

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: August 28, 2017
	Agenda Item No. 29 Roll Call No. <u>17-1473</u> Communication No. <u>17-611</u> Submitted by: Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution approving first amendment to the Urban Renewal Development Agreement, sixth supplement to the Skywalk Agreement and a Parking License Agreement with 701 Walnut Partnership, LLC for the development of the east side of the former Younkers site at 701 Walnut Street.

SYNOPSIS:

On December 19, 2016, the City Council approved an Urban Renewal Development Agreement with 701 Walnut Partnership, LLC (Justin Doyle, Partner, Blackbird Investments, 130 East 3rd Street Des Moines, Iowa 50309) for the development of the east side of the former Younkers site at 701 Walnut Street. The project has since gone through a number of positive revisions that include an increase in the building height from 26 to 33 stories and an increase in total apartment unit counts from 276 to 336. Project costs are now estimated at \$88 million, up from \$80 million.

Additional revisions to the project since the approval of the development agreement include changes to the permanent financing sources as well as the addition of an affordable housing mix. 701 Walnut Partnership, LLC is proposing that approximately 20% of the housing units in the tower be at affordable rental rates for families and individuals earning 50% of the area median income (AMI) or less. The permanent financing is proposed to change from a HUD 221(d)(4) financing product to a HUD backed Freddie Mac financing product. The Freddie Mac financing product will provide a quicker and more direct path for the project to begin. Construction on the project is to commence by December 1, 2017 and be completely by December 1, 2019.

With the affordable housing mix, the project will be eligible for and will seek approximately \$6 million in Low Income Housing Tax Credits. Revised terms for the Urban Renewal Development Agreement with 701 Walnut Partnership, LLC have been negotiated by the Office of Economic Development for the project consisting of 15 annual economic development grant installments per the terms of the development agreement equal to \$5,580,000 (\$4,243,418 on a net-present value basis at a 4.5% discount rate) in years 1-15 concurrent with the declining tax abatement. The economic development grant is being recommended to fill the financing gap between what the low income housing tax credits will provide versus what the rental rates would otherwise be at market rate. Additional information on the project and financial assistance recommendation is included below.

FISCAL IMPACT:

Amount: \$5,580,000 (\$4,243,418 on a net-present-value basis at a 4.5% discount rate), to be paid in years 1-15 concurrent with the declining tax abatement. This assistance represents approximately 5% of total project costs of \$88 million.

Funding Source: Metro Center Tax Increment Financing District

ADDITIONAL INFORMATION:

- The revised financial terms provide a reduction in the estimated payout of \$8,284,436 (\$4,331,055 on a net-present-value basis at a 4.5% discount rate) to \$5,580,000 (\$4,243,418 on a net-present-value basis at a 4.5% discount rate).
- The project will be required to undertake building and connecting entries to the skywalk system, as well as substantial subsurface structural work below the building and around the adjacent street system. The proposed high-rise construction will utilize cast in place concrete, steel and a cladding of glass curtainwall on the building exterior, providing a signature project to augment public and private investments into Walnut Street.
- Provision for clarifying public access and use of project amenities has been defined in the development agreement per Urban Design Review Board and City Council comments.
- City staff will continue to coordinate with 701 Walnut Partnership, LLC on the completion of the Walnut Street Streetscape components that are programmed for the frontage of both the proposed 701 Walnut site and the 713 Walnut Wilkins Building site. 701 Walnut Partnership, LLC has already provided a contribution for their portion of the streetscape project for both properties.
- The parking license agreement provides for 279 monthly floater parking spaces in the 8th and Mulberry and 9th and Locust parking garages (contributing approximately \$400,000 in parking revenues annually).
- The sixth supplement to the Skywalk Agreement states that construction of the Skywalk Improvements shall be completed by December 31, 2019.

PREVIOUS COUNCIL ACTION(S):

Date: December 19, 2016

Roll Call Number: [16-2189](#)

Action: [Urban](#) Renewal Development Agreement with 701 Walnut Partnership, LLC for development of the east side of the former Younkers site at 701 Walnut Street and approving Conceptual Development Plan. ([Council Communication No. 16-706](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: July 25, 2017

Action: A consensus of the members present support and recommend the approval of the revised financial assistance package as presented.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Issuance of Certificate of Completion for the project.

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