

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	May 18, 2015
	Agenda Item No.	38
	Roll Call No.	[_____]
	Communication No.	<u>15-268</u>
	Submitted by:	Phillip Delafield, Community Development Director

AGENDA HEADING:

Support submittal of updated application to Iowa Economic Development Authority (IEDA) by Blackbird Investments, LLC for use of \$3,000,000 of Community Development Block Grant-Disaster Recovery (CDBG-DR) for rehabilitation of 713 Walnut Street (Wilkins Building) for 60 units of housing and verification that the project is ready to proceed and complies with CDBG-DR guidelines.

SYNOPSIS:

On November 10, 2010 by Roll Call 10-1849, the City Council amended Contract 08-DRH-209 with IEDA to accept a \$3,000,000 award of CDBG-DR funds for renovation of the Younkers Building at 713 Walnut to 120 units of housing and additional commercial space. After the devastating fire in March of 2014, Iowa Economic Development Authority (IEDA) agreed to hold the CDBG-DR award for the project and amend the CDBG-DR contract with the City (08-DRH-209) when it was determined how and if the remaining building could be restored.

The Alexander Company, represented by Joe Alexander, President, 145 E. Badger Road, Madison, WI 53713, continued to work on the historic project and proposed a 60-unit housing development with approximately 20,000-square-feet of commercial space including the 5th floor Tea Room. By Roll Call 15-0503 on March 23, 2015, City Council and IEDA approved retaining the \$3,000,000 of CDBG-DR for the smaller project. The Alexander Company was also successful in retaining the historic tax credits.

Blackbird Investments, LLC, represented by Ryan Doyle, 130 E 3rd St., Suite 400, Des Moines, IA 50309, has signed an option to purchase the entire Younkers block including the historic Wilkins Building from the Alexander Company. In order to evaluate the transfer of the \$3,000,000 of CDBG-DR funds dedicated to the renovation of the Wilkins Building to a different ownership entity, IEDA needs a new application for the project. A letter of support by the City of Des Moines and verification that the project is ready to proceed and meets the CDBG-DR Guidelines is a required part of the application.

FISCAL IMPACT:

Amount: \$3,000,000

Funding Source: IEDA - this funding has not yet been provided to the City of Des Moines.

ADDITIONAL INFORMATION:

Following the March 2014 fire and several months of cleanup and evaluation, the Alexander Company determined that there was enough remaining historic fabric in the Wilkins Building (specifically the former Tea Room) to proceed with its redevelopment into 60 housing units; 29 market rate and 31 workforce units for residents earning 80% of the area median income for a period of 10 years. The plan included historic rehabilitation of the tea room and 10,000-square-feet of commercial space on the first floor. The renovation of 713 Walnut was estimated to cost \$18.7 million including an Economic Development Grant in an amount up to \$1,539,590 to be paid in annual installments over 10 years. The CDBG-DR funding was inclusive in the \$18.7 million total cost.

Blackbird Investments, LLC has signed a purchase agreement with The Alexander Company for the purchase of the entire Younkers Block, located on Walnut Street between 7th and 8th Streets. The company consists of five (5) partners, Justin Doyle, Ryan Doyle, Harry Doyle, Hugh O'Hagan, and TJ Jacobs. The corporation has worked on other historic preservation projects and are currently developing housing in the historic structures at the Fort Des Moines.

The Wilkins Building physical renovation proposed by Blackbird Investments, LLC is the same as that proposed by the Alexander Company. Any change would endanger the historic tax credits allocated to the project. Of the 60 housing units, 29 will be market rate and 31 will be affordable to households at 80% of median income.

There will be changes in the general contractor and the architect for the project. Blackbird Investments, LLC has contracted with Neumann-Monson as the architect and is negotiating with the Weitz Company as General Contractor. Although construction bids have not been submitted, it is estimated the project costs may increase to \$20,000,000.

Blackbird Investment, LLC proposes to use the same sources as the Alexander Project. Those include CDBG-DR funds, Enterprise Zone tax credits, and Brownfield Credits each administered by IEDA. Federal and State Historic Tax Credits have been allocated to the project and the date for completion extended because of the 2014 fire. By Roll Call 14-1903 on December 8, 2014 the City Council approved an Urban Renewal Development Agreement with Wilkins Building, LLC. Terms of this agreement will be reviewed with Blackbird and any assignment of the original terms with Alexander Company will be subject to City Council approval at a later date.

City staff received notice of the need for a new CDBG-DR application on Wednesday, May 13, 2015. Staff is generally positive about the Blackbird Investments, LLC proposal but has not yet fully evaluated the final sources and uses and operating pro-forma to ensure the project is ready to proceed. If staff cannot make that determination by the due date of May 27th the project will not be submitted with City support.

