

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	April 23, 2018
	Agenda Item No.	37
	Roll Call No.	<u>18-0702</u>
	Communication No.	<u>18-193</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Amendment to the Development Agreement with 101 East Grand Parking, LLC for Implementation of Phase II.

SYNOPSIS:

On April 11, 2016, City Council approved an urban renewal development agreement for the phased redevelopment of the former City Hall parking lot. The first phase for a public parking structure at the center of the block was completed last year. The second phase of the redevelopment is on the north side of the new East 2nd Street Parking Garage. JSC Properties is proposing a 4-story, 64,000-square-foot, mixed-use office building with retail space on the ground floor with a project budget of \$18 M. The project surpasses the 28,000 square feet minimum office use identified in the development agreement and the developer has requested additional incentives for implementation of Phase 2 to address the speculative nature of the downtown office market. The amendment also includes additions to the acceptable high quality construction materials.

FISCAL IMPACT:

Amount: 100% TIF grant for years one (1) through 10; 50% TIF grant for years 11-15, paid in 30 semi-annual installments for Phase 2; \$64,000 grant payable upon certificate of completion; rebate of the land cost. NPV of the amended TIF incentive is estimated at \$4,360,732 at a 4.5% discount rate.

Funding Source: Metro Center Urban Renewal Area project generated tax increment revenues; a project account will be opened when payments begin.

ADDITIONAL INFORMATION:

- The existing development agreement outlines incentives for commercial uses (including office) as follows: 70% TIF grant years one (1) through eight (8), 60% years nine (9) through 10, 50% years 11-15. Rebate of the land costs is included in the existing agreement.
- Since the initial financial assistance package was approved in 2016, the developer has proposed a significantly larger amount of office space that will provide for a higher taxable valuation than housing on the project site. However, construction of speculative office space presents a higher risk to the developer with potential vacancy rates and untested lease rates in this section of downtown. 111 E. Grand is the largest speculative office project delivered to the downtown submarket since the construction of the Davis Brown Tower in 2008.

- The project proposes to be the first in Iowa to utilize a heavy mass timber structural system and Accoya wood panels with a Shou Sugi Ban (charred wood) treatment as exterior cladding. While both structural and cladding systems are consistent with the high quality materials required for the buildings on the north and south sides of the parking structure, neither were anticipated in the 2016 development agreement. Accoya wood with this finish is highly durable, carrying a 50-year warranty. Heavy Mass Timber structures are based on centuries old technology that exist in some of downtown's oldest buildings, such as 100 Court and the Market 1 Building. Building codes recognize this type of construction as equivalent to steel and concrete structures in fire performance and durability. Additional attributes of Heavy Mass Timber include: lower carbon footprint than common building materials such as steel or concrete, less greenhouse gas intensive on a life cycle basis, less air and water pollution generated compared to steel and concrete, wood for mass timber is sustainably harvested and is a renewable material.
- Parking demand for the office building is projected to be approximately 150 parking spaces.
- Construction start is planned for spring 2018 and is expected to take approximately a year to complete.
- The existing development agreement requires the development team to begin construction on the third phase on the south side of the block along East Locust Street within 18 months of the completion of the second phase. This development is required to have ground floor restaurant and/or retail space; upper floors can be commercial, office, hotel, or residential. The requirement to have a minimum of 28,000 square feet of office space will be exceeded by the Phase 2 project with approximately 50,000 square feet of office space.

PREVIOUS COUNCIL ACTION(S):

Date: February 5, 2018

Roll Call Number: [18-0222](#)

Action: [Restated](#) Commencement Date Agreement for lease of the East 2nd Street Parking Garage in accordance with the Lease Purchase Agreement with 101 East Grand Parking, LLC and West Bank. ([Council Communication No. 18-068](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: April 10, 2018

Resolution Number: N/A

Action: Recommended approval of the proposed increase to TIF rebates.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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