

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> June 25, 2018
	<b>Agenda Item No.</b> 48 <b>Roll Call No.</b> <u>18-1100</u> <b>Communication No.</b> <u>18-323</u> <b>Submitted by:</b> Erin Olson-Douglas, Economic Development Director

**AGENDA HEADING:**

Resolution approving final terms of an Urban Renewal Development Agreement with Rowat Lofts, LLC, for a multi-family housing project located at 110 SE 7th Street.

**SYNOPSIS:**

Nelson Development, LLC, (d/b/a Rowat Lofts, LLC, Michael K. Nelson, Managing Member, 218 6th Avenue, Suite 200, Des Moines, IA 50309), proposes to redevelop an industrial site with a 4-story, 162 unit multi-family apartment building on a full City block with a current address of 110 SE 7th Street. The site is located between SE 6th Street and SE 7th Street, and the former East Market Street alignment and active Iowa Interstate Railroad line. The total anticipated project cost is \$27.1 million.

Rowat Lofts includes a mix of studio, 1-bedroom and 2-bedroom units on four (4) floors with the fourth floor including apartment units and rooftop amenity space. Parking needs will be accommodated by a combination of an on-site surface parking lot and on-street parking. The building is designed in a U-shaped configuration with a courtyard that opens to the pedestrian plaza on the former East Market Street alignment to be constructed by the adjoining District at 6th Lofts project.

Staff has negotiated a financial assistance package to support the development of the project and addresses a financial gap resulting from the need to construct East Vine Street as a new public street, build urban street cross-sections with public parking on SE 6th and SE 7th Streets, undergrounding of overhead utility wires, remediating earthwork and site work to address poor soils, for over excavating previously-existing building foundations, and capping 10% of the apartment unit rents at the 80% area median income (AMI) level.

**FISCAL IMPACT:**

Amount: The financial assistance package will consist of non-project generated Metro Center Urban Renewal Area tax increment funds (TIF) based on a graduated scale as follows:

<u>Years</u>	<u>Amount</u>
1-3	\$320,000
4-6	\$200,000
7-9	\$190,000
10-12	\$170,000
13-15	\$150,000

Total non-project generated TIF assistance is estimated at \$3.09 million on a cash basis (\$2.2 million on a net-present-value basis at a 4.5% discount rate). The project is also eligible to receive 10-year, declining tax abatement (100%, years 1-8, 60% in year nine {9}, 40% in year 10).

Year	Estimated Taxes Received without project*	Estimated Taxes Received with project*	Estimated Incentive Paid*	Estimated Net Taxes Received
SUM 10 Years	\$198,789	\$198,789	\$1,940,000	-\$1,491,748
SUM 20 Years	\$373,157	\$4,585,133	\$3,090,000	\$1,744,597
SUM 30 Years	\$547,526	\$9,466,045	\$3,090,000	\$6,625,509

\*Taxes include all property taxing authorities (not just City property taxes).

\*Taxes received estimates used the following assumptions:

**Building Assumptions:**

\$17,101,000 Total Minimum Assessment Years 1-10

\$17,982,000 Total Minimum Assessment Years 11-20

Funding Source: Metro Center TIF- a specific fund code will be assigned by the Finance Department.

**ADDITIONAL INFORMATION:**

- This project is a step towards realizing the plan for a mixed-use urban district as 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, Police Station, maintenance and operations warehouses for MidAmerican Energy, a salvage yard and a collection of industrial and warehouse uses.
- The project utilizes a full block previously occupied by the Rowat Cut Stone & Marble Company on the eastern edge of the Market District. The structure on this property has recently been demolished, but previously had an assessed building value of only \$100.
- Exterior building materials will consist of primarily brick and metal panels, cedar planking as an accent material, with large window openings and steel balconies.
- Staff requested that the company include affordable units to address rising rents in the downtown market. Rowat Lofts, LLC has agreed to rents for 10% of the total units (17 units total, consisting of a breakdown of nine {9} studio apartments, six {6} 1-bedroom apartments, and two {2} 2-bedroom apartments) capped at 80% Area Median Income (AMI) levels for a minimum of the 20-year period of the Urban Renewal Agreement.
- The project creates much-needed infrastructure in this area. The construction of East Vine Street between East 6th Street and East 7th Street, a new urban cross section and streetscape at East 6th and East 7th Streets, and undergrounding overhead utility lines continues the reinvestment in infrastructure needed to foster redevelopment in the Market District. Additionally, the development includes extension of public sanitary and storm sewers to the site.

- A portion of the historic crane derrick that was on the Rowat Cut Stone site has been salvaged and will be reincorporated as sculpture elements in the courtyard area of this project.
- The developer shall exceed applicable Energy Code requirements by seeking participation and approval of Mid-American Energy's Commercial New Construction program. The final program verification report shall be provided to the City prior to issuance of the initial financial assistance payment.

**PREVIOUS COUNCIL ACTION(S):**

Date: January 22, 2018

Roll Call Number: [18-0116](#)

Action: [Preliminary](#) terms of agreement with Nelson Development LLC for development of a 162-unit multi-family housing project at 110 SE 7th Street. ([Council Communication No. 18-034](#)) Moved by Mandelbaum to approve the preliminary terms of agreement as set forth in the Council Communication, and direct the City Manager or his designee to negotiate final terms of agreement for future consideration by the City Council; refer to the City Manager to develop a policy for energy efficiency requirements on projects that receive economic development assistance. Motion Carried 7-0.

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

Board: Plan and Zoning Commission

Date: April 5, 2018

Resolution Number: N/A

Action: Plan and Zoning Commission voted 12-0 to approve the site plan for "Rowat Lofts", under design guidelines in C-3B Districts and under guidelines for multiple-family dwellings on property located at 110 SE 7th Street, subject to conditions.

Board: Urban Design Review Board

Date: February 27, 2018

Resolution Number: N/A

Action: Approval of the final design and terms of financial assistance with the condition that if the 14-foot remnant strip of property south of the site is acquired, the proposed improvements will be compatible with the East Market Street pedestrian street to the south. Yes = 5 votes, No = 0 votes, Abstain = 1 vote.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- City Council approval of private construction contracts for improvements made within the public rights-of-way adjoining the site, and approval of the Certificate of Completion when the project is completed.

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