

## COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	21-062	Meeting:	February 8, 2021
	Agenda Item:	48II	Roll Call:	[ ]
	Submitted by:	<b>Erin Olson-Douglas, Development Services Department Director</b>		

### AGENDA HEADING:

Resolution approving preliminary terms for sale and/or lease of City-owned property and for an urban renewal development agreement with Krause+ for the phased, master planned redevelopment of approximately 60-acres of property, south of Martin Luther King Parkway, east of the Raccoon River and 6-acres of property in the Western Gateway area, bounded by High Street and Grand Avenue between 15th, 16th, and 17th Streets.

### SYNOPSIS:

The Office of Economic Development has negotiated preliminary terms of an Urban Renewal Development Agreement with Krause+ (Gerard Haberman, President, 1459 Grand Avenue, Des Moines, IA 50309-3005) for project-generated tax increment financing (TIF) to assist with extraordinary development costs related to the redevelopment of an approximately 66-acre area consisting of two (2) areas of the downtown: 1) approximately 60-acres at the Stadium District located south of Martin Luther King Parkway and east of the Raccoon River; and 2) approximately 6-acres at the Western Gateway District located between High Street and Grand Avenue, between 15th, 16th, and 17th Streets.

The Stadium District will include a 6,300-seat multi-use stadium built for soccer, which will be non-taxable, but will be the impetus for additional development in the area, such as a 150-room hotel; residential, commercial, and office buildings; and a parking ramp. When fully developed, the Stadium District will transform a brownfield area (including a Superfund Site) into a welcoming gateway into the downtown; provide the construction/reconstruction of substandard or vacant public infrastructure, such as streets and public sidewalks; and increase the City's property tax base.

The Western Gateway District includes a 125-room hotel to serve the nearby hospital and neighborhood; renovation of the Crescent Chevrolet building; residential, commercial, and office buildings; as well as public places with art. Some of the existing buildings will be restored, while some will be torn down. The developer is also proposing traffic-calming improvements along Ingersoll Avenue.

The entire development area is proposed to consist of approximately 2.1 million square feet of new or renovated building development at a cost of \$550 million. The land proposed for redevelopment is currently assessed at \$12.12 million, which includes 3.8-acres of property currently owned by the City. Assessed valuation of new development in the project area is projected to be up to \$330 million. The development area is expected to be built out in 12-15 years. The developer proposes to open the first part of the phased development as early as 2022, with the stadium expected to be complete in spring 2024.

Krause+'s intent is to serve as the Master Developer. They will prepare the properties for redevelopment through replatting, street construction, and utility relocation/construction, as well as development. They plan to retain long-term ownership of the developed properties. Krause intends to use some of the TIF they receive to help fund the construction of the multi-use stadium. An additional request for City tax dollars for the stadium is not planned.

### **FISCAL IMPACT:**

Amount: The proposed terms provide for project-generated tax increment on the building valuations, exclusive of land at 90% for 20 years. A cap that reflects the financing gap for the projects will be determined and included in the final development agreement.

While it is estimated that complete build-out will take about 12-15 years, projections show that a future assessed valuation could exceed \$330 million. The project is anticipated to generate \$190 million in new revenue to the City over 20 years.

Funding Source: Project generated tax increment via an economic development grant within the Metro Center Urban Renewal Area.

### **ADDITIONAL INFORMATION:**

- Proposed projects in the Stadium District west of SW 16th Street include:
  - 6,300-seat, multi-purpose arena, which will include three (3) outdoor practice fields and a pedestrian plaza with a free-standing USL soccer team store, free-standing pavilion, and free-standing restaurant (considered to be four {4} separate projects)
  - 5,600-square-foot 1-story convenience store
  - 16,000-square-foot 2-story retail building
  - 90,300-square-foot 8-story150-room hotel
  - 31,400-square-foot 2-story athletic training facility
  - 20,000-square-foot 1-story retail building
- Proposed projects west of SW 14th Street include:
  - 180,000-square-foot 5-story office/retail building
  - 38,000-square-foot 1-story retail building
  - 380,000-square-foot 5-story 1,100-stall parking ramp
  - 51,000-square-foot 3-story entertainment venue
  - 48,000-square-foot 2-story retail building
- Proposed projects east of SW 14th Street include:
  - 146,000-square-foot 4-story office/retail building
  - 102,000-square-foot 4-story 96-unit multi-family/retail building
  - 140,000-square-foot 5-story 128-unit multi-family/retail building
  - 100,000-square-foot 6-story 110-unit multi-family/retail building
  - 160,000-square-foot 5-story175-unit multi-family building

