

Date February 22, 2016

RESOLUTION APPROVING COMPETITIVE PROCESS FOR SALE AND REDEVELOPMENT OF CITY OWNED PROPERTIES AT 7th AND GRAND AVENUE; RECEIVING PROPOSALS FROM 7&GRAND RAMP DEVELOPER, LLC, AND GRAND 7 PARTNERS, LLC, FOR REDEVELOPMENT OF SUCH PROPERTIES; AND, SCHEDULING HEARING ON THE SALE OF SUCH PROPERTIES AND ON THE VACATION AND CONVEYANCE OF EASEMENTS FOR A PRIVATE PEDESTRIAN BRIDGE OVER THE 700 BLOCK OF HIGH STREET AND SUBSURFACE BUILDING ENCROACHMENTS INTO ADJOINING PORTIONS OF 7TH STREET AND GRAND AVENUE

WHEREAS, on June 8, 2015, by Roll Call No. 15-0977, the City Council selected Nelson Development as the preferred developer for a luxury apartment development to be constructed in the air space above the future City parking garage then planned to be constructed upon the former YWCA and Seventh and Grand Parking Garage sites in the block bounded by Grand Avenue and High, 7th and 8th Streets and more specifically described as follow:

West Block (Disposition Parcel No. 14-B):

Except the South 7.0 feet, all of Block F, Grimmel's Addition to Fort Des Moines, an Official Plat, all now included in and forming a part of the City of Des Moines, Polk County, Iowa.

WHEREAS, the City-owned land in the west half of the block east of 7th Street between Grand Avenue and High Street more specifically described as follows was to be redeveloped as a separate project upon completion of the new City parking garage and apartment building on the West Block:

East Half-Block (Disposition Parcel No. 14-A):

All of Lot 6 of Block E, Grimmel's Addition to Fort Des Moines, an Official Plat; and except the South 7.0 feet, Lots 1 and 2 of the Official Plat of Lots 4 and 5 Block E Grimmel's Addition, an Official Plat, all now included in and forming a part of the City of Des Moines, Polk County, Iowa.

WHEREAS, on January 11, 2016, by Roll Call No. 16-0079, the City Council received and approved preliminary terms of agreement on a more compelling set of proposals from Principal Development Group, Inc. and Nelson Development for the West Block and the East Half-Block as follows:

- Principal Development Group would purchase the West Block and would finance, construct, and own a six level parking garage thereon; and,

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- Nelson Development would purchase the East Half-Block, and would construct a mixed-use building thereon having at least 8 stories with street level commercial space, and at least 7 stories of luxury apartments or office space; and,

WHEREAS, by said Roll Call No. 16-0079, the City Council also directed the City Manager to proceed with negotiation of formal agreements with Principal and Nelson Development consistent with the terms set forth in Council Communication No. 16-021; and,

WHEREAS, Grand 7 Partners, LLC (hereinafter "7 Partners"), was created by Nelson Development to serve as the development entity for the redevelopment of the East Half-Block; and,

WHEREAS, 7Grand Ramp Developer, LLC (hereinafter "7Grand"), was created by Principal Development Group to serve as the development entity for the redevelopment of the West Block; and,

WHEREAS, the City Manager has negotiated final agreements with 7Grand and 7 Partners on urban renewal projects consisting of the following elements:

- 7Grand will purchase the West Block and the easement areas more specifically described below, for a purchase price of \$2.4 million and redevelop the West Block with a 6 level concrete parking garage with at least 2,500 square feet on the ground level devoted to commercial restaurant and retail use, and a Skywalk Corridor to replace to the Skywalk Corridor formerly existing within the City garage between 7th and 8th Streets, and with a private pedestrian bridge over High Street to 711 High;
- City will provide an economic development grant to 7Grand payable in six semi-annual installments of between 50% and 100% of the TIF generated by the taxable value of the parking garage, depending upon the actual amount of ground level commercial space constructed in the parking garage, and will lease 100 parking spaces in the parking garage for a term of 25 years at an initial monthly rental rate of \$135 per parking space subject to annual adjustment, if such parking spaces are not leased by 7 Partners or other third party acceptable to City;
- 7 Partners will purchase the East Half-Block for a purchase price of \$1.1 million and redevelop the East Half-Block with a building having at least 8 stories and a Skywalk Corridor between the existing Skywalk Bridge over Grand Avenue and a future Skywalk Bridge over 7th Street to the West Block, for mixed use with street level commercial space and at least 7 stories devoted to luxury apartments or office space; and,
- City will provide the following financial incentives, to be paid to 7 Partners:
  - A forgivable predevelopment loan in the amount of \$1 million to be advanced within 10 days of execution of the agreements.
  - An economic development grant in the amount of \$3.1 million to be advanced in two installments with \$1.1 to be advanced at closing on the sale of the East Half-Block; and

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the balance to be advanced upon issuance of the Certificate of Completion for the East Half-block.  
all as more specifically described in the Urban Renewal Agreements for Sale of Land for Private Redevelopment with 7Grand and 7 Partners; and,

WHEREAS, it is necessary and appropriate that City Council take certain actions in accordance with Iowa Code Section 403.8 in order to receive the proposed Agreements identified above from 7Grand and 7 Partners, and to give full and fair opportunity for other potential developers to submit competing proposals for the purchase and redevelopment of the West Block and/or the East Half-Block; and

WHEREAS, the City Council believes it is in the best interests of the City of Des Moines to consider the Agreements from 7Grand and 7 Partners and any competing proposals for the purchase and redevelopment of the West Block and East Half-Block in accordance with the procedures identified below.

