


## COUNCIL COMMUNICATION

	Number:	<b>19-388</b>	Meeting:	<b>September 9, 2019</b>
	Agenda Item:	<b>43B</b>	Roll Call:	<b>19-1409</b>
	Submitted by:	<b>Erin Olson-Douglas, Economic Development Director</b>		

### AGENDA HEADING:

Resolution Ratifying the Third Amended and Restated Urban Renewal Development Agreement with River Point West, LLC for the Gray's Landing Project.

### SYNOPSIS:

On January 14, 2019, by Roll Call No. 19-0073, City Council conditionally approved the Third Amended and Restated Urban Renewal Development Agreement with River Point West, LLC (George Sherman, President, 233 Park Avenue South Minneapolis, MN 55413) to provide for the continued development of the Gray's Landing Area. The conditional approval was due to receipt of final approval by the U.S. Department of Housing and Urban Development (HUD) for the Agreement as well as receipt of HUD approval of the First Amendment to Contract for Loan Guarantee Assistance for the Section 108 loan. The First Amendment is also on this agenda.

### FISCAL IMPACT:

Amount: Riverpoint West, LLC will advance to the City during the Section 108 repayment term an amount estimated at \$10,916,642, including interest carry, to fund any shortfall in the Section 108 repayment obligation. Riverpoint West, LLC will then be repaid for these advance payments through project generated tax increment financing (TIF) estimated to begin in Fiscal Year (FY) 2030 and not to exceed FY 2040. Riverpoint West, LLC will also be granted an amount not to exceed \$2.8 million through 50% of project generated TIF from the second hotel project, Gray's Landing office building, both phases of senior apartments, and all other projects and 36% of project generated TIF from all other projects, from FY 2022 through FY 2036 for project development costs.

Funding Source: River Point West, LLC and project generated TIF in the Metro Center Urban Renewal Area

### ADDITIONAL INFORMATION:

- The second set of projects includes a second hotel, two (2) phases of senior apartments, two (2) market rate apartment projects, a commercial pad site and the completion of the Gray's Landing office building with a total estimated investment of \$154,000,000.

- Proposed TIF Distribution:
  - All TIF will be project generated.
  - 100% of the new TIF on the Holiday Inn Express, Nexus, Edge, and child care center is proposed to flow directly to the Section 108 loan payments, with Riverpoint West, LLC making up any difference in these semi-annual payments.
  - 50% of the new TIF on the second hotel, both phases of senior apartments, and the Gray's Landing office building would go to the Section 108 loan; 50% of the second hotel and the Gray's Landing office building and 36% of all other projects would go to development costs.
  - Following the end of the Section 108 term in FY 2028, project generated TIF would go to River Point West, LLC's advance Section 108 payments.
  - The term for project generated TIF capture for the development costs will end in FY 2036; term for TIF capture on Section 108 advances will end in FY 2040.
  - Each new project will return for individual design review by the Urban Design Review Board and City Council through a separate parcel development agreement and minimum assessment agreement, along with an updated conceptual master plan. Any assignment of economic development grants to separate projects by the developer will occur through the parcel development agreement process.
  
- The City's return on investment (ROI) for the Gray's Landing project is estimated as follows:
  - 2007 base land values: \$6,376,094
  - 2040 projected total taxable valuation: \$97,352,064
  - Total estimated River Point West, LLC project investment: \$215,050,000
  - Total estimated Section 108 Loan payments and interest carry by River Point West, LLC through FY2028: \$10,916,642 (based on new amortization schedule)
  - Total TIF generation: \$37,862,333
  - Total project generated TIF to River Point West, LLC for project development costs: \$2,800,000 (NPV 5.5%)
  - Total project generated TIF to River Point West, LLC for repayment of Section 108 loan advances: \$5,430,980 (NPV 5.5%)
  - City participation 10.2% of total project investment

**PREVIOUS COUNCIL ACTION(S):**

Date: January 14, 2019

Roll Call Number: [19-0070](#), [19-0071](#), [19-0072](#) , and [19-0073](#)

Action: Items regarding the Gray's Landing and Gray's Station Urban Renewal Projects located south of Martin Luther King Jr. Parkway and west of SW 9<sup>th</sup> Street:

- (A) Closing the public hearing on the issuance of not to exceed \$8,500,000 Urban Renewal Revenue Refunding Section 108 Government Guaranteed Participation Certificates and one or more Notes issued as part of said Series, of the City of Des Moines, State of Iowa. ([Council Communication No. 19-024](#)) Moved by Mandelbaum to adopt. Motion Carried 7-0.
- (1) Instituting proceedings to take additional action. Moved by Mandelbaum to adopt. Motion Carried 7-0.
- (B) Closing the Three-Party Agreement with River Point West LLC and HRC NFS I, LLC, which provides for the sale of City-owned land to River Point West LLC, and approving same. ([Council Communication No. 19-021](#)) Moved by Mandelbaum to adopt. Motion Carried 7-0.
- (C) Conditionally approving Third Amended and Restated Urban Renewal Development Agreement with River Point West LLC for the Gray's Landing Project. ([Council Communication No. 19-022](#)) Moved by Mandelbaum to adopt. 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 subject to a commitment to meet monthly between the two (2) development teams and the City to better coordinate the projects and that the developer provide a framework diagram that shows the public improvements in terms of open space and circulation by MacRae. Seconded by Weisenbach. Motion carried. Yes – 7, No – 0, Abstain – 1, Absent-2.

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Parcel development agreements, minimum assessment agreements and consent to sale for each project, with review by Urban Design Review Board and City Council.
- Certificates of Completion for each project.
- Future Updated Master Conceptual Development plan for blocks between SW 11<sup>th</sup> Street and SW 16<sup>th</sup> Street.

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](mailto:cityclerk@dmgov.org).