

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> August 14, 2017
	<b>Agenda Item No.</b> <b>59</b> <b>Roll Call No.</b> <b><u>17-1406</u></b> <b>Communication No.</b> <b><u>17-602</u></b> <b>Submitted by:</b> <b>Erin Olson-Douglas, Economic Development Director</b>

**AGENDA HEADING:**

Approving Third Amendment to the development agreement with Grand 7 Partners, LLC.

**SYNOPSIS:**

- Recommend approval an amendment to an urban renewal development agreement for a mixed-use project at 665 Grand Avenue with Grand 7 Partners, LLC (Michael K. Nelson, Managing Member, 218 6<sup>th</sup> Avenue, Suite 200, Des Moines, Iowa, 50309). The Third Amendment to the development agreement allows for phased implementation of mixed-use development at 665 Grand Avenue as follows:

Phase 1 - ‘skywalk node’ at the southwest corner of the site to provide a connection between the existing Grand Avenue skywalk bridge and the new 7th Street skywalk bridge. The skywalk node will provide the vertical connection on this block with an elevator and open air stairway connecting between the sidewalk and skywalk levels. Construction on the skywalk node will begin by November 30, 2017; the skywalk node will be prepared to receive steel structure for the new skywalk bridge over 7<sup>th</sup> Street by April 1, 2018. Estimated project cost is \$701,129.

Phase 2 - 3-story, 18,000 square-foot commercial building with ground floor restaurant and offices on the upper floors is proposed for the Grand Avenue frontage. Construction on this building will begin by May 1, 2018 and be completed by September 1, 2019. Estimated project cost is \$11,211,339.

Phase 3 - apartment building with a minimum of six (6) floors and 75 market rate units is planned for the 7th Street and High Street frontages. Construction on the apartment building will begin by November 1, 2019 and be completed by April 1, 2021. Estimated project cost is \$20,287,680. Steel or concrete structural systems are required. Parking for the project will be provided by the Principal Financial Group’s parking garage to the west of this site (currently under construction) under a lease agreement between the developer and the garage owner.

The amendment includes revisions to the following financial terms and remedies:

- The previously-approved economic development loan of \$1 million to be forgiven upon completion was previously advanced and will be forgiven when all three phases are completed.
- The timing of the installments on the previously-approved economic development grant of \$3,320,605 now to be paid as follows:
  - 1<sup>st</sup> installment of \$1.1 million has been advanced and was applied in payment of the Property
  - 2<sup>nd</sup> installment of \$220,605 has been advanced and was applied in payment of the alley

- 3<sup>rd</sup> installment of \$500,000 shall be advanced at commencement of above grade construction of the commercial building; and requires substantial completion of the Ph1 skywalk node to accept steel for skywalk bridge
  - 4<sup>th</sup> installment of \$750,000 shall be advanced at certificate of completion of the Ph2 commercial building
  - 5<sup>th</sup> installment of \$750,000 to be advanced at certificate of completion of the Ph3 apartment building
- The allowance of tax abatement and rebate of project-generated residential taxes has been reduced to the following schedule:
    - Years 1-8: 100% (provided via tax abatement via current urban revitalization plan)
    - Years 9-10: 100% (provided by a blend of tax abatement and TIF)
    - Years 11-12: 90% (after subtraction of debt-protected levies)
    - Years 13-16: 80% (after subtraction of debt-protected levies)
    - Years 17-20: 70% (after subtraction of debt-protected levies)
  - In the interest of reconnecting the skywalk system and development of the block in timely fashion, the following remedies are proposed:
    - If Ph1 construction is not initiated by November 30, 2017 and implemented to a stage of preparation to receive the 7<sup>th</sup> Street skywalk bridge structure, the City may resume ownership of the full block, take ownership of all design documents, and forgive \$1 million loan.
    - If Ph2 construction is not initiated by May 1, 2018, the City may resume ownership of full block, take ownership of all design documents, and forgive \$1 million loan.
    - If Ph3 construction is not initiated by November 1, 2019, the City may resume ownership of apartment parcel, take ownership of all design documents, and forgive \$1 million loan.
    - Developer must convey the land back to the City free and clear of mortgages and liens to qualify for loan forgiveness.

