proposing team of developers are well qualified, and the proposed uses are complementary with existing neighborhood development and the developers are committed to working collaboratively with the Historic East Village Neighborhood Association.

At the May 4, 2015 Council meeting, staff was requested to develop a process to ensure that the highest and best value is developed on this site, while creating desired connectivity in downtown and appropriate context with City Hall and East Village. New projects must materially differentiate themselves from the original project. Criteria for evaluating additional proposals will include:

- Primary use;
- Project size;
- Catalytic impact;
- Increase in number and/or variety of downtown housing;
- Connections between East Village, Riverwalk, and western areas of downtown;
- High income job creation;
- Sustainable design;
- Higher tax base;
- Innovative parking solutions; and
- Aids in solving other issues for the city/neighborhood.

The deadline for alternative developers to express interest in this site will be June 12, 2015.

PREVIOUS COUNCIL ACTION(S):

Date: May 4, 2015

Roll Call Number: [15-0770](#)

Action: [Regarding](#) development of the City-owned parking lot, east of City Hall. [\(Council](#)

[Communication No. 15-234](#)) Moved by Gatto to adopt; refer to the City Manager for additional information regarding how a developer would be selected for this project and bring it back to Council on May 18th.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Staff will review any additional development interest in the site and return to Council with a recommendation at the June 22, 2015 Council meeting.

Preliminary terms of agreement will be negotiated with the developer and presented to the City Council. The deadline for Council approval of preliminary terms of agreement will be December 31, 2016. If the projects have not advanced by this date, staff will analyze the market and may recommend issuing an RFP for the site or begin preliminary negotiations with alternate developers.

State of Iowa Urban Renewal land disposition processes will apply to this site.

Urban Design Review Board review and recommendation regarding project design on the City-owned site and financial assistance, if needed, for the 219 E. Grand project.

PUD and/or multi-family site plan review by Plan and Zoning Commission will be required.

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