

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	October 12, 2015
	<b>Agenda Item No.</b>	<b>52A</b>
	<b>Roll Call No.</b>	<b><u>15-1733</u></b>
	<b>Communication No.</b>	<b><u>15-552</u></b>
	<b>Submitted by:</b>	<b>Matthew A. Anderson, Assistant City Manager</b>

**AGENDA HEADING:**

Resolution Approving Urban Renewal Development Agreement with Confluence on Third, LLC (Developer) for multi-family residential housing project at 123 SW 3rd Street and 106 and 112 SW 2nd Street.

**SYNOPSIS:**

On June 22, 2015, by Roll Call No. 15-1089, the City Council received and filed Council Communication No. 15-325 from the City Manager regarding the sale and development of the of alley rights-of-way adjoining 103 and 123 SW 3rd Street and 106 and 112 SW 2nd Street to Roers Investments, LLC for a proposed 4-story, market rate, 211 unit multi-family residential housing project, and directed the City Manager to continue to work with the Developer regarding design and financial proposals to facilitate the proposed project.

This resolution approves an Urban Renewal Development Agreement to facilitate the proposed \$40 Million, 211 unit multi-family residential redevelopment project with 187 below ground parking spaces and provides for a financial assistance package consisting of: (1) a Forgivable Loan in the amount of \$280,000 funded from the sale proceeds of the alley right-of-way, and (2) an Economic Development Grant funded from project generated tax increment financing (TIF) revenues, to be funded only if the project becomes ineligible for property tax abatement under the Citywide Urban Revitalization Area, Targeted Residential Area 10-year, 100% tax abatement schedule.

As part of the Conceptual Design Plan and Site Plan approvals, the Developer has agreed to include in the project’s costs the design and construction of Vine Street between 3rd Street and 2nd Street, undergrounding of all existing overhead utilities on the block, provision of public easements on private land to provide 12-foot sidewalks and landscaping along 2nd Street, 3rd Street, and Market Street.

**FISCAL IMPACT:**

Amount: \$280,000 and \$800,000 (estimate)

Funding Source:

- \$280,000 – Forgivable loan funded from the proceeds of the sale of alley rights-of-way. The loan bears interest at 0%, and will be forgiven upon City Council approval of the project Certificate of Completion.
- \$800,000 (estimate) – Economic Development Grant funded in 20 semi-annual installments equal to 100% of the project generated TIF revenues paid into the Metro Center Urban Renewal Project Area Tax Increment District on the Project’s new incremental value-added

improvements. For purposes of calculating each grant installment the millage levies for protected levies will be subtracted from the gross millage rate.

The project is located in the Citywide Urban Revitalization Area and within the portion thereof designated as the Targeted Residential Development Area and would be eligible to receive tax abatement under the 10-year 100% abatement schedule. The economic development grant would only be funded if by the time the project is substantially complete, due to changes in the program or construction delays the project would no longer be eligible to receive 10-year, 100% property tax abatement.

#### **ADDITIONAL INFORMATION:**

The Developer 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 United States. 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.

The Developer 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 project with 187 below ground parking. Total project costs are estimated at \$40 Million.

For the project to move forward, the Developer has requested to purchase the north-south and east-west alley rights-of-way adjacent to the parcels under contract. By Roll Call 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.

The Developer has investigated the site with archeological surveys, environmental investigation, geotechnical surveys, and site surveys to develop a site plan and building design processes. The Developer has hired Urban Works Architecture of Minneapolis, MN for project design services, and Franta Companies of Minneapolis, MN as the general contractor.

The proposed site provides several development issues that have been addressed in the Conceptual Design Plan and Site Plan approvals. As part of the Conceptual Design Plan and Site Plan approvals, the Developer has agreed to include in the project's costs the design and construction of Vine Street adjacent to the south of the Iowa Interstate Railroad between 3rd Street and 2nd Street, which City staff believe is necessary to maintain street circulation and connectivity between 3rd Street and Water Street to the east, undergrounding of all existing overhead utilities on the block, and will provide public easements on private land to facilitate 12-foot sidewalks and landscaping along 2nd Street, 3rd Street, and Market Street.

The Developer has requested, and City staff are recommending that the City provide a forgivable loan equivalent to the purchase price of the alleys (\$280,000) due to the additional costs to the project of constructing Vine Street and undergrounding utilities on the site. The Forgivable loan will be funded

from the purchase proceeds of the alleys, and forgiven upon City Council approval of the project's Certificate of Completion.

The project is located within the Citywide Urban Revitalization Area and within the portion thereof designated as the Targeted Residential Development Area and would be eligible to receive tax abatement under the 100% 10-year schedule, if the project improvements are commenced by December 31, 2015 and completed by December 31, 2016. In the event that prior to substantial completion of the Improvements, the City amends the Citywide Urban Revitalization Plan that would reduce the tax abatement schedule or exclude the project from any tax abatement, or the Developer while diligently pursuing completion of the project is delayed due to circumstances outside the control of the Developer that prevents the project from qualifying under the terms of the Citywide Urban Revitalization Plan 10 year 100% property tax abatement schedule, then the City would provide an economic development grant. The economic development grant would be funded from project generated TIF revenues on the project's new incremental value-added improvements that are paid into the Metro Center Urban Renewal Area Tax Increment Financing District. For purposes of calculating each grant installment the millage levies for protected levies will be subtracted from the gross millage rate.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: June 22, 2015

Roll Call Number: [15-1089](#)

Action: [Regarding](#) proposed redevelopment of alley right-of-way and adjoining properties located at 103 and 123 SW 3rd Street and 106 and 112 SW 2nd Street by Roers Investment for proposed multi-family residential housing project. ([Council Communication No. 15-325](#)) Moved by Hensley to adopt. Motion Carried 7-0.

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

Board: Urban Design Review Board

Date: July 14, 2015

Resolution Number: N/A

Action: Approval of recommendation on preliminary design on vote 8-0.

Board: Urban Design Review Board

Date: September 15, 2015

Resolution Number: N/A

Action: Final approval and recommendation to City Council on final conceptual design plan and appropriate use of tax increment financing (TIF) revenues.

Board: Plan and Zoning Commission

Date: September 17, 2015

Resolution Number: 10-2016-7.15

Action: Approval of Site Plan as stipulated, vote 10-1.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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