

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	August 14, 2017
	Agenda Item No.	60
	Roll Call No.	<u>17-1407 17-1408 17-1409</u>
	Communication No.	<u>17-603</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Approving final terms of an Urban Renewal Development Agreement with Hubbell Realty Company for the Gray’s Station Development Project and approving conceptual plan.

SYNOPSIS:

On January 23, 2017, by Roll Call No. 17-0136, City Council approved preliminary terms of an Urban Renewal Development Agreement with Hubbell Realty Company (Rick Tollakson, President and CEO, 6900 Westown Parkway West Des Moines, Iowa 50266) for the Gray's Station Development, a new mixed-use urban neighborhood south of Martin Luther King Jr. Parkway and north of the Raccoon River. The initial developer investment to clear, remediate, grade and construct streets and utilities and other project elements is approximately \$59 million, which does not include separate vertical construction investment. Current valuation of the property is estimated at \$534,000. Future valuation over 20 years is estimated to exceed \$1 billion through this investment.

The project's conceptual design and proposed public amenities have been extensively evaluated and reviewed over the last seven (7) months by City staff from numerous departments, the Urban Design Review Board, Plan and Zoning Commission, Park and Recreation Board, and a number of citizen and advisory groups including the Urban Land Institute (ULI), American Association of Retired Persons (AARP), and the Downtown Neighborhood Association.

The project is proposing to offer a variety of housing product types in a walkable, connected urban form. Consideration for pedestrian and bicycle activity, as well as a mix of age groups and life stages have been predominant goals. In addition, a strong integration of public amenities, active spaces and sustainable design is being achieved through the incorporation of parks, greenways, green infrastructure, trail connections, a reconstructed wetland park, and a bike-pedestrian bridge with a commercial/mixed-use gathering space at the north bridge landing.

The Office of Economic Development has negotiated final terms of the financial assistance package for the project to respond to the extraordinary development costs to reclaim the property, currently an environmentally impacted brownfield containing significant rail remnants, utility conflicts and other remains of past industrial uses, and bring the area into its next life as a thriving urban neighborhood. Financial assistance is detailed in the Fiscal Impact section below; additional information on the project is included later in this report

FISCAL IMPACT:

Amount: Project generated tax increment in the amount of \$12,523,258 over a period not to exceed 20 years, an economic development grant of \$3,000,000 in three (3) disbursements sourced from a City interfund loan to be repaid by Tax Increment Financing (TIF) from the Metro Center Urban Renewal Area over approximately 12 years, economic development grant of \$2,477,482 from the Metro Center Urban Renewal Area over seven (7) years. Estimated Net Present Value (NPV) of total assistance of \$9,485,127.

Funding Source: Project generated TIF in the Metro Center Urban Renewal Area; interfund loan from Sanitary Sewer Enterprise Account under direction and management of the Finance Department; Metro Center Urban Renewal Area TIF. All funding sources will be coded and subject to approval of the Finance Department.

ADDITIONAL INFORMATION:

- The Gray's Station Development will build out approximately 75-acres of vacant, underutilized brownfield land (including City owned acres for regional stormwater management/wetland park) that has been a priority redevelopment site for more than 20 years.
- The developer investment will augment prior significant public investment in the area that includes millions of dollars in City, State of Iowa and Federal funds, including sources from US Housing and Urban Development Department (HUD), United States Environmental Protection Agency (US EPA), United States Economic Development Administration (US EDA), State of Iowa Revitalize Iowa's Sound Economy (RISE) and other transportation funding sources for the extension of Martin Luther King Jr. Parkway and SW 11th Street.
- City financial assistance is responding to the extraordinary front-end development costs that include earthwork, grading, environmental remediation, demolition, clearing and removal of rail remnant materials. This front-end work cannot be incorporated into the larger construction and permanent financing for the project, and will be a standalone debt that has no project funding source without the City financial assistance.
- Each component of the project will be brought for review by Urban Design Review Board and the Plan and Zoning Commission, with review by the Parks and Recreation Board of elements including neighborhood parks, wetland park, bike-pedestrian bridge and public realm greenways.
- City departments involved in the project evaluation and planning for public amenities include Public Works-Stormwater, Parks and Recreation, Engineering, Community Development, Fire, Police, and Finance.
- The reconstructed wetland amenity / regional stormwater basin has involved and will continue to involve City staff, developer design team including water resources engineers, Des Moines Area Regional Transportation Authority (DART) Polk County Soil and Water Conservation District (PCSWCD) and the Iowa Department of Agriculture and Land Stewardship (IDALS).