PREVIOUS COUNCIL ACTION(S):

Date: March 23, 2015

Roll Call Number: [15-0503](#)

Action: [Amendment](#) to Community Development Block Grant Disaster Recovery (CDBG-DR) Contract for additional stormwater funding for the Edge at Gray's Landing Project and to update the

Wilkins Building (713 Walnut) project requirements. ([Council Communication No. 15-131](#)) Moved by Gray to adopt. Motion Carried 6-1.

Date: December 8, 2014

Roll Call Number: [14-1903](#)

Action: [Urban](#) Renewal Development Agreement with Wilkins Building, LLC for an \$18.7 million historic restoration of 713 Walnut and approving Conceptual Development Plan. ([Council Communication No. 14-583](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: November 17, 2014

Roll Call Number: [14-1776](#)

Action: [Preliminary](#) terms of agreement with Wilkins Building LLC for City assistance for the renovation of the Wilkins Building (formerly the west half of the Younkens Building). ([Council Communication No. 14-545](#)) Moved by Gatto to receive, file and approve preliminary terms of agreement as set forth in Council Communication No. 14-545 and to direct the City Manager to proceed with negotiation of formal agreement consistent with such terms. Motion Carried 7-0.

Date: November 3, 2014

Roll Call Number: [14-1730](#)

Action: [On](#) proposed 2015-19 Five Year Des Moines Strategic Plan and 2015 Action Plan for the U.S. Housing and Urban Development (HUD) Consolidated Plan. ([Council Communication No. 14-528](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: June 24, 2013

Roll Call Number: [13-1037](#)

Action: [Approving](#) First Amendment to the Urban Renewal Development Agreement with Alexander Company for the \$36,000,000 Historic Renovation of the former Younkens Building. ([Council Communication No. 13-309](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: December 3, 2012

Roll Call Number: [12-1883](#), [12-1884](#), and [12-1885](#)

Action: Items regarding historic renovation of former Younkens building at 713 Walnut Street: ([Council Communication No. 12-600](#))

- (A) [Approving](#) \$3,000,000 in Community Development Block Grant Disaster Recovery (CDBG-DR) funds and \$250,000 HOME Investment Partnerships Funding (HOME) loan with 713 Walnut, LLC for the development of 120 housing units as part of the Younkens Building Project.
- (B) [Approving](#) Urban Renewal Development Agreement with the Alexander Company, Inc. and Conceptual Development Plan.

- (C) [Approving](#) application for Enterprise Zone Benefits to be referred to the Des Moines Enterprise Zone Commission and the Iowa Economic Development Authority for Younkens Building, LLC (Joe Alexander, President, Alexander Company) \$35 million dollar project constructing of 120 housing units at 713 Walnut Street in the Gateway Enterprise Zone.

Date: June 11, 2012

Roll Call Number: [12-0893](#)

Action: [Regarding](#) amended preliminary terms of agreement with The Alexander Company, for redevelopment of the former downtown Younkens Department Store, 813 Walnut Street. ([Council Communication No. 12-260](#)). Moved by Hensley to receive, file and approve amended preliminary terms of agreement as set forth in the accompanying Council Communication and to direct the City Manager to proceed with negotiations of formal agreements with The Alexander Company consistent with such terms. Motion Carried 7-0.

Date: October 25, 2010

Roll Call Number: [10-1782](#)

Action: [Preliminary](#) terms of agreement with The Alexander Company for redevelopment of the former downtown Younkens Department Store at 713 Walnut Street. ([Council Communication No. 10-623](#)) Moved by Hensley to receive, file and approve preliminary terms of agreement set forth in the Council Communication and to direct the City Manager to proceed with negotiations of formal agreements with The Alexander Company consistent with the terms set forth in the Council Communication. Motion Carried 7-0.

Date: November 8, 2010

Roll Call Number: [10-1849](#)

Action: [Major](#) Amendment No. 4 to Community Development Block Grant Housing Disaster Recovery (CDBG-DR) Fund Contract with Iowa Department of Economic Development (IDED) adding funds for Anawim/Hubbell Project in 2200 block of Forest Avenue and Younkens Building/Alexander Company projects. ([Council Communication No. 10-675](#)) Moved by Hensley to approve. Motion Carried 7-0.

Date: June 28, 2010

Roll Call Number: [10-1096](#)

Action: Submittal of Multi-Family New Construction Applications for Community Development Block Grant Disaster Recovery (CDBG-DR) funds to the Iowa Department of Economic Development (IDED) for the following: ([Council Communication No. 10-391](#))

- (B) [Redevelopment](#) of 140 rental units at 713 Walnut (Former Younkens Building), \$3,060,000. Moved by Griess to approve. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Additional approvals will be needed for an amendment to the IEDA contract 08-DRH-209 and approval of contracts.

City Council consideration of assigning the Urban Renewal Development Agreement to Blackbird Investments, LLC

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