


COUNCIL COMMUNICATION

	Number:	19-453	Meeting:	October 14, 2019
	Agenda Item:	57	Roll Call:	[]
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Items related to Connolly Lofts Associates, L.P. 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 Connolly Lofts Associates, L.P. to develop a multi-family housing project on City-owned property at 401 SE 6th Street and 400 SE 7th Street, and setting date of public hearing on the proposal and land sale for November 18, 2019.

SYNOPSIS:

Variations of this project have been proposed since 2015, with the City Council last approving a revised Urban Renewal Development Agreement for a senior housing project on January 14, 2019, by Roll Call No. 19-0074. Connolly Lofts, L.P. (Frank Levy, Managing Member, 3408 Woodland Avenue, Suite 504, West Des Moines, IA 50266) has opted to modify the project to respond to current market demands, and is changing the intended tenant base of this 4-story, 57 dwelling unit project, from senior housing to market rate housing. A total of four (4) dwelling units will have an affordable set-aside for households at or below 50% of the Area Median Income (AMI) for the duration of the development agreement, but the applicant is no longer pursuing Low Income Housing Tax Credits for the project.

These actions terminate the existing development agreement for a senior housing project 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 Connolly Lofts, L.P. development proposal and the intent to enter into the proposed agreement following public hearing on November 4, 2019 at 5:00 p.m., if no competing proposals are received.

The Office of Economic Development (OED) has negotiated the final terms of an Urban Renewal Development Agreement with Connolly Lofts, L.P., for a financial assistance package that provides payment of an economic development grant to be paid out upon project completion, and project-generated tax increment to be provided in semi-annual payments for a period of six (6) years.

FISCAL IMPACT:

Amount: The financial assistance package will consist of an economic development forgivable loan in the amount of \$350,000 to be paid upon the closing of the land sale, and a declining percentage of project-generated tax increment revenues in years nine (9) through 14 worth an estimated total of \$724,859 or \$432,161 on a net present value (NPV) basis. The Developer will also utilize 10-year declining tax abatement.

Return on Investment:

Year	Estimated Taxes Received Without Project*	Estimated Taxes Received with Project**	Estimated TIF Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$0	\$186,985	\$532,038	-\$407,038
Sum 20 Years	\$0	\$1,786,699	\$1,125,952	\$660,747
Sum 30 Years	\$0	\$4,194,475	\$1,125,952	\$3,068,523

*Taxes include all property taxing authorities (not just City property taxes) on a currently tax-exempt parcel.

**Taxes received estimates used an assumption for 1.5% growth in reassessment years.

The Developer will purchase the 45,067-square-foot City-owned property for fair market value of \$830,000. Since the property was purchased with federal funds, the land sale proceeds (less vacated City rights-of-way {ROW}) are not able to be granted to the Developer. However, the City is proposing an economic development forgivable loan in the amount of \$444,366, which includes the value of the excess portions of ROW vacated and conveyed to assemble the project site and do not have the federal encumbrance on the land sale proceeds.

Funding Source: Metro Center Urban Renewal Tax Increment (economic development forgivable loan upon project completion) and project-generated tax increment in the Metro Center Urban Renewal Area, years nine (9) through 14, ROW land sale proceeds. A specific fund code will be assigned by the Finance Department.

ADDITIONAL INFORMATION:

- The terms of the agreement and amount of project-generated tax increment financing (TIF) have been modified to respond to a higher land purchase cost based on a recent appraisal, and to replace low income housing tax credits and Polk County Housing Trust Fund dollars that are no longer a financial source for this project. 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 financial assistance package utilizing a combination of residential tax abatement and an economic development grant largely paid by project-generated TIF.
- This development is now proposed as a 4-story, 57-unit multi-family residential building that will include four (4) units renting at “HOME” income and rent limit affordability thresholds, which is considered applicable to households at or below 50% of area median income.
- 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 estimated 49 on-site surface parking stalls.

- As part of the development agreement, the Developer is expected to improve the immediately adjoining segment of Raccoon Street with an urban street cross-section that includes curb and gutter, public sidewalk, and an on-street parallel parking area where it currently does not exist. Curb and gutter and public sidewalk will also be installed along the western side of SE 7th Street, where it adjoins the project.
- 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.

**PREVIOUS COUNCIL ACTION(S):**

Date: January 14, 2019

Roll Call Number: [19-0074](#)

Action: [On](#) Urban Renewal Development Agreement with Market District One, LLC to purchase and develop City-owned property at 401 SE 6th and 400 SE 7th Street in the Metro Center Urban Renewal Area and approving Conceptual Development Plan. ([Council Communication No. 19-005](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: November 27, 2018

Resolution Number: N/A

Action: A consensus of the members present reviewed the design update on the project and provided comment on the revised design. This review was informational only and no formal action was taken.

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 Board voted to approve the final design update for the Connolly Lofts project.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

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

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