 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	April 11, 2016
	Agenda Item No.	66
	Roll Call No.	<u>16-0623 16-0624 16-0625 16-0626 16-0627 16-0628 16-0629 16-0630 16-0631 16-0632 16-0633</u>
	Communication No.	<u>16-180</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approving items regarding the sale and redevelopment of the City-owned property formerly occupied by the YWCA and the 7th & Grand Garage in the Metro Center Urban Renewal area; the vacation and conveyance of easement areas within the adjoining rights-of-way for such redevelopment; the dedication of additional Grand Avenue right-of-way, skywalk agreements for these blocks and setting a hearing for subsurface easements for encroachment under a portion of adjoining right-of-way.

SYNOPSIS:

On February 22, 2016, by Roll Call No. 16-0308, Council approved a resolution for the competitive process for the sale and redevelopment of City owned property at 7th and Grand Avenue; received proposals for the west parcel from 7&Grand Ramp Developer, LLC (Principal) and for the east parcel from Grand 7 Partners, LLC (Nelson Development) for redevelopment of such properties; and, scheduled hearings 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, setting April 11, 2016 as the hearing date for all items.

No other proposals were received for either of the sites. After hearing public comment at the April 11, 2015 Council meeting, the Council will vote on executing the following:

- (A) Resolution dedicating an additional seven (7) feet along the north side of portions of the 600 and 700 blocks of Grand Avenue for the widening of the Grand Avenue right-of-way.
- (B) Resolution closing hearing on vacation of sub-surface areas within the 700 block of Grand Avenue and within the 500 block of 7th Street, and of air rights within the 700 block of High Street, all adjoining the block bounded by Grand Avenue and 7th, 8th and High Streets.
 - 1) First reading of vacation ordinance.
 - 2) Final consideration of ordinance above (waiver requested by the City Manager), requires six (6) votes.
- (C) Resolution closing hearing on Urban Renewal Agreement for Sale of Land for Private Redevelopment with 7&Grand Ramp Developer, LLC, represented by Thomas Pospisil of Principal Life Insurance Company, for the sale and redevelopment of the block bounded by Grand Avenue and High, 7th and 8th Streets, and approving same.
- (D) Resolution closing hearing on Urban Renewal Agreement for Sale of Land for Private Redevelopment with Grand 7 Partners, LLC, represented by Mike Nelson, for the sale and redevelopment of the west half of the block bounded by Grand and 6th Avenues and High and 7th Streets, and approving same.

- (E) Approving Skywalk Agreement with 7&Grand Ramp Developer, LLC, and Grand 7 Partners, LLC, for the block bounded by Grand Avenue and High, 7th and 8th Streets, and the west half of the block bounded by Grand and 6th Avenues and High and 7th Streets.
- (F) Resolution setting hearing on vacation and conveyance of easement to 7&Grand Ramp Developer, LLC, for subsurface building encroachment under a portion of the south side of the 700 block of High Street (scheduled for 4-25-2015 Council meeting).

All items should be approved, rejected, or continued together.

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.
- Expenses
 - the Nelson Development Agreement includes:
 - \$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.
 - the Principal Development Agreement includes:
 - 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. Urban Design Review Board has reviewed the project design and provided favorable recommendations.

It is expected the conveyance of the western block for the parking garage will occur in April with construction slated to begin this spring.

