


COUNCIL COMMUNICATION

	Number:	18-655	Meeting:	December 10, 2018
	Agenda Item:	6	Roll Call:	18-2030 2031
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Items related to Market District One, LLC for the “Connolly Lofts” project located at 401 SE 6th Street and 400 SE 7th Street:

- A. Approving termination of previous Urban Renewal Development Agreement.
- B. Accepting development proposal from Market District One, LLC to develop a senior multi-family housing project (age 55 plus) on City-owned property at 401 SE 6th and 400 SE 7th Streets and setting the date of public hearing on proposal and land sale (January 14, 2019).

SYNOPSIS:

On January 9, 2017, by Roll Call No. 17-0067, the City Council approved the proposed and revised form of an Urban Renewal Development Agreement with Market District One, LLC (Frank Levy, Partner, 3408 Woodland Avenue, Suite 504, West Des Moines, IA 50266), for the construction of a 4-story, \$10.7 million multi-family housing project on City-owned land at 401 SE 6th and 400 SE 7th Street. The agreement provides for the developer to purchase the City-owned property and to receive economic development assistance upon project completion.

The developer has informed the Office of Economic Development that they wish to modify the project to respond to current market demands, and are changing the intended tenant base of the project from family housing to an age 55 plus active senior housing project, and dropping the dwelling unit by two (2) units to now include 57 apartment units. Additionally, there are minor changes to the previously approved Conceptual Development Plan that slightly shift the location of the building and the outdoor amenities on the site, but the building materials and architecture remain significantly unchanged. The modified proposal is dependent on approval of Low-Income Housing Tax Credits (LIHTC) by the Iowa Finance Authority (IFA).

These actions terminate the existing development agreement and set forth the necessary actions for City Council to take regarding the property, including authorizing publication of notice of the required competitive bid process, the City’s intent to accept the modified Market District One, LLC development proposal and the intent to enter into the proposed development agreement following public hearing on January 14, 2019 at 5:00 p.m., if no competing proposals are received.

FISCAL IMPACT:

Amount: The financial assistance package will consist of an economic development grant in the amount of \$125,000 to be paid upon completion of the project, and a declining percentage of project-generated tax increment revenues in years nine (9) through 13 with an estimated total of \$228,000 and

an economic development forgivable loan in the amount of \$105,395 for small portions of right-of-way (ROW) that have been vacated and conveyed to accommodate the project.

The developer will also utilize 10-year declining tax abatement, and will purchase the 45,067 square feet of property for fair market value at \$833,740.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project**	Estimated TIF Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$0	\$126,436	\$247,540	-\$121,104
Sum 20 Years	\$0	\$1,751,306	\$353,074	\$1,398,232
Sum 30 Years	\$0	\$3,502,612	\$353,074	\$3,149,538

Funding Source: Metro Center Urban Renewal Tax Increment (economic development grant at project completion) and project generated tax increment in the Metro Center Urban Renewal Area, years nine (9) through 13, ROW land sale proceeds. A specific fund code will be assigned by the Finance Department.

ADDITIONAL INFORMATION:

- This development project is now proposed as a 4-story, 57-unit multi-family residential building for the 55 plus age group, and will include six (6) units renting at market rates, 36 units renting at 60% Area Median Income (AMI), nine (9) units at 40% AMI, and six (6) units renting at 30% AMI.
- Proposed resident amenities will include an outdoor patio and commons space, an indoor shared community room, individual balconies and patios most of the dwelling units, outdoor park-like amenity spaces, and an estimated 49 on-site parking stalls.
- As a part of the development agreement, the developer is expected to improve the immediately adjoining segments of Raccoon and SE 7th Streets with an urban street cross-section that will include public sidewalk and curb and gutter where it doesn't currently exist today.
- The prior acquisition of property necessary for completion of the East Martin Luther King Jr. Parkway project from SE 4th to SE 10th Streets had left remnant properties along the north side of the corridor that are challenging to redevelop since the properties are narrow in depth and wedged between existing rights-of-way. For this reason, acquiring additional excess rights-of-way on the north, south and east sides of the project site is instrumental in getting the project layout to fit on this site. Staff has spent considerable and mutually cooperative time working with the developer and their design team to provide a concept that can meet the various urban-design related goals of the City. It is anticipated that the layout and form of this project could also be emulated on other adjoining blocks facing the same parcel size constraints.
- City staff have worked with the developer on this project since 2015 to find creative solutions that would maximize the development potential on this property, vacate adjoining rights-of-way necessary to complete the project, and address a project funding gap with a modest financial assistance package utilizing a combination of residential tax abatement and project-generated TIF, in the form of an economic development grant.

Project Vicinity Map



PREVIOUS COUNCIL ACTION(S):

Date: January 9, 2017

Roll Call Number: [17-0067](#)

Action: [On](#) Urban Renewal Development Agreement with Market District One, LLC to develop City-owned property at 401 SE 6th Street and 400 SE 7th Street in the Metro Center Urban Renewal Area, approving Conceptual Development Plan and setting public hearing on vacation of adjoining City right-of-way, (1-23-17). ([Council Communication No. 17-020](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Plan and Zoning Commission

Date: December 7, 2017

Resolution Number: N/A

Action: Plan and Zoning Commission voted to approve the submitted Site Plan for Connolly Lofts, for property located at 400 SE 6th Street and 401 SE 7th Street, subject to conditions. Motion carried 8-1.

Board: Urban Design Review Board

Date: November 28, 2017

Resolution Number: N/A

Action: A consensus of the members present of the Urban Design Review Board approved the final design update for the Connolly Lofts project.

Board: Urban Design Review Board

Date: December 1, 2016

Resolution Number: N/A

Action: Urban Design Review Board approved the final design review of the Connolly Lofts project with Board comments. Motion by Reynolds. Seconded by Heiman-Godar. Motion carried 7-0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval of revised Urban Renewal Development Agreement, acceptance of Conceptual Development Plan, and hearing on sale of City-owned land.

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