

COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	22-389	Meeting:	August 22, 2022
	Agenda Item:	28	Roll Call:	22-1332
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving an Amended and Restated Urban Renewal Development Agreement with The District Developer, LLC, to develop the master planned mixed-use redevelopment of 10 blocks of private and City-owned property located in the vicinity of East 4th and East Market Streets.

SYNOPSIS:

On January 25, 2021, by Roll Call Number 21-0154, the City Council accepted a proposal to purchase and develop City-owned land from The District Developer, LLC, a consortium consisting of JSC Properties and MidAmerican Energy (Paul Hayes, Managing Member, 350 East Locust Street, Suite 309, Des Moines, IA 50309), related to the redevelopment of a 10-block, 39-acre industrial area, generally located around East 4th and East Market Streets. The agreement provides for the Developer to purchase the City-owned property and to receive economic development assistance from tax increment financing (TIF) upon completion of projects within the development area.

On December 6, 2021, by Roll Call Number 21-1827, the City Council approved the First Amendment to the Urban Renewal Development Agreement that clarified and provided additional detail on the scope of public improvements, changed the closing dates of parcel sales, and accepted a revised and updated Conceptual Development Plan.

On July 18, 2022, by Roll Call Number 22-1143, the City Council approved the Second Amendment to the Urban Renewal Development Agreement to revise the set of restrictive covenants to remove the provision stating that “any part of the Property or the Improvements to be owned by a telephone utility or any other entity of a type that would lead to the assessed value of the Property being centrally assessed by the State of Iowa or otherwise exempt from local real estate taxation by Polk County, Iowa” from Lots 3, 4A and 4B, as indicated on the approved final plat that has been recorded.

The proposed Amended and Restated Urban Renewal Development Agreement proposes the following changes:

- Modification of the project-generated TIF incentive, to allow projects built between approval of the amended agreement and the end of 2027 to receive 20-year, 100% TIF to overcome current economic and construction-related cost challenges. Development projects that commence construction after December 31, 2027, will return back to the previously agreed upon 93% TIF schedule for 20 years.
- Renumbering of development block designations within the agreement to match the approved final plat.
- Revised exhibit documents reflecting the new development block numbering system, bioswale maintenance task list, and revised limits of bioswale maintenance on the part of the master developer.

- Additional minor text amendments, agreement updates, and cleanup items that have been reviewed by the Legal Department and Office of Economic Development.

The first and second phases of infrastructure work and street construction are currently underway within the district, with additional improvements planned later this year and in 2023. The City will be relocating the Public Works Department to the Municipal Services Center (MSC) II facility in the coming months, allowing for the sale of City-owned property within the Market District to The District Developer, LLC for private redevelopment purposes.

FISCAL IMPACT:

Amount: The previously approved terms provide for project-generated TIF increment on the building valuations, exclusive of land, at 93% for a 20-year term for each development project. The proposed amendment to these terms would increase the project-generated TIF percentage to 100% for a 20-year term for each project commencing construction between the approval of the amendment and December 31, 2027. The recommended increase in TIF percentage is in response to current construction pricing conditions, interest rate increases, and supply chain factors that are substantially impacting development projects across the board, and is anticipated to spur development sooner to take advantage of the more lucrative TIF schedule.

Funding Source: Metro Center Urban Renewal TIF generated from the increment on each development project constructed within the development area. A specific fund code will be assigned by the Finance Department.

ADDITIONAL INFORMATION:

- JSC Properties has a history of interest in the Market District, and in conjunction with MidAmerican Energy, approached the City with the intent to pursue a large-scale urban redevelopment area of a largely industrial and under-utilized portion of the City that is proximate to the Historic East Village. The development entity is known as The District Developer, LLC.
- An Urban Renewal Development Agreement for the redevelopment of a substantial portion of the Market District area with The District Developer, LLC was originally approved by the City Council on January 25, 2021. On a redevelopment effort of this scale, it was anticipated that amendments to the agreement may periodically be needed, as real estate market conditions warrant and more is known on the dates related to the construction of public improvements, including the MSC II and streets and utilities in the area.
- In addition to the City-owned blocks addressed within the development agreement, there are additional land holdings on the riverfront that are owned by MidAmerican Energy where there is potential for a future greenspace to be constructed but is outside of the scope of the development agreement.

