


COUNCIL COMMUNICATION

	Number:	18-654	Meeting:	December 10, 2018
	Agenda Item:	5	Roll Call:	18-2028
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

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

SYNOPSIS:

On November 5, 2018, by Roll Call No. 18-1859, City Council approved preliminary terms of the First Amendment to the 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. Urban Design Review Board (UDRB) reviewed the proposed financial assistance from tax increment (TIF) on November 13, 2018.

The Office of Economic Development has negotiated final terms for the First Amendment to the Development Agreement to continue the 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 development of the new urban neighborhood between SW 11th Street, Tuttle Street, SW 16th Street and future Gray's Parkway, as well as constructing Phase I of Tuttle Street west of SW 11th Street, and Murphy Street west of SW 11th Street.

FISCAL IMPACT:

Amount: In total, HRC NFS I, L.L.C. will receive tax increment (TIF) in the amount not to exceed \$14,070,938 including associated interest carry for construction financing (previous total in original agreement with interest carry was \$12,253,258) 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, and a \$30,000 economic development grant from the City's Economic Development Enterprise Account. All sources of funds address construction related development costs for the estimated \$260,000,000 project.

Funding Source: The payments come from revenues generated by the project. The 20 year TIF cash flow model demonstrates repayment of all elements (first construction loan for project development costs and interest carry, second loan for project development costs and interest carry, City interfund loan repayment and City TIF capture for potential future traffic improvements in the area) will be concluded by year 15, but a 20 year term will be allowed to account for potentially changing market conditions and project buildout.

ADDITIONAL INFORMATION:

- City financial assistance is responding to project development costs including earthwork, grading, environmental remediation, demolition, clearing, removal of rail remnant materials, existing utility conflicts and related development work.
- This amendment addresses the increased development costs of \$830,000 (\$1,800,000 with interest carry) with an equivalent increase in the incentive package.
- Funds will be advanced from the Metro Center Urban Renewal Area in an amount of up to \$2,869,282 for the first seven (7) years depending on the revenues generated during those years. A partial payment has already been made to the Developer from Metro Center for year one (1). Any payment in exceeding the project generated revenues will be offset in future years by the project generated revenues in excess of the economic incentives payable to the Developer or the City. An additional \$3,000,000 has already been advanced from a sub-fund of the General Fund and is subject to reimbursement from Metro Center with 3% interest either from project generated revenues under a formula specified in the Agreement or by reimbursement from the special fund.
- 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. and Hubbell Realty Company for project development costs: \$14,070,000
 - City participation 5.4% of total project investment

PREVIOUS COUNCIL ACTION(S):

Date: November 5, 2018

Roll Call Number: [18-1859](#)

Action: [Preliminary](#) terms of the First Amendment to the Urban Renewal Development Agreement for the Gray's Station Project. [\(Council Communication No. 18-556\)](#) Moved by Mandelbaum to approve the preliminary terms of amendment as set forth in Council Communication No. 18-556 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: November 13, 2018

Resolution Number: N/A

Action: Motion to recommend approval of the amendment by Weisenbach. Seconded by Hielkema. Motion carried. Yes = 7, No = 0, Absent = 2, Abstain = 1.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- 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.
- 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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