

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	May 22, 2017
	Agenda Item No.	31
	Roll Call No.	<u>17-0874</u>
	Communication No.	<u>17-453</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Third Amendment to the Urban Renewal Development Agreement with Wilkins Redevelopment, LLC (Wilkins) for the redevelopment of the Wilkins Building at 713 Walnut Street.

SYNOPSIS:

A devastating fire occurred at the former Younkers Building on March 29, 2014. The eastern portion of the building was completely destroyed by the fire and the western portion of the Wilkins building was heavily damaged. At the time of the fire, the City had an existing Urban Renewal Development Agreement with the Alexander Company. That agreement was later amended for the portion of the building that remained and further amended to assign the agreement interests over to Blackbird Investments (Blackbird), LLC, (Justin Doyle, Managing Member, 130 East 3rd Street Des Moines, Iowa 50309) after they acquired the property.

The remaining Wilkins building suffered more structural damage from the fire than what was ever initially understood or contemplated. This has resulted in a number of substantial change orders to the construction contract driving a significant financial gap for the project. At the time of the assignment of the development agreement to Blackbird, the total estimated project costs were \$22.3 million. Project completion costs are now estimated at over \$27 million.

The existing development agreement anticipated a 10-year, 100% tax abatement on the project plus tax increment financing assistance of \$1,539,590, to be paid out over years 1-10. The tax increment financing assistance was to function as a backstop for the lease-up of the Tea Room space.

Staff is recommending an amendment to the financial terms that would remove the commercial components of the project off of the abatement schedule and replace the abatement with a 15-year, 100% project generated tax increment financing (TIF) incentive (\$3.2 million net-present-value) in addition to the existing \$1.5 million backstop. The net impact of the proposed 15-year financing structure is approximately \$443,000 more on a net-present-value to the project compared to the same 15-year period under the current terms of the development agreement. This change in financing structure from abatement to TIF allows the developer to finance against the projected tax increment revenue stream.

FISCAL IMPACT:

Amount: The revised terms provide for an increase in property tax revenues to the City of \$2.6 million over the 15-year term and an increase in tax increment financing incentives of \$3 million, resulting in a net impact of approximately \$443,000 to the City.

Funding Source: S371CM99/TF049 - Metro Center Tax Increment Financing, page 40.

ADDITIONAL INFORMATION:

- The Younkers Building was constructed in 1899. It served as the corporate headquarters for the company until 2002, and housed Younkers Department store until 2005.
- At the time of the March 2014 fire, the building had been in the process of a \$36 million renovation by the Alexander Company. The original project included the construction of 120 affordable apartments with first floor and skywalk level commercial space, and restoration of the Tea Room.
- A new urban renewal development agreement with the Alexander Company was approved by the City Council on December 8, 2014 for the Wilkins building only. This agreement provided for the historic renovation of the Wilkins building including 60 housing units; 29 market rate and 31 workforce units for residents earning 80% of the area median income for a period of 10 years; renovation of the former Younkers Tea Room space; as well as first floor retail space.
- At this time, the City had no hard commitments for the redevelopment of the vacant eastern portion of the site and total TIF incentives included a \$1,539,590 backstop for the Tea Room to be paid out over 10 years.
- In May 2015, Blackbird signed a purchase agreement with The Alexander Company for the purchase of the entire Younkers Block, located on Walnut Street between 7th and 8th Streets.
- On December 1, 2015, the City Council approved a first amendment to the existing development agreement that acknowledged the conveyance of the Wilkins Building and land by 713 Walnut, LLC, (then owned by The Alexander Company), and assignment of its interest in the development agreement, to Blackbird.
- With site control of the entire Younkers Block, Blackbird brought forward a proposal for a project for the vacant eastern portion of the Younkers block. On December 19, 2016, the City Council approved an Urban Renewal Development Agreement for the estimated \$80 million project which includes a minimum 26-story tower, offers first floor commercial space, numerous tenant amenities, and introduces significant project elements for both tenant and general public benefit.
- The total anticipated investment between the Wilkins redevelopment and the tower proposal exceeds \$100 million.

PREVIOUS COUNCIL ACTION(S):

Date: May 23, 2016

Roll Call Number: [16-0855](#)

Action: [Second](#) Amendment to the Urban Renewal Development Agreement with Blackbird Investments, LLC as successor to 713 Walnut, LLC for the historic restoration of the Wilkins Building at 713 Walnut Street. ([Council Communication No. 16-294](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: May 16, 2017

Resolution Number: N/A

Action: A consensus of the members present were supportive of the revised financial assistance package.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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.