## **FISCAL IMPACT:**

### Amount:

- \$1 million forgivable predevelopment loan for architecture and engineering services (paid April 2016).
- Economic development grant equal to the land purchase price (appraised at \$1.32 million, land sale closed September 2017);
- Economic development grant of \$2 million (approved April 2016); current amendment proposes payments as follows:
  - \$500,000 paid at commencement of above grade construction of the commercial building (phase 2); requires substantial completion of the skywalk node (Phase 1)
  - \$750,000 paid at certificate of completion of the Ph2 commercial building
  - \$750,000 paid at certificate of completion of the Ph3 apartment building

- Rebate of project-generated commercial taxes (after subtraction of debt-protected levies):  
Years 1-10: 100%  
Years 11-20: 80%
- Rebate of project-generated residential taxes:  
Years 9-10: 100% (provided by a blend of tax abatement and TIF after subtraction of debt-protected levies)  
Years 11-12: 90% (after subtraction of debt-protected levies)  
Years 13-16: 80% (after subtraction of debt-protected levies)  
Years 17-20: 70% (after subtraction of debt-protected levies)

Funding Source: Forgivable loan from the Metro Center Urban Renewal District. Economic Development Grant from land sale proceeds on the western 7<sup>th</sup> and Grand parcel. TIF rebate from project-generated revenue in the Metro Center Urban Renewal District.

#### **ADDITIONAL INFORMATION:**

- The amended proposal replaces the previously approved project and development agreement for a 12-story mixed-use building on the site. The developer was unable to advance the previous project within the allotted timeframe and the site faced an uncertain future. The current phased proposal provides greater flexibility, while reconnecting the skywalk system with a modest construction project in the first phase and mixed use development on the site in the following two (2) phases.
- The collection of buildings in the amended proposal respond to the varied massing of the urban context, with the 3-story commercial building adjacent to the 3-story locally-designated Landmark Catholic Pastoral Center designed by Mies van der Rohe on the east side of the site. The taller massing of the apartment building is on the west side of the site adjacent to the Principal Financial Group's campus with the State's tallest building a block away to the west. The composition of the site will provide a variety of open spaces in the interstitial spaces between buildings. A public pedestrian way will connect Grand Avenue and High Street between the commercial building and the Catholic Pastoral Center.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: October 12, 2016

Roll Call Number: [16-1755](#)

Action: [On](#) vacation of alley right-of-way and vacation of air space in Grand Avenue and 7<sup>th</sup> Street adjoining 665 Grand Avenue, and conveyance of such alley right-of-way and an Airspace Easement to Grand 7 Partners, LLC for \$224,525.00 and authorizing the City Manager to execute a Temporary Access Agreement (continued from 9/26/16). ([Council Communication No. 16-596](#)) Moved by Hensley to adopt. Motion Carried 7-0.

- (A) [First](#) consideration of ordinance above. Moved by Hensley 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 Hensley 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, [#15,518](#). Motion Carried 7-0.
- (C) [Approving](#) Second Amendment to the Urban Renewal Agreement for Sale of Land for Private Redevelopment with Grand 7 Partners, LLC. Moved by Hensley to adopt. Motion Carried 7-0.

Date: April 11, 2016

Roll Call Number: [16-0631](#)

Action: [On](#) Resolution closing the hearing on Urban Renewal Agreement for Sale of Land for Private Redevelopment with Grand 7 Partners, LLC, represented by Mike Nelson, for the sale and redevelopment of the west half of the block bounded by Grand and 6th Avenues and High and 7<sup>th</sup> Streets, and approving the same. Moved by Hensley to adopt. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: August 8, 2017

Resolution Number: N/A

Action: A consensus of the members present supports the revisions to the massing on the site and the financial assistance revision as presented.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Plan and Zoning Commission update and approval of multi-family housing site plan.
- Urban Design Review Board design reviews of phase 1, phase 2, and phase 3.

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