

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date:</b>	March 7, 2016
	<b>Agenda Item No.</b>	<b>47</b>
	<b>Roll Call No.</b>	<b><u>16-0413</u></b>
	<b>Communication No.</b>	<b><u>16-131</u></b>
	<b>Submitted by:</b>	<b>Matthew A. Anderson, Assistant City Manager</b>

**AGENDA HEADING:**

Resolution approving competitive process for sale and redevelopment of the City-owned parking lots east of City Hall; receiving proposal from 101 East Grand Parking, LLC (Jake Christensen and Tim Rypma, officers and Jim Cownie, principal investor) for redevelopment of such property; and, scheduling hearing on the sale of such property.

**SYNOPSIS:**

The City of Des Moines owns the surface parking lot in the East Village across Robert D. Ray Drive from City Hall, bordered by East Grand Avenue, East Locust Street, and East Second Street. 101 East Grand Parking, LLC proposes a mix of retail, office, housing, and structured parking on the site. Staff has negotiated a development agreement for this developer-initiated proposal, that will include phased redevelopment including a public parking structure at the center of the site in Phase 1, private mixed-use buildings along the north and south sides of the site in Phases 2 and 3, and the potential for a City office building across from City Hall on the west side of the site in a fourth phase.

**FISCAL IMPACT:**

Amount:

- Phase 1, Parking Structure: Current estimate of project costs is \$22,000,000. Interest costs related to the financing will be determined when the City accepts the project and rates are set.
- Phase 2, Private Development: 70% tax increment financing (TIF) grant years 1-8, 60% years 9-10, 50% years 11-15 or residential tax abatement as provided by the City’s Urban Revitalization Plan and rebate of the land cost. The estimated total amount of the economic development grant will be communicated to Council upon further resolution of the development proposal.
- Phase 3, Private Development: 70% TIF grant years 1-8, 60% years 9-10, 50% years 11-15 or residential tax abatement as provided by the City’s Urban Revitalization Plan and rebate of the land cost. The estimated total amount of the economic development grant will be communicated to Council upon further resolution of the development proposal.
- Phase 4, City Office: Unknown; to be determined when project scope and design are developed.

Funding Source:

- Phase 1, Parking Structure: Parking system revenues will be used to secure financing/pledged for payments.
- Phase 2, Private Development: Metro Center Urban Renewal Area project generated tax increment revenues or residential tax abatement as provided by the City’s Urban Revitalization Plan. If TIF is utilized, a project account for will opened when payments begin.

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### **ADDITIONAL INFORMATION:**

The supply of commercial and residential development in the East Village is currently not keeping pace with market demand. Both retail/restaurant space and residential units are nearly 100% occupied and those seeking new opportunities must delay their decisions or seek space elsewhere in the market. Staff believes that timing is opportune for redeveloping this large City-owned site that serves as a key connector between the East Village neighborhood and commercial activity, Principal Riverwalk, and the central business district on the west side of the river.

The proposal for phased development includes:

- First phase of development:
  - Approximately 535 spaces 6-story public parking structure at center of block along East 2<sup>nd</sup> Street.
  - Provides parking for City employees and visitors, Embassy Suites guests, tenants at the Metro Waste office building, parking tenants of the existing parking lot at 219 E. Grand, new residents of 219 E. Grand, new tenants and residents of the flanking north and south developments on this site, and transient East Village visitors.
    - East Village Parking Study updated late last year shows demand from current and planned development on this block and immediately adjacent blocks through 2025 at 600-800 spaces.
    - Strategies such as maximizing use of surplus private parking, working with developers of future projects to build more parking on-site, and working with owners of nearby surface parking lots to develop mixed-use projects that includes structured parking could address the high parking demand if planned projects develop at the higher range of projected densities and uses.
  - Solar panels on the roof that will provide “net zero (0)” operations for the garage (the solar panels will produce all of the energy needed to operate the garage).
    - Project includes steel framing to expand the solar array for the City's potential future office building.
  - Constructed by the development team pursuant to a forthcoming lease-purchase agreement (LPA). West Bank will be providing construction financing to the development team and financing the City's lease-purchase.
  - City will take possession and the garage will open in mid-to-late 2017.
  - Project cost estimate: \$22,000,000. The cost will be provided to the City as Guaranteed Maximum Price (GMP) and included in the forthcoming LPA.
  - The project team selected by the developer includes: Ryan Companies, Neumann Monson Architects, Rich & Associates, Civil Engineering Consultants, Genus Landscape Architects, Modus Engineering, Snyder & Associates, and Terracon.
- Second and Third phases of development:
  - Parcels along East Locust Street and East Grand Avenue acquired by developer upon closing of construction financing.
  - Minimum of four (4) floors.
  - Ground floor restaurant or retail space.