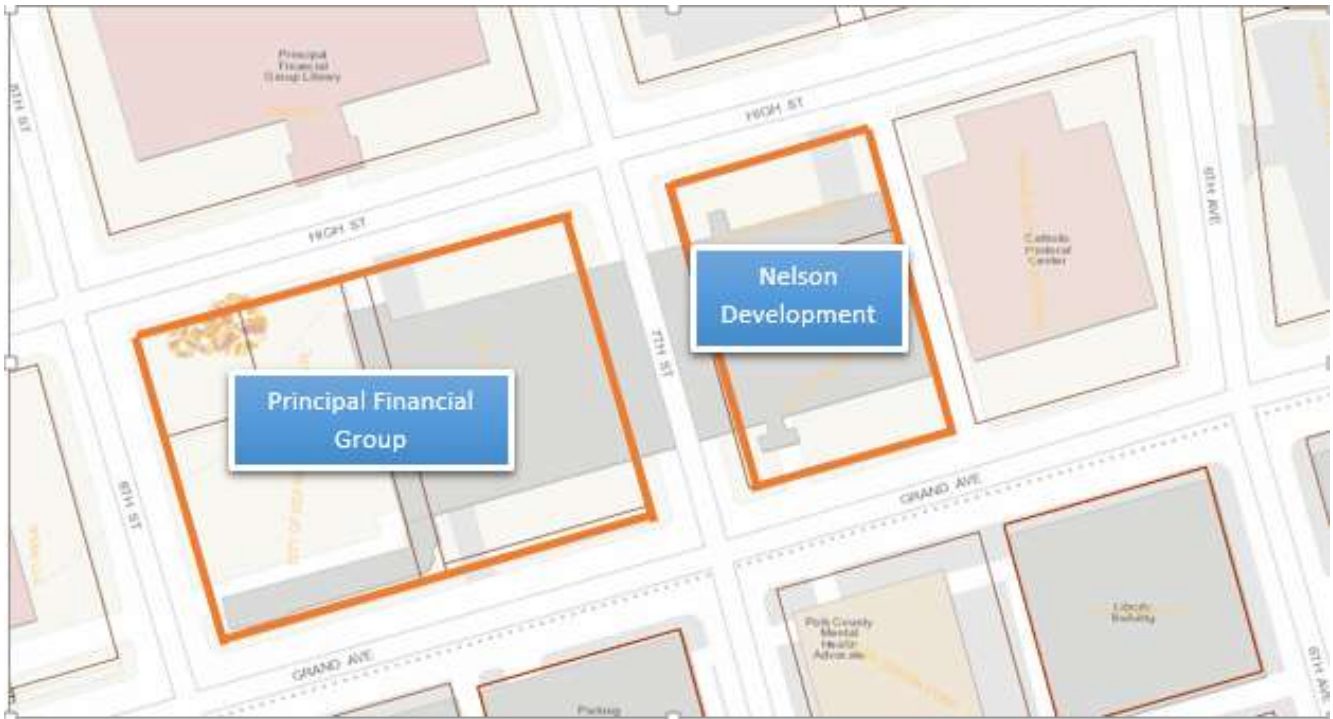
Nelson Project Scope

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.

Land conveyance to Nelson Development and construction on the eastern block is expected in late 2016 or early 2017.

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: February 22, 2016

Roll Call Number: [16-0308](#)

Action: [Competitive](#) process for sale and redevelopment of City owned property at 7th and Grand Avenue: Receiving proposals from 7&Grand Ramp Developer, LLC and Grand 7 Partners, LLC for redevelopment of such properties; and scheduling hearing on 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, (4-11-16). ([Council Communication No. 16-092](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Plan and Zoning Commission

Date: April 7, 2016

Resolution Number: N/A

Action: Motion to approve the vacation of subsurface rights in the North 5 feet of Grand Avenue.

Board: Urban Design Review Board

Date: April 5, 2016

Resolution Number: N/A

Action: Motion to approve the financial assistance package as presented by Hielkema. Seconded by Gray. Motion carried. Yes – 5, No – 0, Absent – 4, Abstain – 2. Motion to approve the design as presented by Hielkema. Seconded by Gray. Motion carried. Yes – 5, No – 0, Absent – 4, Abstain – 2.

Board: Urban Design Review Board

Date: March 1, 2016

Resolution Number: N/A

Action: Informational review; no action requested. Comments included:

- Well thought out; nice massing; sound skywalk organization; liked placement of vertical elements (stairs and elevators).
- Appreciate the effort to add retail; great addition -- downtown needs more street level retail; like the strategy of retail placement.
- Discussion on minimal expression of elevations:
 - Concern expressed over the open elevation and lack of screening
 - Requested more variation on north and east elevations
 - Holistic composition of the structure is important
 - Suggested articulating and elongating necessary elements – canopy and stair tower
- Site plan needs additional development.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board review and recommendation Nelson Development Conceptual Development Plans.
- Council consideration of the vacation and conveyance of the north-south alley and any other air rights or subsurface easements needed to execute the Nelson Development project.
- Amendment to Nelson Development Development Agreement regarding potential project-generated TIF assistance following project design and cost estimates.

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