- The bike-pedestrian bridge across the Des Moines River has involved and will continue to involve City staff, developer design team, Urban Design Review Board, Gray's Lake Advisory Committee, and the Parks and Recreation Board.
- The developer will design and construct the bike-pedestrian bridge with review and approval by City Engineering Department and Parks and Recreation, and turn the bridge over to the City for ongoing ownership. The developer will also construct two (2) neighborhood parks and provide the design for the wetland park that will be constructed by the City; all will be turned over for ongoing public ownership.
- Public easements will be provided for the neighborhood greenways to ensure ongoing public access.
- The developer will construct all streets and utilities to public specifications and standards with review and approval by the City Engineering Department.
- The developer has provided an estimated phasing plan that contemplates concurrent construction of multiple phases. This velocity will be important to project success for both the City and the developer, but the City is also interested in seeing a variety of product types built out simultaneously, particularly lower story and higher story products.
- The financial modeling and underwriting has been performed conservatively, using minimum estimates. The minimum number of housing units in the model is estimated between 1,100-1,200. However, neither the City nor the developer are seeking a maximum cap on the number of units that may be constructed in the project; higher density has been strongly encouraged by staff and positively received by the developer. It has been estimated by the Office of Economic Development and Community Development staff that a preferred minimum number of units would be 1,600-1,700 units or more. With the unknowns of the market at this stage, each new phase/plat will educate us. The recommendations of the Plan and Zoning Commission are offered for additional framing of this matter.
- City Council, City Manager and staff have emphasized the importance of providing a mixed variety of product types at price points that will meet the needs of owners and renters at all levels of the housing market. The developer has incorporated the need for affordable products into their due diligence and market analysis. The developer's intent has been to ensure that neighborhood design will be thoughtful and deliberate, incorporating product types such as granny flats, studio units, and urban single-family homes/attached products that will meet a variety of needs and incomes. Rental products will accept Section 8 housing vouchers, and the developer will continue market analysis with each phase to determine the market need for units at 80% and 60% of the area's median income (AMI). The developer is an experienced builder and owner of affordable housing products with significant tax credit expertise and long-term management of restricted rent units.
- The City of Des Moines, State of Iowa Department of Natural Resources (IDNR), Titan Tire International, US EPA, Hubbell Realty Company, Sherman Associates and many partner organizations and agencies have been involved in discussions and technical analysis of the adjacent Dico Superfund site for several years, with additional emphasis on opportunities for the site in light of strong redevelopment pressure from Gray's Station and Gray's Landing. Discussions will continue, involving additional appropriate parties, to reach a conclusion that

will allow for a future use of the site that is compatible with the significant public and private investment in commercial, office, and housing to the east of the site.

PREVIOUS COUNCIL ACTION(S):

Date: January 23, 2017

Roll Call Number: [17-0136](#)

Action: [Preliminary](#) terms of agreement with Hubbell Realty Company for redevelopment of approximately 75 acres located east of SW 16th Street, north of Raccoon River, west of SW 11th Street and south of future Tuttle Street for development as a mixed density residential neighborhood, Gray's Station Development. ([Council Communication No. 17-044](#)) Moved by Hensley to approve the preliminary terms of agreement as set forth in Council Communication No. 17-044 and to direct the City Manager or his designee to negotiate final terms of agreement for future consideration by the City Council. 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 appropriateness of the financial assistance as proposed.

Board: Plan and Zoning Commission

Date: July 20, 2017

Resolution Number: N/A

Action: Approval of a motion consisting of Part A) the proposed rezoning is in conformance with the existing PlanDSM Creating Our Tomorrow future land use designation, Part B) approval of rezoning from "C-3B" District to "PUD" District, and Part C) approval of the Gray's Station PUD Conceptual Plan subject to 7 amendments. (Yes = 9, No – 1).

Board: Plan and Zoning Commission

Date: July 6, 2017

Resolution Number: N/A

Action: Motion by Mike Simonson to approve the PUD as presented with one modification and that is no vinyl siding and that each phase come back to the Commission and City Council. Motion failed. Yes = 4 and No = 8.

Jann Feed moved to continue this item to the July 20, 2017 Plan and Zoning Commission meeting. Lisa Howard seconded. (Yes = 11, No – 1)

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Review of each component of the project by Urban Design Review Board and Plan and Zoning Commission.
- Review of parks, bike-pedestrian bridge, reconstructed wetland amenity and any additional public realm spaces by the Park and Recreation Commission.
- Issuances of Certificates of Completion for the multiple phases of the project per the terms of the development agreement.

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