

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 27, 2016
	Agenda Item No. 42 Roll Call No. <u>16-1059</u> Communication No. <u>16-336</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution approving final terms of an Urban Renewal Development Agreement with College Hill Associates, L.P. for the renovation of College Hill Apartments and the construction of a new commercial office building.

SYNOPSIS:

College Hill Associates, L.P. (Ownership Entity) and Newbury Management Company (Developer) d/b/a Newbury Living (Frank Levy, President, Newbury Management Company, 3408 Woodland Avenue, Suite 504, West Des Moines, Iowa 50266) are proposing a renovation of the College Hill Apartments (921 6th Avenue) and the construction of a new commercial office building on the same site. The \$17.8 million dollar project includes a renovation of 86 total apartment units in the existing 5-story multi-residential building and the construction of a new 2-story, 22,400-square-foot Class-A commercial office building which will be leased by Mercy College for office and classroom space. Under the current ownership structure, a portion of the existing building is exempt from property taxes. The proposed private ownership of this project will eliminate the tax exemption on the existing building and place the full assessment of the property back on the tax rolls.

This site does not fall within the downtown utility undergrounding district, however City staff requested that Newbury Living consider this work as part of their project. The net cost to the development associated with undergrounding the utilities at this site is estimated at \$750,000, which has created a larger financial gap for the project. The City previously assisted with power line undergrounding for the Gateway Lofts project and the Artisan Row project. Undertaking the utility project now will allow for much improved aesthetics at this major transportation corridor that brings traffic to and from downtown.

Additional details on the proposal are below.

FISCAL IMPACT:

Amount: An economic development grant equivalent to the purchase price for the right-of-way acquisition along 5th Avenue (\$99,556) and project generated tax increment rebates in years 1-10 at 95% and years 11-15 at 75%. The increment calculations will use a frozen base of \$1,137,621 in taxable valuation for the land and buildings. The total financial assistance package has an estimated net present value (NPV) of \$1.7 million.

Funding Source: Land sale proceeds from the sale of right-of-way and project generated tax increment from Metro Center TIF district.

ADDITIONAL INFORMATION:

- The property has a current assessed value of \$5.1 million of which \$2.8 million is exempt from property taxes.
- The proposed private ownership of the project will eliminate the current tax exemption, bringing the full assessment of the property onto the tax rolls.
- Mercy Court was originally constructed in 1968 as a Howard Johnson's motel and in 1987, it was acquired by Catholic Healthcare Initiatives (CHI), which is the parent of Mercy Medical Center (Mercy Hospital), and renovated to serve as a mix of senior housing and student housing for the adjacent Mercy College of Health Science (Mercy College).
- In October of 2014, as part of a nationwide effort to dispose of non-core property, CHI issued a Request for Proposals (RFP) for developers to acquire, redevelop, and expand the building, while leasing the underlying land.
- In May of 2015, Mercy College, Mercy Hospital, and CHI selected Newbury Living as the developer for the project.
- Phase I of the project includes a renovation of the existing 5-story multi-residential space (81 current units) at a project cost of approximately \$7.7 million.
- Phase II of the project will include a conversion of the existing library, chapel and non-living spaces into four (4) additional residential units and will convert one (1) existing 2-bedroom unit into two (2) 1-bedroom units bringing the total unit count to 86. Phase II also includes the construction of a 2-story, 22,400-square-foot Class-A commercial office building to serve as classroom and office space for Mercy College. Phase II has an estimated project cost of \$10.1 million.
- The site for this project does not fall within the downtown utility undergrounding district, however City staff requested that Newbury Living consider this work as part of their project. The total cost to underground the overhead utilities is estimated at \$925,000. It is proposed that the City contract with MidAmerican Energy for the work to relocate overhead electric power lines underground, and request that the work be undertaken as a beautification effort. With the City as the contracting entity, MidAmerican Energy will reduce the total cost by approximately \$175,000 by foregoing a tax normally assigned to private entities. Newbury Living will provide the City with \$750,000 to reimburse the net cost to underground the utilities.

PREVIOUS COUNCIL ACTION(S):

Date: April 11, 2016

Roll Call Number: [16-0577](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with College Hill Associates, L.P. for the renovation of College Hill Apartments and the construction of a new commercial office building at 921 6th Avenue. ([Council Communication No. 16-176](#)) Moved by Coleman to receive, file and approve the preliminary terms of agreement as set forth in Council Communication No. 16-176, and to direct the Office of Economic Development to proceed with negotiation of a formal agreement with College Hill Associates, LP and Newbury Management Company consistent with the terms set forth in Council Communication No. 16-176. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: June 14, 2016

Resolution Number: N/A

Action: Motion to approve the final design, pending the developers work with staff to respond to the comments and concerns of the Board by Reynolds. Seconded by Hielkema. Yes = 9; No = 0, Absent = 2, Abstain = 0. Motion to approve the financial assistance package as presented by MacRae. Seconded by Weisenbach. Yes = 9; No = 0, Absent = 2, Abstain = 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Final design was approved by the Urban Design Review Board pending the developers work with staff to respond to the following design concerns:

- On the west façade (on 6th Avenue), a better transition between the proposed addition and existing building is needed. Suggest extending windows on 1st and 2nd story addition to the wall of the existing building. Additionally, some consideration should be given (architecturally) to how the addition meets the existing building on other sides.
- Given the prominent location feel it merits a higher quality material than EFIS on the northeast corner of the new building. There needs to be additional study to work with the two (2) different materials and how they would work together.
- Get pedestrian protection (canopy or entryway vestibule) to the north entrances of the building, rather than having the appearance of a “utility door”.
- Study the orientation of angle parking stalls on west façade of the building to see if this traffic flow pattern makes the most sense for the project.
- Recommend flipping the pavement and the green space in the plaza so the grass and the trees are on the west side to provide shade and give a perceived separation from the street.
- Feel that crab trees do not make good parking lot trees. Recommend something that handles the heat of a parking lot and provides more shade.

City staff will continue to work with the developer to respond to the recommendations of the Urban Design Review Board and will present an update to the board at the completion of the design revisions.

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