- Minimum combined total of 28,000 square feet of office use and residential on the upper floors.
- Incentives include:
  - 70% TIF grant years 1-8, 60% years 9-10, 50% years 11-15 or residential tax abatement as provided by the City's Urban Revitalization Plan;
  - Rebate of the land cost; and
  - Any additional financial gap resulting from the development exceeding the minimum standards required by the agreement will be subject to further negotiation for TIF incentives.
- Fourth phase of development:
  - Future City office building on western parcel, facing City Hall.
  - Building massing to match the north/south dimension of City Hall with landscaping extending to East Locust Street and East Grand Avenue.
  - Building height to approximately 55 feet to conceal the parking structure in the block.

### Neighborhood Input Process

City staff presented the project to the Historic East Village (HEV) development committee on January 13, 2016 and to the HEV Board on January 19, 2016. The following summarizes their comments:

- Develop wayfinding signage to this new parking structure and potentially engage the State in consistent wayfinding to better utilize the State's parking structure near the Capitol.
- Reconsider access to the garage from East Grand Avenue; walkability along E. Grand and reducing potential pedestrian conflicts are key considerations of the neighborhood.
- Consider construction period accommodations of pedestrian access and parking.
- Provide bicycle parking inside garage and on-site.
- Consider queuing concerns at East 2<sup>nd</sup> Street – is East Grand Avenue access necessary and/or should traffic signal at E. 2<sup>nd</sup> and E. Grand be further considered.

### Schedule

March 21, 2016	Parking Structure construction documents and LPA complete. Council set date of hearing for LPA and plans/specifications. Council consideration of an access agreement to the site to allow for construction of a temporary parking lot for Embassy Suites and construction staging for parking structure.
April 1-13, 2016	City vacates City Hall for City Hall improvements.
April 11, 2016	City Council consideration of lease-purchase agreement, public hearing on plans, specifications and GMP for parking structure and land conveyance development agreement for full block redevelopment construction phase Professional Services Agreement.
April 2016	Construction of parking structure begins.
April 2016	Asbestos abatement at City Hall begins.
June 13, 2016	City Council consideration of award of City Hall improvements contract.
July 11, 2016	Council consideration of Grand Avenue Bridge contract.
August 2016	Grand Avenue Bridge closes and demolition begins.
Early 2017	Council consideration of E. 2 <sup>nd</sup> Street improvements contract.
Mid-2017	City Hall improvements project complete.

Mid-late 2017	City Hall reopens to public and staff.
Mid-late 2017	City Hall parking structure complete.
Late 2017	East 2 <sup>nd</sup> Street improvements complete.
Late 2017 – early 2018	Grand Avenue Bridge reopens.

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

Date: December 21, 2015

Roll Call Number: [15-2185](#)

Action: [Approving](#) preliminary terms of a master agreement for redevelopment of the City Hall parking lot and agreement with 219 East Grand, LLC for City reimbursement of portions of its out-of-pocket pre-development costs for the proposed parking garage, east of City Hall, in the event the City does not agree to lease-purchase the garage. ([Council Communication No. 15-668](#)) Moved by Gatto to adopt. Motion Carried 7-0.

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

Board: Urban Design Review Board

Date: March 1, 2016

Action: Motion to approve as presented with noted comments regarding temporary landscape on west side of site along Robert D. Ray Drive by Nagle. Seconded by Hielkema. Yes – 5, No – 0, Absent – 4, Abstain – 1.

Board: Plan and Zoning Commission

Date: February 4, 2016

Action: Motion to approve the proposed Site Plan, subject to the noted conditions by Kamper. Seconded by Briles. Motion carried. Yes – 12, No – 0.

Board: Board of Adjustment

Date: January 27, 2016

Action: Motion to allow construction of 6-level parking structure that would be up to 75 feet in height. Motion carried. Yes – 5, No – 0.

### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Hold hearing on sale of land and approve development agreements April 11, 2016.
- Set and hold hearings on the plans and specifications and estimated guaranteed maximum price for the City Hall parking garage.

- Set and hold hearings on a lease-purchase agreement for the parking structure.
- Council Consideration of a professional service agreement with Neumann Monson for construction phase services for the City Hall parking garage.
- Council consideration of amendments to the lease terms with Atrium Finance (Embassy Suites) to provide for temporary parking.
- Council consideration of a temporary access agreement to the site to allow for construction of a temporary parking lot for Embassy Suites.
- Access Advisory Board review of City Hall parking garage.
- Council actions related to East Village street improvements on E. 2<sup>nd</sup> Street and Robert D. Ray Drive.
- Urban Design Review Board review of future private redevelopment along East Grand and East Locust Streets and City office building along Robert D. Ray Drive.
- Council consideration of amendments to conceptual development plan for phases three (3) and four (4) of the improvements

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