

Office of the City Manager

Date: July 13, 2015 Agenda Item No. 38B Roll Call No. Communication No. 15-371 Phillip Delafield, **Submitted by:** Community

Development Director

AGENDA HEADING:

Resolution Approving \$3,000,000 Community Development Block Grant-Disaster Recovery Contracts for development of 60 units of housing at the Wilkins Building, 713 Walnut with Wilkins Redevelopment, LLC.

SYNOPSIS:

Wilkins Redevelopment, LLC is the successor entity for Blackbird Investments, LLC represented by Justin Doyle 130 E. 3rd Street, Suite 400, Des Moines, IA 50309 for the historic redevelopment of the Wilkins Building at 713 Walnut Street (formerly Younkers).

On May 18, 2015, by Roll Call No. 15-0827, the City Council directed City staff to review a proposal by Blackbird Investments, LLC. Staff was directed to send a letter of support to the Iowa Economic Development Authority (IEDA) to support the transfer of the CDBG-DR award from The Alexander Company to Blackbird Investments, LLC if Blackbird Investments, LLC could verify to staff satisfaction that the project was ready to proceed and met the CDBG-DR Guidelines.

IEDA required that a new application be completed before the City of Des Moines could work with a new developer on the Wilkins Building using the \$3,000,000 of CDBG-DR funding. City staff assisted Blackbird with the application, reviewed the final application, and included a letter of support for the Blackbird Investments, LLC proposal.

On June 11, 2015, the City of Des Moines received notice from IEDA that it had accepted all necessary documentation regarding Blackbird Investments' application to acquire the Younker's building site and apply the CDBG-DR award (which was originally awarded to the City of Des Moines via application from The Alexander Company) to this redevelopment. The City could then transfer the award to Blackbird Investments based on the applications materials provided on May 27, 2015 and additional information on June 9, 2015.

FISCAL IMPACT:

Amount: \$3,000,000

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

ADDITIONAL INFORMATION:

On November 10, 2010, by Roll Call No. 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, 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 No. 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.

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.

In May 2015 Blackbird Investments, LLC 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.

Blackbird Investments, LLC closed on the paperwork with The Alexander Company on July 6 and funds were wired to the seller on July 7. The Alexander Company was signing its final papers on July 7, 2015.

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. The rent for the affordable units will be restricted to the 65% HOME Investment Partnerships Funding (HOME) limit as determined by the U.S. Housing and Urban Development (HUD) annually. Of the total units, 32 will be 1-bedroom and 28 will be 2-bedroom. There will be no differences in quality or size between the affordable and market units.

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. The project will be subject to all the labor provisions, including Davis-Bacon wage requirements as the other CDBG-DR funded projects in Des Moines.

On December 8, 2014, by Roll Call No. 14-1903, the City Council approved an Urban Renewal Development Agreement with Wilkins Building, LLC. The terms of this agreement are transferrable.

The contract documents are on file in the City Clerk's office as well as a termination agreement with The Alexander Company to release any CDBG-DR agreements, liens, or mortgages on the property.

PREVIOUS COUNCIL ACTION(S):

<u>Date</u>: May 18, 2015

Roll Call Number: 15-0827

<u>Action</u>: Letter of Support for updated application to IEDA by Blackbird Investments, LLC for rehabilitation of 713 Walnut Street (Wilkins Building). (<u>Council Communication No. 15-268</u>) Moved by Hensley to adopt. Motion Carried 7-0.

Date: March 23, 2015

Roll Call Number: 15-0503

<u>Action</u>: <u>Amendment</u> to 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. (<u>Council</u> Communication No. 15-131) Moved by Gray to adopt. Motion Carried 6-1.

Date: December 8, 2014

Roll Call Number: 14-1903

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

Date: November 17, 2014

Roll Call Number: 14-1776

Action: <u>Preliminary</u> terms of agreement with Wilkins Building LLC for City assistance for the renovation of the Wilkins Building (formerly the west half of the Younkers Building). (<u>Council Communication No. 14-545</u>) 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

<u>Action:</u> On proposed 2015-19 Five Year Des Moines Strategic Plan and 2015 Action Plan for 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

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

Date: December 3, 2012

Roll Call Number: <u>12-1883</u>, <u>12-1884</u>, and <u>12-1885</u>

<u>Action</u>: Items regarding historic renovation of former Younkers building at 713 Walnut Street: (Council Communication No. 12-600)

- (A) <u>Approving</u> \$3,000,000 in CDBG-DR funds and \$250,000 HOME loan with 713 Walnut, LLC for the development of 120 housing units as part of the Younkers Building Project.
- (B) <u>Approving</u> Urban Renewal Development Agreement with the Alexander Company, Inc. and Conceptual Development Plan.
- (C) <u>Approving</u> application for Enterprise Zone Benefits to be referred to the Des Moines Enterprise Zone Commission and the IEDA for Younkers 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

<u>Action</u>: <u>Regarding</u> amended preliminary terms of agreement with The Alexander Company, for redevelopment of the former downtown Younkers Department Store, 813 Walnut Street. (<u>Council Communication No. 12-260</u>). 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 Younkers 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

<u>Action</u>: <u>Major</u> Amendment No. 4 to CDBG-DR Fund Contract with Iowa Department of Economic Development (IDED) adding funds for Anawim/Hubbell Project in 2200 block of Forest Avenue and Younkers Building/Alexander Company projects. (<u>Council Communication No. 10-675</u>) Moved by Hensley to approve. Motion Carried 7-0.

Date: June 28, 2010

Roll Call Number: 10-1096

<u>Action</u>: Submittal of Multi-Family New Construction Applications for CDBG-DR funds to the IDED for the following: (Council Communication No. 10-391)

(B) <u>Redevelopment</u> of 140 rental units at 713 Walnut (Former Younkers 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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