

COUNCIL COMMUNICATION

	Number:	20-199	Meeting:	May 4, 2020
	Agenda Item:	29	Roll Call:	20-757
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving final terms of a development agreement with Nelson Development for the construction of a mixed-use building located on the southeast 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 project is anticipated to cost approximately \$21 million and would begin construction in spring 2020.

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
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*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).
- 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 has agreed to provide 10% of the units (14 units) at rents affordable at the 80% area median income (AMI) level.
- The Developer will exceed the applicable Energy Code requirements by participating in MidAmerican's Commercial New Construction program and will be working with Willdan to maximize energy performance.
- The Developer has also committed to provide four (4) electric vehicle (EV) charging stations, with 25% of the remaining parking lot to be constructed with the necessary electrical infrastructure, including properly located conduit to allow the later addition of electric vehicle charging stations.

PREVIOUS COUNCIL ACTION(S):

Date: February 24, 2020

Roll Call Number: [20-0345](#)

Action: [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. ([Council Communication No. 20-098](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: April 7, 2020

Resolution Number: N/A

Action: Motion to recommend approval of final design, subject to additional design work on base of mural and cornice on west elevation by Hielkema. Seconded by Weisenbach. Motion carried Yes = 6, No = 2, Abstain = 0, Absent = 1.

Motion recommend approval of the financial assistance package as presented by Clark. Seconded by Hielkema. Motion carried Yes = 6, No = 2, Abstain = 0, Absent = 1.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

City Council – amendment to Urban Renewal Plan; issuance of Certificate of Completion.

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