



Council Communication

Office of the City Manager

Date:	June 22, 2015
Agenda Item No.	64
Roll Call No.	<u>15-1089</u>
Communication No.	<u>15-325</u>
Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Communication from City Manager regarding proposed redevelopment of alley rights-of-way and adjoining properties located at 103 and 123 SW 3rd Street and 106 and 112 SW 2nd Street by Roers Investment (Roers) for proposed multi-family residential housing project.

SYNOPSIS:

Roers, a Minnesota-based real estate development company (Represented by Jeff Koch, Partner, 1964 West Wayzata Blvd, Suite 200, Long Lake, MN), has entered into a contract to purchase the four (4) parcels located at 103 and 123 SW 3rd Street and 106 and 112 SW 2nd Street (comprising the City block defined as Vine Street to Market Street, 2nd Street to 3rd Street) with the intention to construct and operate a 211 unit, market rate, multi-family residential housing project with on-site underground parking. Total project costs are estimated at \$40 million.

For the project to proceed, Roers has requested to purchase the City-owned vacated north-south and east-west alley rights-of-way adjacent to the above-referenced parcels. Staff is recommending further negotiation with Roers to determine appropriate terms of agreement and alley sale, subject to the review and recommendation to Council on the project by the Urban Design Review Board and the Plan and Zoning Commission. It is anticipated that final recommendations by the Urban Design Review Board, Plan and Zoning Commission and staff on the project would be presented to City Council at its meeting of August 10, 2015.

FISCAL IMPACT:

Amount: \$280,000 (revenue)

Funding Source: Sale proceeds of alley rights-of-way. Roers has requested that the sale price be adjusted or deferred due to the additional project costs to be incurred to construct Vine Street and underground utilities adjacent to the site. This request has been taken under consideration by staff, who will make a recommendation to City Council at a future date as the project and project costs become further defined. As a multi-family residential housing project, it is eligible for property tax abatement under the 10 year, 100% abatement schedule.

ADDITIONAL INFORMATION:

Roers is a Minnesota-based real estate development company (Represented by Jeff Koch, Partner, 1964 West Wayzata Blvd, Suite 200, Long Lake, MN) and new to the Des Moines market. The Company has a development focus on the North Central/Midwest region of the US. The Company ended 2014 with a portfolio comprising \$180 million worth of development across 22 projects, more than 900 apartment

units under ownership and management, with 350 apartment units and over 135,000-square-feet of commercial/industrial space under third-party management agreements.

Roers has entered into a contract to purchase the four (4) parcels comprising the City block defined as Vine Street to Market Street, 2nd Street to 3rd Street, with the intention to construct and operate a 211 unit, market rate, multi-family residential housing project with on-site underground parking. Total project costs are estimated at \$40 million.

For the project to move forward, Roers has requested to purchase the north-south and east-west alley rights-of-way adjacent to the parcels under contract. By Roll Call No. 92-2205, dated June 15, 1992, the City vacated these alleys, but has retained ownership. The City's Real Estate Division had the alleys rights-of-way appraised by Commercial Appraisers of Iowa, Inc., dated May 27, 2015, with the appraisal setting the fee simple fair market value at \$280,000.

Roers is in its due diligence phase, investigating the site with archeological surveys, environmental investigation, geotechnical surveys, site surveys to develop a site plan, and beginning initial building design. Roers has hired Urban Works Architecture of Minneapolis, MN for project design services, and Franta Companies of Minneapolis, MN as the general contractor.

Initial discussions with City staff regarding site plan, traffic ingress and egress and design issues have been preliminary in nature, but progressed well. Discussions have touched on the City requirements for traffic ingress and egress to the underground parking to be along Market Street, for overhead utilities to be undergrounded, and the construction of Vine Street between 2nd and 3rd Street, as part of the project costs. Roers has requested that the City consider reducing or deferring the purchase price due to the additional costs to the project of constructing Vine Street and undergrounding the utilities. This request has been taken under consideration by staff, who will make a recommendation to City Council at a future date as the project and project costs become further defined. City staff further recommend completion of the Plan and Zoning Commission and Urban Design Review Board processes and submittal of their respective recommendations to Council prior to further Council action on this development proposal.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Setting of Public Hearing for Sale of Alley Rights-of-Way.
- Acceptance of recommendations from Urban Design Review Board on project design.
- Acceptance of recommendations from Plan and Zoning Commission on project site plan.
- Approval of Development Agreement and Sale of Alley Rights-of-Way.

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