

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	November 5, 2018
	Agenda Item No.	42II
	Roll Call No.	<u>18-1859</u>
	Communication No.	<u>18-556</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution Approving Preliminary Terms of the First Amendment to the Urban Renewal Development Agreement for the Gray’s Station Project.

SYNOPSIS:

On August 14, 2017, by Roll Call No. 17-1407, 17-1408, and 17-1409, City Council approved final terms of an Urban Renewal Development Agreement with HRC NFS 1, L.L.C. and Hubbell Realty Company (Rick Tollakson, President and CEO, 6900 Westown Parkway West Des Moines, Iowa 50266) for the development of the Gray’s Station area, 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 \$59,000,000, which does not include separate vertical construction of multi-family townhome or single-family homes. Beginning valuation of the property was estimated at \$534,000 in 2017. Future valuation for the development agreement fiscal analysis is estimated at \$253,570,000.

The Office of Economic Development has negotiated terms for the First Amendment to the Development Agreement to continue the reclamation and redevelopment work of Gray’s Station and respond to approximately \$830,000 in additional development costs for the project. In this amendment, HRC NFS 1, L.L.C. and Hubbell Realty Company will continue preparation of pad ready development sites, as well as constructing Phase I of Tuttle Street west of SW 11th Street and Murphy Street.

FISCAL IMPACT:

Amount: HRC NFS I, L.L.C. will receive tax increment (TIF) in the amount not to exceed \$14,070,938 (previously \$12,523,258) including interest carry 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 and a \$30,000 economic development grant.

Funding Source: Project generated TIF in the Metro Center Urban Renewal Area in the estimated amount of \$15,855,363; Metro Center Urban Renewal Area TIF in the estimated amount of \$2,869,282 over seven (7) years: interfund loan from a General Fund sub-fund under direction and management of the Finance Department; to be repaid by Metro Center Urban Renewal Area TIF over approximately thirteen (13) years. All funding sources will be coded and subject to approval of the Finance Department.

ADDITIONAL INFORMATION:

- City financial assistance is responding to the project development costs that include earthwork, grading, environmental remediation, demolition, clearing and removal of rail remnant materials.
- This amendment addresses the increased development costs of \$830,000 with an equivalent increase in the incentive package.
- The City's return on investment (ROI) for the Gray's Station project is estimated as follows:
 - AY 2017 base land assessed valuation: \$534,000
 - Estimated 2033 projected valuation: \$253,570,000
 - AY 2017 taxes generated \$15,256
 - Estimated new taxes over 20 years: \$50,452,530
 - Total HRC NFS I, L.L.C. investment \$260,000,000
 - Total assistance to HRC NFS 1, L.L.C./Hubbell Realty Company for project development costs \$11,275,000 (\$3,030,000 grants and the NPV of \$8,245,000 over a period not to exceed 20 years)
 - City participation 4.3% of total project investment

PREVIOUS COUNCIL ACTION(S):

Date: August 14, 2017

Roll Call Number: [17-1407](#), [17-1408](#), and [17-1409](#)

Action: Items regarding Gray's Station in the vicinity of 1300 Tuttle Street: ([Council Communication No. 17-603](#))

- (A) [Final](#) consideration of ordinance to rezone property from "C-3B" (Central Business Mixed Use) and "FW" (Floodway) to "PUD" (Planned Unit Development) to allow redevelopment of 83.73 acres with mixed use, low-medium density residential, high density residential, and open space areas. Moved by Hensley that this ordinance do now pass, [#15,600](#). Motion Carried 6-1. Nays: Cownie.
- (B) [Urban](#) Renewal Development Agreement with HRC NFS I, LLC and Hubbell Realty Company. Moved by Hensley to adopt. Motion Carried 6-1. Nays: Cownie.
- (C) [Setting](#) date of hearing on approval of documents and conveyance of excess City property, south of and adjoining W. Martin Luther King Jr. Pkwy. and west of and adjoining SW 11th Street, to HRC NFS I, LLC, \$970,000, (8-28-17). Moved by Hensley to adopt. Motion Carried 6-1. Nays: Cownie.

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: April 17, 2018

Resolution Number: N/A

Action: A consensus of the members present recommend approval of the proposal subject to the applicant working with staff. Staff and applicant will provide the Board with updates as any significant modifications occur.

Board: Urban Design Review Board

Date: March 20, 2018

Resolution Number: N/A

Action: Motion by Allen to recommend preliminary approval as presented with the request for the applicant to work with staff on the refinement of the products based on the Board's comments. Seconded by Barnum. Motion carried. Yes = 6, No = 0, Abstain = 0, Absent = 3.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board (UDRB) review of First Amendment
- City Council final approval of First Amendment
- Completion of construction for Gray's Station public improvements Plat I, II, and III with review and approval by the Engineering Department and acceptance by City Council.
- Bidding and construction of the Gray's Station Raccoon River Basin and bridge over the Raccoon River to Gray's Lake.
- Future issuance of building permits, Certificates of Occupancy and Certificates of Completion for Gray's Station Phase I, Phase II and Phase III.
- Future phases to be presented for review to Urban Design Review Board, Plan & Zoning Commission and City Council.

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