

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: January 9, 2017
	Agenda Item No. 53 Roll Call No. <u>17-0067</u> Communication No. <u>17-020</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approval of final terms of an Urban Renewal Development Agreement, and hearing on the proposed purchase of City owned property located at 401 SE 6th Street and 400 SE 7th Street by Market District One, LLC., and setting date of hearing on the vacation of adjoining rights-of-way for January 23, 2017.

SYNOPSIS:

On October 10, 2016, by Roll Call No. 16-1721, City Council approved preliminary terms of agreement with Market District One, LLC (Frank Levy, Partner, 3408 Woodland Avenue, Suite 504, West Des Moines, IA 50266), for the construction of a 4-story, 58 dwelling unit, \$10.7 million multi-family residential project on land currently owned by the City of Des Moines.

On November 21, 2016, by Roll Call No. 16-2001 City Council approved an amended resolution for the competitive process for the sale and redevelopment of land at 401 SE 6th Street and 400 SE 7th Street; received a proposal from Market District One, LLC.

No other proposals were received for this site. After hearing public comment at the January 9, 2017 Council meeting, the Council will vote on executing the following actions:

1. The Office of Economic Development has negotiated final terms of an Urban Renewal Development Agreement with Market District One, LLC, for a financial assistance package that is explained in further detail in the “Fiscal Impact” section below.
2. Approval of the “Conceptual Development Plan” for the property.
3. Resolution closing hearing on Urban Renewal Agreement for sale of land for private redevelopment to Market District One, LLC to purchase 1.03-acres of City-owned property at 401 SE 6th Street and 400 SE 7th Street in the amount of \$376,309, for purposes of constructing a new multi-family housing development.
4. Resolution setting the date of hearing for vacation of adjoining portions of right-of-way on Raccoon Street, SE 7th Street, and E. Martin Luther King Jr. Parkway for January 23, 2017. A waiver of the final two (2) readings of the ordinance has been requested by the applicant.

FISCAL IMPACT:

Amount: The financial assistance package will consist of an economic development grant in the amount of \$125,000 to be paid upon completion of the project and necessary due to an identified project financial gap, and a declining percentage of project-generated tax increment revenues in years nine (9) through 13 worth an estimated total of \$320,000. 70% project generated increment in years nine (9) and 10 of the project, 45% in year 11, 40% in year 12 and 35% in year 13. There will also be

an economic development forgivable loan in the amount of \$44,281 for small portions of right-of-way that will need to be vacated and conveyed to accommodate the project.

The developer will utilize 10-year declining tax abatement, (per revised schedule effective January 1, 2017 in the Third Restated Urban Revitalization Plan).

The developer will purchase the 45,067 square feet of City-owned property for fair market value at \$376,309.

Funding Source: Metro Center Urban Renewal Tax Increment (economic development grant at project completion) and project generated tax increment in the Metro Center Urban Renewal Area Years nine (9) through 13, ROW land sale proceeds. A specific fund code will be assigned by the Finance Department.

ADDITIONAL INFORMATION:

This development will entail the construction of a 4-story, 58-unit multi-family residential building, including 29 dwelling units renting at market-rates, 27 dwelling units for residents meeting 80% of median family income, and two (2) units set aside for residents meeting 30% of median family income.

Proposed resident amenities will include a rooftop commons/patio space, an indoor shared community room, individual balconies and patios on all units, outdoor park amenity space, and an estimated 58 on-site parking spaces; and associated site landscaping in conformance with the approved site plan or Conceptual Development Plan.

Additionally, and per the Urban Renewal Development Agreement, the developer is expected to widen immediately adjoining segments of Raccoon and SE 7th Streets, and install public sidewalk and curb and gutter where it currently doesn't exist today.

The proposed project is located at the intersection of SE 6th Street and East Martin Luther King, Jr. Parkway, which is the southern gateway into the Historic East Village Neighborhood. This project represents a pioneering effort to introduce the first residential project into the emerging Market District redevelopment area.

Many current adjoining land uses are largely industrial in nature, and constructing the first residential project in this transitioning redevelopment area presents a market risk to the developer, and the financial performance of the project on a thin margin. A reasonable return on investment (ROI) cannot be projected without the inclusion of the project generated tax increment.

The prior acquisition of property necessary for completion of the East Martin Luther King Jr. Parkway project from SE 4th to SE 10th Street had left properties along the north side of the corridor that are challenging to redevelop since the properties are narrow in depth and wedged between various existing rights-of-way. For this reason, acquiring additional excess rights-of-way on the north, south and east sides of the project site is instrumental in getting the project layout to fit on this property. Staff has spent considerable and mutually cooperative time working with the developer and their design team to provide a concept that can meet the various urban-design related goals of the City. It is anticipated that the layout and form of this project could also be emulated on other adjoining blocks facing the same size parcel constraints.

**PREVIOUS COUNCIL ACTION(S):**

Date: December 5, 2016

Roll Call Number: [16-2055](#)

Action: [Approving](#) Right-of-Entry Agreement with Market District One, LLC to develop City-owned property at 401 SE 6th Street and 400 SE 7th Street. ([Council Communication No. 16-674](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: November 21, 2016

Roll Call Number: [16-2001](#)

Action: [Revised](#) development proposal from Market District One, LLC to develop City-owned property at 401 SE 6th Street and 400 SE 7th Street in the Metro Center Urban Renewal Area and setting date of hearing for closing of land sale, (1-9-17). ([Council Communication No. 16-668](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: October 10, 2016

Roll Call Number: [16-1721](#)

Action: [City](#) Manager to negotiate agreement based on preliminary terms with Market One, LLC for residential development at 401 SE 6th Street and 400 SE 7th Street. ([Council Communication No. 16-592](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: December 6, 2016

Resolution Number: N/A

Action: Urban Design Review Board approved the final design review of the Connolly Lofts project with Board comments. Motion by Reynolds, seconded by Heiman-Godar. Motion Carried 7-0.

Board: Plan and Zoning Commission

Date: December 1, 2016

Resolution Number: N/A

Action: Plan and Zoning Commission approved request from Market District One, LLC (developer) for review and approval of a Site Plan for “Connolly Lofts” on property located at 400 SE 6th Street and 401 SE 7th Street. Corigliano moved staff recommendation for approval subject to conditions. Motion carried 11-0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Hearing on vacation of right-of-way.
- Issuance of Certificate of Completion when project construction has ended.

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