

## COUNCIL COMMUNICATION

	Number:	<b>20-098</b>	Meeting:	<b>February 24, 2020</b>
	Agenda Item:	<b>28</b>	Roll Call:	<b>20-0345</b>
	Submitted by:	<b>Erin Olson-Douglas, Economic Development Director</b>		

### AGENDA HEADING:

Resolution approving preliminary terms for an urban renewal development agreement with Nelson Development for the construction of a mixed-use building located on the southwest corner of 26th Street and University Avenue, across from Drake University.

### SYNOPSIS:

Nelson Development (Alexander Grgurich, 505 5th Avenue, Des Moines, IA 50309), proposes to construct an approximately 83,000-square-foot, 4-story mixed use building on property located at the southeast corner of 26th Street and University Avenue, across from Drake University. The proposed building will include 135 residential units and approximately 6,000 square feet of commercial space on the ground floor along University Avenue. The 135 residential units would be a variety of sizes from 330 square feet to 940 square feet. The units will include 14 provided at rents affordable at the 80% area median income (AMI) level. The project is anticipated to cost approximately \$21 million and would begin construction in spring 2020.

The Office of Economic Development has negotiated preliminary terms of a development agreement with Nelson Development, which provides for project-generated tax increment to respond to a financing gap presented by the Developer. Additional details are provided in the fiscal impact section below.

### FISCAL IMPACT:

Amount: For the commercial area of the building (exclusive of land), the project would receive 100% of the project-generated tax increment for 15 years, and 70% for years 16 and 17.

For the multi-family area of the building (exclusive of land), the project would be eligible for the 10-year declining tax abatement schedule (100% for the first eight {8} years; 60% for year nine {9}; 40% for year ten {10}). In addition, the low to moderate income (LMI) portion of the multi-family project would receive 100% of the project tax increment financing (TIF) after tax abatement in years nine (9) and 10, 100% of the project-generated TIF in years 11 through 15; and 70% of project-generated TIF in years 16 and 17. The projected TIF assistance is \$3,389,419, which would be capped at \$3.4 million. The estimated value of the project-generated TIF is \$1.96 million (net present value {NPV} at 4.5% discount rate). The TIF assistance is estimated at 9.52% of total project costs.

Funding Source: Project-generated tax increment from the Drake Urban Renewal Plan/TIF District.

Years	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated TIF Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$0 (remain as Drake-owned)	\$4,306,957	\$638,427	\$3,668,530
Sum 20 Years	\$0 (remain as Drake-owned)	\$9,561,215	\$3,389,419 (NPV=\$1,964,095)	\$6,171,796
Sum 30 Years	\$0 (remain as Drake-owned)	\$15,965,355	\$3,389,419 (NPV=\$1,964,095)	\$12,575,936

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

Building and Land Valuation Assumptions at Completion of Construction:

- \$13,665,000 Mixed use building
- \$208,000 Land Assessment

**ADDITIONAL INFORMATION:**

- The property, consisting of a half-acre vacant lot and three (3) residential properties, for a total of approximately one (1) acre had previously been owned by Drake University. The properties were tax-exempt when owned by Drake. Nelson purchased all four (4) parcels. A portion of the City-owned alley will also be vacated and sold to the Developer.
- The property was the subject of a Request for Proposal (RFP) process by Drake University in 2016. That RFP process also included the property to the west, which is currently under construction (Home2Suites site).
- The 6,000 square feet of commercial portion of the project is proposed to consist of a 4,000-square-foot restaurant and 2,000 square feet of retail.
- The 135 residential units are proposed to consist of: 65 micro units (330 square feet); 43 studio units (445 square feet); 11 alcove units (530 square feet); and 16 2-bedroom units (940 square feet).
- The Developer has agreed to provide 10% of the units (14 units) at affordable rates.
- A fitness space for the residential tenants is proposed for the ground floor. An outdoor patio space and community rooms for the residential tenants will be located on the northwest corner of the fourth floor.
- The Developer is participating in MidAmerican’s Commercial New Construction program and will be working with Willdan to maximize energy performance. They have also committed to provide four (4) electric vehicle (EV) charging stations.

**PREVIOUS COUNCIL ACTION(S):**

Date: February 10, 2020

Roll Call Number: [20-0271](#), [20-0272](#), and [20-0273](#)

Action: Items regarding property at the 2530 University Avenue and 1157, 1159 and 1161 26<sup>th</sup> Street (ND Drake Multifamily, LLC, Michael Nelson, Officer):

- (A) [Hearing](#) to amend the PlanDSM: Creating our Tomorrow Plan future land use designation and rezone from “MX1” Mixed Used District and “N5” Neighborhood District to “MX2” Mixed Use District to allow for a 4-story mixed-use building with 136 household units and 6,000 square feet of ground floor retail/office use. Moved by Mandelbaum to adopt. Motion Carried 7-0.
- (B) [First](#) consideration of ordinance above. Moved by Mandelbaum that this ordinance be considered and given first vote for passage. Motion Carried 7-0.
- (C) [Final](#) consideration of ordinance above (waiver requested by the applicant), requires six votes. Moved by Mandelbaum that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#15,862](#). Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S):**

Board: Plan and Zoning Commission

Date: January 16, 2020

Resolution Number: 11-2019-1.30 (vacation)  
21-2019-4.27 (and use plan amendment)  
ZON2019-00241 (rezoning)

Action: Greg Jones made a motion for APPROVAL of Part A) approval of the requested vacations subject to the following conditions:

1. Reservation of any necessary easements to allow public access to the alley from 26th Street.
2. Reservation of any existing utilities until such time that they are abandoned or relocated at the applicant’s expense.
3. Any construction on the proposed vacations shall be in accordance with all administrative comments from Traffic and Transportation as part of the Site Plan review.

Part B) the proposed rezoning is not in conformance with the PlanDSM Creating Our Tomorrow future land use map, Part C) APPROVAL of the requested amendment to PlanDSM Creating Our Tomorrow Plan to revise the future land use designation from Low-Medium Density Residential to Neighborhood Mixed Use on property at 1157 26th Street and Part D) APPROVAL of rezoning the subject properties from “MX1” Mixed Use District and “N5” Neighborhood District to “MX2” Mixed Use District. THE VOTE: 13-0.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Urban Design Review Board – review of design and financial information.
- Plan and Zoning Commission – site plan review, alley vacation.
- City Council – development agreement, alley vacation/conveyance, amendment to Urban Renewal Plan.

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