


COUNCIL COMMUNICATION

	Number:	19-005	Meeting:	January 14, 2019
	Agenda Item:	49	Roll Call:	19-0074
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution holding hearing and approving Urban Renewal Development Agreement with Market District One, LLC to purchase and develop City-owned property at 401 SE 6th Street and 400 SE 7th Street in the Metro Center Urban Renewal Area, and approving conceptual development plan.

SYNOPSIS:

On December 10, 2018, by Roll Call 18-2031, the City Council accepted a proposal to purchase and develop City-owned land from Market District One, LLC (Frank Levy, Partner, 3408 Woodland Avenue, Suite 504, West Des Moines, IA 50266), for purposes of constructing a 4-story, \$10.7 million 57- unit multi-family senior housing project (for 55 plus year old), located on City-owned land at 400 SE 6th and 401 SE Streets.

No other proposals were received for this site. After hearing public comment on the January 14, 2019 City Council meeting, the Council will vote on executing the following actions:

1. The Office of Economic Development (OED) has negotiated final terms of an Urban Renewal Development Agreement with Market District One, LLC, for a financial assistance package that is explained in further detail in the “Fiscal Impact” section below.
2. Approval of the “Conceptual Development Plan” for the property.
3. Resolution closing hearing and approving Urban Renewal Agreement for sale of land for private redevelopment to Market District One, LLC, to purchase 1.03-acres (45,067 square feet) of City-owned property located at 401 SE 6th Street and 400 SE 7th Street in the amount of \$833,740, for purposes of constructing a new multi-family senior housing development.

FISCAL IMPACT:

Amount: The financial assistance package included in the Urban Renewal Agreement 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 value of \$228,000, and an economic development forgivable loan in the amount of \$105,395 for small portions of vacated right-of-way (ROW) that are necessary to build the project on this site.

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, subject to a closing credit, if applicable, in the amount of the lowest of three (3) bids estimating the cost of environmental remediation on the Property

required by the Iowa Department of Natural Resources (IDNR), or other state and federal regulations, to be incurred by the developer and not to exceed \$200,000 regardless of bid amount.

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

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

**Taxes received estimates used an assumption for 2.5% growth in re-assessment years.

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 80% Area Median Income (AMI), 36 units renting at 60% AMI, nine (9) units renting at 40% AMI, and six (6) units renting at 30% AMI. The project is no longer proposed to include six (6) market rate housing units, with the market rate units shifting to the 80% AMI affordability threshold.
- Proposed resident amenities will include an outdoor patio and commons space, an indoor shared community room, individual balconies and patios on 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 cross-section that will include public sidewalk and curb and gutter where it does not currently exist today.
- The prior acquisition of property necessary for completion of the East Martin Luther King Jr. Parkway project from SE 4th Street to SE 10th Streets has 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 right-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 same 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 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 TIF in the form of an economic development grant.



PREVIOUS COUNCIL ACTION(S):

Date: December 10, 2018

Roll Call Number: [18-2030](#) and [18-2031](#)

Action: Items regarding the Market District One, LLC for the “Connolly Lofts” project at 401 SE 6th Street and 400 SE 7th Street: ([Council Communication No. 18-655](#))

- (A) [Approving](#) termination of existing Urban Renewal Development Agreement.
- (B) [Receiving](#) development proposal from Market District One, LLC to purchase and develop City-owned property in the Metro Center Urban Renewal Area and setting date of hearing on proposal and land sale, (1-14-19).

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 and 400 SE 7th Streets in the Metro Center Urban Renewal Area, approving Conceptual Development Plan and setting public hearing on vacation of adjoining 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:

Issuance of Certificate of Completion when project construction has ended.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.