

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	February 22, 2016
	Agenda Item No.	52
	Roll Call No.	<u>16-0308</u>
	Communication No.	<u>16-092</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution approving competitive process for sale and redevelopment of City owned property at 7th and Grand Avenue; receiving proposals from 7&Grand Ramp Developer, LLC (Principal) and Grand 7 Partners, LLC (Nelson Development) for redevelopment of such properties; and, scheduling hearing on the sale of such properties and on the vacation and conveyance of easements for a private pedestrian bridge over the 700 block of High Street and subsurface building encroachments into adjoining portions of 7th Street and Grand Avenue.

SYNOPSIS:

On January 11, 2016, the City Council approved preliminary terms of agreement for a joint redevelopment proposal with Principal Financial Group and Nelson Development for the former YWCA and 7th & Grand Avenue parking garage sites.

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.

Two (2) items have been added following the January 11, 2016 preliminary terms:

- Principal previously did not wish to pursue street-level commercial development along Grand Avenue due to lost parking spaces and financial risk. In order to promote walkability in the area, City staff has continued to pursue the inclusion of commercial space. To offset the parking loss and mitigate the financial risk, the following incentive is proposed: Principal agrees to build 2,500 – 5,000-square-feet of commercial space and in return will receive a 3-year grant equal to a sliding scale of 50% - 100% (prorated based on the amount of space built) of available project-generated TIF.
- Nelson Development will enter into a lease agreement for 100 parking spaces in the Principal garage. Should Nelson not close on the City land and construct their mixed-use project, the City proposes to lease the 100 spaces from Principal to facilitate redevelopment of east block by another developer. The proposed monthly lease rate is \$140 per space for a term of 25 years.

The City Council is asked to begin the formal competitive process for this development as well as schedule the necessary public hearings for April 11, 2016.

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:
 - \$1 million forgivable predevelopment loan for architecture and engineering services;
 - A grant equal to the land purchase price;
 - 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.
- Terms of the Principal Development Agreement include:
 - Commercial space grant equal to a range of 50% - 100% of project-generated TIF for a period of three (3) years.

Should Nelson not close on the City land and construct their mixed-use project, the City proposes to lease 100 parking spaces from Principal to facilitate redevelopment of east block by another developer. The proposed monthly lease rate is \$140 per space for a term of 25 years and would be offset by parking revenue when the City leases the spaces to parking customers.

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

ADDITIONAL INFORMATION:

The 7th & Grand Avenue 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 create density on 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. 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: January 7, 2016

Roll Call Number: [16-0079](#)

Action: [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. ([Council Communication No. 16-021](#)) Moved by Hensley to receive, file and approve the preliminary terms of agreement as set forth in Council Communication No. 16-021 and to direct the City Manager to proceed with negotiation of a formal agreement with the Principal/Nelson team, consistent with the terms set forth in Council Communication No. 16-021. 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:

- Hold hearing on sale of land and approve development agreements April 11, 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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