

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	January 11, 2016
	<b>Agenda Item No.</b>	<b>45</b>
	<b>Roll Call No.</b>	<b><u>16-0079</u></b>
	<b>Communication No.</b>	<b><u>16-021</u></b>
	<b>Submitted by:</b>	<b>Matthew A. Anderson, Assistant City Manager</b>

**AGENDA HEADING:**

Approving preliminary terms of agreement with Principal Financial Group and Nelson Development for a joint development proposal for the former YWCA and 7th & Grand parking garage sites.

**SYNOPSIS:**

On June 8, 2015, the City Council selected Nelson Development as the preferred developer for a luxury multifamily housing development in the air space above the new City-owned 7th & Grand parking garage. While the City and Nelson have made considerable progress, including significant architecture, engineering, financing and City board/commission steps, a more compelling proposal has emerged from a joint Principal/Nelson team. The proposal is outlined in greater detail in Additional Information. The primary points are as follows:

- Principal Financial Group will purchase the block bound by Grand Avenue, High Street, 7th Street, and 8th Street. Principal will construct, own, and finance a parking garage with spaces available for surrounding office tenants, residents, hotel guests, and other transient parkers.
- Nelson Development will purchase the west half of the block bound by Grand Avenue, High Street, 6th Avenue, and 7th Street. Nelson will develop an eight (8) to 12-story mixed-use project featuring street level commercial space, luxury apartments, and potentially office space.

The City Council will be asked to set date of public hearing on January 25, 2016 and hold a public hearing on March 7, 2016 regarding the sale of land and development agreements with both parties.

**FISCAL IMPACT:**

Amount:

- Revenue –
  - i) Principal Financial Group will purchase the parking garage parcel for \$2.4 million.
  - ii) The parking garage will now be taxable. Estimated \$250,000 annually.
  - iii) Principal will purchase the City’s architectural work to date. Estimated at \$1 million.
- Cost Savings – The City’s estimated cost to construct the public garage and skywalk corridors was \$30 - \$35 million. The City will no longer incur this cost.
- Expense – Preliminary terms of the Nelson Development Agreement include the following: \$1 million forgivable predevelopment loan for architecture and engineering services, a grant equal to the land purchase price, and an economic development grant of \$2 million at certificate of occupancy. Further project-generated TIF assistance is anticipated for the Nelson project. This amount will not be known until project design is completed and will be presented to the City Council in a future amendment to the Development Agreement if necessary.

Funding Source: Land sale proceeds, project-generated tax increment, and Metro Center Tax Increment Financing if necessary.

### **ADDITIONAL INFORMATION:**

The 7th & Grand parking garage replacement project is needed to serve the Marriott, Ruan I & II office tenants, 801 Grand office tenants, and Principal Financial Group guests. The air-rights development was sought by the City to densify the site and introduce new housing options to downtown. The air-rights development provided many design, engineering, legal ownership structure, and construction timing challenges, all of which the City and Nelson were working closely to address. One (1) challenge the team could not overcome was timing. The air-rights development would delay the opening of the garage by approximately one (1) year and the reconnection of the skywalk to Ruan I was likely five (5) or more years away.

Eliminating the air rights development and jointly developing the two (2) blocks greatly accelerates the construction timeline, provides certainty for skywalk connectivity, and quickly puts both sites back on the tax rolls.

#### Garage Scope

Principal's new garage will be open to tenants of the surrounding properties and will be managed by Principal or their selected management vendor. Nelson Development will make a long-term commitment for approximately 100 garage spaces to support their development to the east.

Principal will utilize the garage architecture and engineering already in progress by the City and Substance Architecture. Principal will omit the added structural support and vertical accesses for the air rights development. Principal is pursuing alternative designs which may eliminate the street level retail space. The City will work with Principal to develop an active frontage to promote improved walkability along Grand Avenue and skywalk level vertical integration. All garage changes will be reviewed by the Urban Design Review Board.

#### Nelson Project Scope

Nelson Development proposes a project with street level commercial space along Grand Avenue, and seven (7) to 11-story luxury market-rate apartments above the commercial space. The project may also incorporate office space.

The Catholic Pastoral Center has previously expressed an interest in developing a landscaped pedestrian courtyard in the alley between the Catholic Diocese and the Nelson parcel. Nelson feels this addition could be an asset to their project and will work with the Catholic Pastoral Center to incorporate the courtyard design.

The skywalk bridge south to Ruan I will be reused and the City will be responsible for construction of a new bridge across 7th Street. This bridge will be programmed into the Fiscal Year (FY) 17-18 CIP.



