

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	January 23, 2017
	Agenda Item No.	42
	Roll Call No.	<u>17-0136</u>
	Communication No.	<u>17-044</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Hubbell Realty Company for the Gray’s Station Development.

SYNOPSIS:

Hubbell Realty Company (Rick Tollakson, CEO, 6900 Westown Parkway West Des Moines, Iowa 50266) proposes the acquisition and development of approximately 75 acres of former industrial Brownfield land south of the Central Business District off Martin Luther King Jr. Parkway. The land is currently owned by Norfolk Southern Railway, and is generally located west of SW 16th Street, north of the Raccoon River, west of SW 11th Street and south of future Tuttle Street. The land is within the boundary of the area defined as Riverpoint West, identified in the 1990’s as a primary redevelopment site for the City of Des Moines.

Gray’s Station is proposed as a high quality, high density urban neighborhood, building onto past public and private sector investments made in the vicinity by the City of Des Moines, Hubbell Realty Company and Sherman Associates. Gray’s Station will focus primarily on the construction of an estimated 1100 new residential units south of Tuttle Street and west of SW 11th, with the development of a street and pedestrian network that will provide for a walkable, connected district. The housing proposed will be a mix of single and multi-family products and price points to provide choices for workforce housing as well as families.

The land is currently assessed at approximately \$445,000, with projected new taxable valuation estimated at \$252,000,000 to be added through the project over the next 15-20 years. However, significant environmental remediation, earthwork, demolition, rail remnant removal and infrastructure work must be conducted before any vertical construction can be initiated. This necessary work, consistent with previous Brownfield reclamation work conducted in the Riverpoint West boundary is estimated at \$23,595,000 and places an extraordinary front end development cost to the project that will be borne by the developer.

The Office of Economic Development (OED) has negotiated preliminary terms of an Urban Renewal Development Agreement with Hubbell Realty Company for project generated tax increment financing (TIF) to assist with these extraordinary development costs, as well as contemplate directing a portion of project generated TIF to achieve two (2) quality of life amenities proposed for broad public benefit in conjunction with the project. These amenities are detailed in the additional information section below. OED is continuing evaluation of other financing sources and public/private partnerships with the developer, City departments and partner entities that may augment the provision of project generated TIF and will work to finalize these components within the drafting of development agreement and board and commission review processes.

FISCAL IMPACT:

Amount: Up to 80% of new tax increment generated by the project over an anticipated timeframe of 17 years to respond to the identified financing gap of \$10,587,016. This amount includes the current draft cost estimate for the proposed bicycle pedestrian bridge.

Funding Source: Project generated tax increment in the Metro Center Urban Renewal Area as the main form of proposed assistance. Other sources under evaluation include several grants and stormwater management utility funds for work proposed in the existing regional stormwater basins and possible grants and bond issuance serviced by TIF for the bicycle pedestrian bridge.

ADDITIONAL INFORMATION:

- Hubbell Realty Company proposes conventional financing and developer equity as the main sources to address the front end development costs necessary to clear, grade, demo, and perform environmental remediation on the property, which has been historically used for railroad operations and industrial business uses.
- This work is proposed to begin in 2017 and constitute the first phase of the project. This work will involve the bulk of the 75 acre parcel. This development strategy is deemed as necessary in order to promptly address existing environmental contamination and remedy blighted site conditions, providing the visual and subsurface transformation necessary for welcoming perspective buyers.
- The project will be conducted under a Master Conceptual Development Plan to be reviewed by the City's Urban Design Review Board and Plan & Zoning Commission for conformance with Plan DSM. The plan will include the development of design guidelines by the developer that are consistent with the current Downtown Overlay Design Guidelines and also the City's form based design code.
- Planning of the area will require some collaboration and co-review processes with the Gray's Landing Development to the north in the matters of street alignment, vehicle and pedestrian connectivity, compatible land uses, stormwater management and urban design. These conversations have already begun between the parties; joint review processes for Urban Design Review Board and Plan & Zoning will allow for the two (2) development projects to be viewed in context with one another and provide the best ability to collectively build out this new urban neighborhood.
- Two (2) key components have been and continue to be evaluated in the discussion between Hubbell Realty Company and the City and are expected to involve separate two (2) and three (3) party agreements with the City and other entities. They will be resolved through further negotiation and analysis prior to approval of final terms of agreement. They are as follows:
 - Re-construction of the existing regional City stormwater basins at the south end of the Norfolk Southern acres, with the re-construction proposed to incorporate the existing pond located on property owned by the Des Moines Regional Transit Authority (DART). The end result of this project would be the provision of capacity needed for ongoing regional stormwater management and also the development of an enhanced wetland feature to improve water quality. A grant application to the Iowa Department of Agriculture and Land Stewardship (IDALS) has been approved by City Council and moved to the next round of evaluation for an award with the State of Iowa to assist in conducting this work. Final applications are due in February. The benefit of this work

- would be both an educational demonstration site and community amenity, telling a new story of water quality that complements the area's environmental reclamation.
- Analysis and design for, and construction of, a public pedestrian bridge across the Raccoon River to Gray's Lake. This project has long been forecast to provide bicycle and pedestrian connectivity between downtown, the developing Gray's Landing and Gray's Station neighborhoods to Gray's Lake and the broader trails system. Work has begun with the developer's engineer participating in initial development of bridge scenarios that will be evaluated by the City's consulting engineer and determine feasibility of the project. Review processes with the Iowa Department of Natural Resources and other agencies will be required. Development of more firm cost estimates for the bridge will be needed. At this stage with information still being gathered, the development agreement process with Hubbell Realty Company includes the proposed bridge as a project to be paid for with project generated TIF and any grant sources that can be pursued. The underwriting process with the developer has the estimated bridge cost included in the identified gap to be addressed with project generated TIF.

In addition to the items identified above, developer investment in both the Gray's Station and Gray's Landing Developments is impacted by the ability to achieve a forward path for the Dico site west of SW 16th, which is adjacent to both developments. The Dico site is under United States Environmental Protection Agency (EPA) management as a Superfund site, with significant work done the last two (2) decades to remediate and manage past environmental impact to the site. Ongoing management and monitoring of the site will be required, but the opportunity to achieve that management and monitoring through an alternate landscape is being actively evaluated with the City, EPA, and the owner. If achieved, the current blighted and vacant industrial remnants on the site could be cleared and an alternate use proposed to EPA that would complement the future neighboring uses for Gray's Station and Gray's Landing.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Review of the proposed financial assistance, master conceptual development plan and proposed project design guidelines by the Urban Design Review Board.
- Review by the Plan & Zoning Commission for compliance with Downtown Overlay Guidelines, Plan DSM and form based design codes that will accompany Plan DSM.
- Approval of the final development agreement and conceptual development plan by City Council, with individual projects returning for Urban Design Review Board and City Council review over the course of the phased project.

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