- Since most of the properties within this agreement are currently tax-exempt today, the current assessed valuation is only \$677,000. The entirety of this project is estimated to take 10 or more years to fully build out, with projections showing that future assessed property valuations could exceed \$245,000,000, upon completion.
- Significant building demolition, environmental remediation, and infrastructure work is needed before vertical construction can begin. The Developer's early cost projections to ready the properties for redevelopment and construct necessary infrastructure are in excess of \$25 million. Construction of Phase I and Phase II street infrastructure work has commenced and is expected to continue over the coming years.
- The City has commenced construction of the next phase of the MSC, that will allow the Public Works Department to relocate entirely out of the district into a modern and efficient workspace, and freeing up City-owned land to be sold for private redevelopment purposes. It is anticipated that construction of the MSC Phase II will be complete in the coming months.
- The City-owned land will be sold at the appraised fair market value, less the costs to perform building demolition and remediate environmental contaminants on the sites. The Developer will need to furnish three (3) bids for this scope of work, and the City will provide an environmental credit on the value of the land equivalent to the lowest of the three (3) bids.
- As a component of this agreement, the master Developer has the sole purchase option on the City-owned land to be conveyed, which will be sold in phases and as redevelopment demand warrants. To provide additional protection to the City, future phases of the land sale will be completed after performance benchmarks have been met with the satisfactory installation of infrastructure to support the redevelopment within Phase I. The Developer has agreed to a land sale price escalator of 2% annually commencing in the year following the Public Works Department's relocation to the MSC Phase II.
- The Developer has opted to forgo allowance of residential tax abatement on projects that are built within the boundaries of this agreement.
- The proposed project-generated TIF assistance in the form of an economic development grant will aid in reducing the project construction cost gap on what is anticipated to be dense, high quality urban redevelopment. The duration of the TIF assistance will be 20 years per development project, commencing upon completion. All development on this large, phased project will need to have commenced construction by no later than October 2030 to receive the full 20-year term of financial assistance.

PREVIOUS COUNCIL ACTION(S):

Date: July 18, 2022

Roll Call Number: [22-1143](#)

Action: [Second](#) Amendment to Urban Renewal Development Agreement with the District Developer, LLC. ([Council Communication No. 22-348](#)) Moved by Gatto to adopt. Second by Boesen. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: January 19, 2021

Resolution Number: N/A

Action: Motion to recommend approval of the design as presented noting Board comments including future District-wide signage to come before the Board for design review by Hielkema. Seconded by Wilke-Shapiro. Motion carried. Yes = 6, No = 0, Abstain = 3, Absent = 0.

Board: Plan and Zoning Commission

Date: November 5, 2020

Resolution Number: N/A

Action: The Plan and Zoning Commission voted 14-0 in support of approval of Part A) the City initiated vacation of Raccoon Street from Southeast 4th Street to Southeast 5th Street, and the north/south segment of alley between Southeast 4th Street to Southeast 5th Street from Raccoon Street to East Martin Luther King, Jr. Parkway, Part B) APPROVAL of the City initiated amendment to Section 135-2.18 of the City Code to revise regulations regarding applicability of Design Alternatives for maximum height requirements within the Capitol Dominance Area, Part C) APPROVAL of the developer initiated Large Scale Development plan and City-initiated rezoning being found in conformance with the PlanDSM Creating Our Tomorrow Comprehensive Plan, Part D) APPROVAL of the developer initiated Large-Scale Development Plan for the area, and adoption of it as a revision to the Market District of the East Village Master Plan element of PlanDSM Creating Our Tomorrow Comprehensive Plan, subject to addition of a table on Sheet 3 indicating maximum building heights outside the identified viewshed protection corridor, Part E) APPROVAL of the submitted Preliminary Plat for “The Market District” subject to the following conditions, Part F) APPROVAL of City initiated request to rezone property in the area west of Southeast 2nd Street from “DX2” Downtown District to “DXR” Downtown District, and rezone the property in the area east of Southeast 2nd Street from “DX2” Downtown District and “P2” Public, Civic and Institutional District to “DX1” Downtown District with the limitation of a Maximum Height for Buildings that is legally described based on the view corridor model established by the Large-Scale Development Plan.

Board: Urban Design Review Board

Date: August 4, 2020

Resolution Number: N/A

Action: Motion to recommend approval of the design as presented, noting the Board’s comments by Morgan-Huggins. Seconded by Nagle. Motion carried. Yes = 5, No = 0, Abstain = 2, Absent = 2.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Approval of public improvement plans/private construction contracts for additional street and utility infrastructure work.
- Urban Design Review Board approval of various development projects as they are proposed.

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.