

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	April 3, 2017
	<b>Agenda Item No.</b>	<b>23</b>
	<b>Roll Call No.</b>	<b><u>17-0588</u></b>
	<b>Communication No.</b>	<b><u>17-342</u></b>
	<b>Submitted by:</b>	<b>Erin Olson-Douglas, Economic Development Director</b>

**AGENDA HEADING:**

Resolution approving first amendment to Urban Renewal Development Agreement with Market District 1, LLC (401 SE 6th Street and 400 SE 7th Street, Metro Center Urban Renewal Area).

**SYNOPSIS:**

On January 9, 2017, by Roll Call No. 17-0067, City Council approved the Urban Renewal Development 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 at the intersection of SE 6th Street and E Martin Luther King Jr. Parkway, (401 SE 6th Street and 400 SE 7th Street). The agreement provides that closing on the sale of City-owned land shall occur within 90 days of the date of approval of the Conceptual Development Plan, which is April 9, 2017.

Market District One, LLC has requested more time to assess additional work necessary to develop the site, and refine project financing accordingly. The Office of Economic Development supports the closing date to be extended to July 1, 2017.

**FISCAL IMPACT:**

Amount: The financial assistance package will consist of an economic development grant of \$125,000 to be paid upon completion of the project 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 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. The Finance Department will assign a specific fund code.

**ADDITIONAL INFORMATION:**

- The proposed project is located at the intersection of SE 6th Street and E 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 puts 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 E Martin Luther King Jr. Parkway project from SE 4th to SE 10th Street has left properties along the north side of the corridor that are challenging to redevelop; the properties are narrow in depth and wedged between various existing rights-of-way. 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 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 on this particular parcel. 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.
- The additional work that is prompting Market District One, LLC to request additional time to incorporate into the project includes: widening immediately adjoining segments of Raccoon and SE 7th Streets, installation of public sidewalk and curb and gutter, and enhancements to a proposed on-site dog park as recommended by the Urban Design Review Board.

**PREVIOUS COUNCIL ACTION(S):**

Date: January 9, 2017

Roll Call Number: [17-0067](#)

Action: [On](#) Urban Renewal Development Agreement with 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, approving Conceptual Development Plan and setting public hearing on vacation of adjoining City right-of-way, (1-23-17). ([Council Communication No. 17-020](#)) Moved by Gatto 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:**

- Closing on the sale of City owned property to Market District One, LLC.
- Issuance of Certificate of Completion for the project.

For more information on this and other agenda items, please call the City Clerk’s Office at 515-283-4209 or visit the Clerk’s Office on the first floor of City Administration Building, 400 E. Court Avenue Ste.116. Council agendas are available to the public at the City Clerk’s Office on Thursday afternoon preceding Monday’s Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk’s Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).