- Proposed projects in the block bounded by 15th Street, 16th Street, Grand Avenue, and Ingersoll Avenue include:
  - 16,800-square-foot 4-story, 23-unit, multifamily/retail building
  - 23,000 square-foot 3-story, 11-unit multi-family/retail building
  - 101,400 square-foot 7-story, 125-unit multi-family/office building
  - 12,000 square-foot 150-stall underground parking for southern block
- Proposed projects in the block bounded by 15th Street, 17th Street, Ingersoll Avenue, and High Street include:
  - 88,000 square-foot 5-story 125-room hotel
  - 11,600 square-foot 2-story 9-unit multi-family/retail building
  - 40,500 square-foot 5-story 50-unit multi-family/retail
  - 49,500 square-foot 3-story 76-unit multi-family building
  - 24,900 square-foot 3-story office/retail building
  - 32,300 square-foot 3-story office/retail building
  - 54,000 square-foot restaurant/retail
  - 40,000 square-foot 3-story 73-unit multi-family building
  - 16,000 square-foot 200-stall underground parking for NE block
  - Underground parking for NW block
- The Stadium development property would include the 38-acre Dico site, which has been the subject of a longstanding dispute between the Department of Justice (DOJ)/ Environmental Protection Agency (EPA) and the Dico/Titan entities. A consent decree between the DOJ, EPA and Dico/Titan has been prepared whereby the City would eventually gain title to the property and be part of a clean-up effort with EPA. The consent decree has not yet been approved by the Federal District Court. After the City gains title, Krause proposes to buy or lease the property from the City. Sale or lease would be pursuant to Iowa Code section 403.8 and provide an opportunity for alternative proposals. Regardless of a purchase or lease, ongoing environmental monitoring will be required on the property. Since the site is a Superfund site, the type of development on the site is limited. The proposed uses on the property would need to meet the EPA standards for redevelopment and include a 6,300-seat multi-use stadium with an open-air plaza, a hotel, some commercial uses, and about 13-acres of open space with three (3) practice fields.
- Much of the rest of the development area is a brownfield that will greatly benefit from redevelopment. Two (2) of the properties most recently acquired by Krause+ had been longtime hold outs with both Sherman & Associates and Hubbell attempting to purchase them over the years. With these final two (2) acquisitions, three (3) developers now own the balance of the Riverpoint property south of Martin Luther King Jr. Parkway and east of the Raccoon River and are currently working on a Master Plan for the entire area together.
- The City also owns a 1.27-acre parcel just north of the Dico site north of Wabash Street. Krause proposes to purchase that site as well as the right-of-way adjacent to it (approximately 1-acre) on the east, west, and south sides, and right-of way along Martin Luther King Jr. Parkway further east (approximately .15-acre). In addition, there is a 1.43-acre parcel and adjacent right-of-way in the Western Gateway area south of Linden Street that Krause also proposes to buy. Staff recommends these parcels be sold to Krause as part of their proposed development projects.

- A portion of the Krause-owned property within the Stadium development area had been previously owned by Sherman Associates and is part of an existing development agreement between the City, Sherman, and HUD. The terms of that development agreement will still apply for that property.
- Krause proposes to create a 501(c)(3) entity to build and own the stadium. The stadium would be used for soccer (about 20 games per year), but would also be available for other sporting events, festivals, concerts, etc.
- The Developer has opted to forgo allowance of residential tax abatement on projects that are built within the boundaries of this agreement.
- To support regional affordable housing needs, housing development in this area will include recommendations from the recent Des Moines Regional Workforce Housing Strategy. Currently, the developer has indicated they would provide 10% of units at 80% AMI and 5% of units at 60% AMI; final details will be determined in the final development agreement.
- The public shall have access to the 1,100-stall parking ramp on Tuttle Street (Project I) during evenings, weekends, and holidays.
- Projects within the boundaries of this agreement will be required to utilize MidAmerican Energy's Commercial New Construction Energy Efficiency Program and will work with an approved energy consultant prior to construction to determine a percentage of energy performance above the minimum applicable code that is achievable for the project. The incorporation of additional sustainability measures on redevelopment projects is strongly encouraged. The stadium will be built to SITES standards (level TBD). Electric charging stations will be provided in parking directly around the stadium. Additional energy saving initiatives are being considered.

Map of the Area



- Most of this development area is also part of a request for a financial allocation from the State of Iowa through the Iowa Reinvestment Act (IRA). Council consideration for that application will be a separate item on the same agenda. Additional property owned by Sherman Associates will also be included in the IRA District application, but is not part of this development agreement.

**PREVIOUS COUNCIL ACTION(S):**

Date: October 5, 2020

Roll Call Number: [20-1601](#)

Action: [Receive](#) and file letter regarding Dico Site Redevelopment. Moved by Mandelbaum to receive, file and refer to City Manager Office. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S): NONE****ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Plan and Zoning Commission – recommendation on right-of-way vacation and conveyance; recommendation on site plans if Type 2 alternatives are requested
- Urban Design Review Board – recommendation on conceptual development plans and financial incentives
- City Council – approval of Urban Renewal Economic Development Agreement; approval of conveyance of City-owned property

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