**PREVIOUS COUNCIL ACTION(S):**

Date: August 24, 2015

Roll Call Number: [15-1454](#)

Action: [On](#) 7th and Grand Parking Garage Demolition: approving plans, specifications, form of contract documents, Engineer's Estimate, receive and file bids and designating lowest responsible bidder as D.W. Zinser Company, Inc. (David W. Zinser, President), \$2,249,000. ([Council Communication No. 15-462](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: March 23, 2015

Roll Call Number: [15-0488](#)

Action: [Approving](#) Professional Services Agreement with Substance Architecture LLC, for the 7th and Grand Parking Ramp, not to exceed \$1,971,000. ([Council Communication No. 15-138](#)) Moved by Hensley to adopt. Motion Carried 6-1.

Date: February 24, 2014

Roll Call Number: [14-0330](#)

Action: [Approving](#) selection of The Opus Group as the preferred developer of the 7th and Grand parking garage site. ([Council Communication No. 14-076](#)) Moved by Hensley to adopt and include the following: 1. Evidence of financial support consistent with the Developer's proposal. 2. Developer will submit a third-party market assessment demonstrating viability of the extended-stay hotel and the market-rate housing. 3. Developer will commission an appraisal for the housing component to

determine if the proposed financial structure is achievable. 4. Staff will report back to Council on the status of those items in the next 45 days at a workshop. Motion Carried 6-1. Absent: Cownie.

Date: October 21, 2013

Roll Call Number: [13-1684](#)

Action: [Issuance](#) of a Request for Proposals (RFP) for redevelopment of the current 7th & Grand Parking Garage Site and the former YWCA site. ([Council Communication No. 13-520](#)) Moved by Hensley to adopt; refer to the City Manager to develop a comprehensive communication strategy for the project. Motion Carried 7-0.

Date: July 29, 2013

Roll Call Number: [13-1235](#)

Action: [Presenting](#) the City Manager's recommended development teams for the 7th & Grand Parking Garage Redevelopment project and authorizing the City Manager to proceed to the next stage of the process with the selected Developers. ([Council Communication No. 13-391](#)) Moved by Hensley to receive and file, and to authorize and direct the City Manager to proceed to the next stage of the process with selected developers and to prepare a Request for Proposals for future consideration by the City Council. Motion Carried 7-0.

Date: February 11, 2013

Roll Call Number: [13-0255](#)

Action: [Communication](#) presenting a Conceptual Assistance package with Principal Financial Group for campus-wide renovations and approving submittal of an Iowa Economic Development Authority Business Financial Assistance Application on behalf of Principal Financial Group. ([Council Communication No. 13-070](#)) Moved by Hensley to receive and file the accompanying Council Communication; to direct the City Manager and staff to proceed with negotiation of preliminary terms of agreement consistent with the proposed conceptual assistance package; and to authorize the Mayor to sign Principal's Business Financial Assistance Application on behalf of the City as the sponsoring entity. Motion Carried 7-0.

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

Board: Plan and Zoning Commission

Date: October 15, 2015

Resolution Number: N/A

Action: Moved staff recommendation for Part A) approval of the requested vacations, subject to reservation of any necessary easements for existing utilities in place until such time that they are abandoned or are relocated and Part B) approval of the proposed Site Plan, subject to the following conditions:

1. The Site Plan shall be in compliance with all administrative review comments of the City's Permit and Development Center.
2. All portions of the building shall be sided with appropriate materials to the satisfaction of the Planning Administrator.
3. Bike racks shall be provided at appropriate locations near the entrances to the retail and multiple-family residential areas.
4. Access easements shall be provided for any sidewalk that is not located within public right-of-way.
5. All mechanical equipment and utility meters shall be architecturally integrated into the structure and shall be entirely screened from view.

THE VOTE: 10-0-1 (Sasha Kamper recused herself from the vote)

Board: Urban Design Review Board

Date: August 11, 2015

Resolution Number: N/A

Action: Preliminary Design Approval. 5-yes, 0-no, 1-abstain, 4-absent.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- On January 25, 2016, set date of public hearing for March 7, 2016 for the sale for land to Principal Financial Group and Nelson Development pursuant to Development Agreements with both buyers.
- Hold hearing on sale of land and approve development agreements March 7, 2016.
- Urban Design Review Board review and recommendation on garage and Nelson Development Conceptual Development Plans.
- Amendment to Nelson Development Development Agreement regarding potential project-generated TIF assistance following project design and cost estimates.

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