

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 26, 2017
	Agenda Item No. 31 Roll Call No. <u>17-1061</u> Communication No. <u>17-519</u> Submitted by: Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution approving the First Amendment to the Urban Renewal Development Agreement with 220 SE 6th Street Properties, LLC, for the construction of a new commercial office building and parking structure at 220 SE 6th Street.

SYNOPSIS:

Recommend approval of the First Amendment to the Urban Renewal Development Agreement for 220 SE 6th Street Properties, LLC, led by Adam Petersen (president and owner, PDM Precast, Inc., 601 SW 9th Street, Des Moines, IA 50309) and Jim Kottmeyer (owner and partner, GPS Impact). 220 SE 6th Street Properties, LLC are in the final phase of construction of a 47,000-square-foot office building, and an approximately 175-stall parking structure at the corner of a previously vacant 1-acre lot at the corner of SE 6th Street and East Elm Street in the Market District. Total project costs are estimated at \$12 million. At the request of the City, the project also includes reconstruction of East Elm Street and sanitary and storm sewer extensions on City right-of-way (ROW), which was a condition of the approved development agreement and conceptual development plan.

Beginning in October 2016, BNSF Railroad (BNSF) began to raise concerns about their previously-granted easement allowing a railroad track in the East Elm Street ROW that has been in place since 1879. While the tracks no longer exist and train traffic has not occurred on this line for decades, the City and BNSF have been unable to reach an agreement allowing construction in the East Elm Street ROW at this time. Based on correspondence received from BNSF, official abandonment of the railway appears imminent, but the abandonment process will take additional time that could extend into 2018.

The proposed amendments to the Urban Renewal Development Agreement include an extension of time for completion of required ROW and utility improvements in East Elm Street, modifications to the terms of the Economic Development Grant, and other minor administrative changes.

FISCAL IMPACT:

Amount: The amended financial assistance package will consist of a Deferred Economic Development Grant and an Initial Economic Development Grant. The Deferred Grant has not changed and is payable in 40 semi-annual installments from a declining percentage of the Project Tax Increment Financing (TIF). The Initial Grant was originally in the amount of \$200,000 payable upon completion of the project. The amount of the Initial Grant has been increased to \$550,000 payable in four (4) annual installments, but with the final \$200,000 to be withheld until the Developer has completed the

improvements to Elm Street, which have been delayed by the objections of BNSF. Although economic development grants are normally subject to non-appropriation, the Initial Grant is not subject to non-appropriation and immediately counts towards the City's statutory debt limit.

Funding Source: Metro Center TIF district will fund the development agreement obligations – a specific fund code will be assigned by the Finance Department.

Economic Development Enterprise Fund with reimbursement from Metro Center TIF will fund the parking license obligations.

ADDITIONAL INFORMATION:

- 220 SE 6th Street Properties, LLC, is constructing a new 3-story, 47,000-square-foot commercial building on a vacant half-block at 220 SE 6th Street in the Market District. Local Des Moines businesses PDM Precast, GPS Impact, and other equity partners will occupy a majority of the building with about 18,000 square feet available for additional office and/or first-floor retail occupants. Retail or restaurant uses can be accommodated along the SE 6th Street frontage, with taller first floor heights to support ground floor commercial activity.
- On August 24, 2016 by Roll Call No. 16-0411, City Council approved the original development agreement and conceptual development plan, including a financial assistance package to support the implementation of structured parking and infrastructure, and provide gap funding for this pioneering project in the emerging Market District.
- The development agreement includes a 25-year license agreement for City use of 60-80 parking spaces to support future redevelopment in the area. The license is assignable to a future parking user(s).
- The recent claim by the BNSF to maintain rights to install track in East Elm Street has caused significant delays with the installation of improvements and utilities in the ROW necessary to serve the development. The claims by BNSF forced the Developer and the City to provide temporary utility service to the building, which created additional costs to the project that were unanticipated.
- To mitigate this challenge, the owners have redesigned the parking structure and added a garage entry/exit to the west side of the parking structure on SE 5th Street, adding to project costs.
- This project is a major step towards realizing the plan envisioned in the City's May 2010 *Market District of East Village Urban Design Study*. The district is currently occupied by the City's Public Works and Fleet facilities, the main Police Station, the Federal Courthouse, maintenance and operations warehouses for MidAmerican Energy, a salvage yard and a collection of industrial and warehouse uses. Set on the eastern edge of the Market District, this project has the potential to stimulate additional nearby development. Since the time of commencement of office building construction, two (2) blocks across the street have been purchased by developers who are planning total investments over \$60 million.

- The project also creates much-needed infrastructure in this area. The construction of Elm Street between East 6th Street and East 5th Street and an extension of sewer to this block continues the reinvestment in infrastructure needed to foster redevelopment in the Market District. East Elm Street is planned to have 2-way traffic and on-street parking. The project will bring high-speed, fiber internet into the area, as well.

PREVIOUS COUNCIL ACTION(S):

Date: November 7, 2016

Roll Call Number: [16-1935](#), [16-1936](#), [16-1937](#), and [16-1938](#)

Action: [On](#) vacation of air space and subsurface rights in portions of street right-of-way adjoining 220 SE 6th Street and conveyance of a permanent easement for air space within E. Elm Street and SE 6th Street right-of-way, and conveyance of a permanent subsurface easement within E. Elm Street and SE 5th Street right-of-way all adjoining 220 SE 6th Street to 220 SE 6th Street Properties, LLC, \$732. ([Council Communication No. 16-625](#)) Moved by Gatto to adopt. Motion Carried 7-0.

- (A) [First](#) consideration of ordinance above. Moved by Gatto that this ordinance be considered and given first vote for passage. Motion Carried 7-0.
- (B) [Final](#) consideration of ordinance above (waiver requested by the applicant), requires six votes. Moved by Gatto that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, #15,529. Motion Carried 7-0.
- (C) [Declare](#) intent to withhold approval of the proposed rail port transload facility if it would result in the reactivation of the rail line in E. Elm Street, west of SE 9th Street. ([Council Communication No. 16-646](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: February 7, 2017

Resolution Number: N/A

Action: Approval of the final design revisions with the condition that the west façade screening be changed to a solid material as requested by the Board. Yes = 6, No = 0, Absent = 0, Abstain = 0.

Board: Plan and Zoning Commission

Date: August 4, 2016

Resolution Number: N/A

Action: Approval of the proposed Site Plan amendment including a 4-level parking garage, subject to the following conditions: (1) Compliance with all administrative review comments of the City's Permit and Development Center; (2) Any proposed building must be placed outside of vision clearance triangles; (3) All exterior lighting shall be low-glare cut-off fixtures with any pole mounted fixtures not exceeding 20 feet in height; (4) Any street light within adjoining right-of-way shall be replaced with black Autobahn LED Series ATBO light fixtures; (5) Provision of bike racks at the southwest corner of the site along Southeast 5th Street and East Elm Street intersection; (6) Provision of adjusted parkway plantings in accordance with the City's Landscaping Standards and as approved by the Planning Administrator; (7) Any construction of traffic bumpouts shall be subject to review and approval by the City's Traffic Engineer. (Yes = 9, No = 0, Mike Simonson abstained from the vote.)

Board: Urban Design Review Board

Date: June 21, 2016

Resolution Number: N/A

Action: Approval of the financial assistance as presented. Yes = 7, No = 0, Absent = 4, Abstain = 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Approval of Certificate of Completion.

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