NOW THEREFORE, BE IT RESOLVED, by the City Council of the City of Des Moines, Iowa, as follows:

1. The Agreements with 7Grand and 7 Partners identified above are hereby received and filed, and shall be available for public inspection in the office of the City Clerk.
2. Any interested party (hereinafter referred to as an "Applicant") may submit a competing proposal for the acquisition and redevelopment of the West Block and/or the East Half-Block (collectively the "Properties") as more specifically described in the accompanying Exhibit "A", in accordance with the following procedures:
  - A. Permitted uses of the Properties include retail and service uses, office, off-street structured parking, transient lodging, and housing as part of a mixed development with other permitted uses, all with minimal surface parking.
    - 1) Any proposal must provide for the redevelopment of the Properties with buildings that are at least 80 feet tall or contain at least 5 levels of structured parking.
    - 2) Any proposal must provide for the construction of structured parking on or off-site to serve the parking needs for the proposed development.
  - B. The design and exterior materials shall substantially comply with the Commercial Construction and Sustainability Design Standards set forth in Appendix A-1 to the Urban Revitalization Plan for the Citywide Urban Revitalization Area.
  - C. All proposals for the redevelopment of the shall:
    - 1) Provide a detailed description of the proposed development,



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- 2) Provide for the construction of Skywalk Corridors in compliance with the official Skywalk Plan Map, unless all affected property owners consent to an amendment to that map as required by Section 102-319(c) of the City of Des Moines Skywalk Ordinance.
  - 2) Provide a proposed form of the *Urban Renewal Agreement for Sale of Land for Private Redevelopment* tailored to the Applicant's proposal.
  - 3) Provide documentation of the Applicant's experience completing comparable development projects and documentation of the Applicant's and its management team's experience managing similar projects over a long term.
  - 4) Provide evidence of the Applicant's financial capacity to complete its proposal, including a complete financing plan identifying proposed sources and uses of funds and a cash flow analysis that shows projected revenues and expenses with all underlying assumptions.
  - 5) Provide letters of support or commitments for the project from equity and lending sources.
  - 6) Be in substantial conformity with the provisions of this resolution.
- D. It is hereby determined that a minimum purchase price for the West Block is \$2.4 million, and the minimum purchase price for the East Half-Block is \$1.1 million, for uses in accordance with the Metro Center Urban Renewal Plan, taking into account the expected restrictions upon the Properties and the covenants, conditions and obligations to be assumed by any Applicant for redevelopment and use of the Properties.
- E. The City Council hereby declares its intent to make available financial incentives in a form and amount acceptable to the City Council to encourage quality development. The financial incentives may include:
- 1) A temporary exemption from taxation (tax abatement) pursuant to the City-wide Urban Revitalization Plan for the value added by improvements assessed as residential property, or as commercial or multiresidential property if such property consists of 3 or more separate living quarters with at least 75% of the space used for residential purposes.
  - 2) Economic development grants to be paid in installments from the combined proceeds of the purchase prices and/or from the combined project generated tax increment from the projects over a period of not to exceed 15 years.
  - 3) Assistance in seeking additional funding and financial assistance from other sources including but not limited to the City of Des Moines and State of Iowa HOME Program, the State of Iowa Enterprise Zone Program, and Low Income Housing Tax Credits.

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- 4) The lease of up to 100 parking spaces by City within a parking structure on the properties, at market rates for public use or for sublease to others to assist in economic development activities.
- F. The City Council hereby declares its further intent to sell both the Properties at this time for complementary uses, or retain both parcels.
- G. All inquiries regarding the terms and conditions of this competitive bid process must be submitted to the Office of Economic Development, City Hall, 400 Robert D. Ray Drive, Des Moines, Iowa, 50309. All interested potential developers are invited to contact the Office of Economic Development to discuss the types and levels of economic incentives that are available and acceptable to the City.
- H. Written proposals for the purchase and development of the Properties must be received by the Office of Economic Development on or before 1:00 p.m., on March 29, 2016. Each proposal shall be opened and reviewed by the City staff after such deadline.
- I. If a competing proposal is received, the following Selection Criteria shall be applied to judge the relative merits of the proposals:
  - 1) The extent to which the project will advance and encourage further private investment to advance the redevelopment of the downtown portion of the Metro Center Urban Renewal Area in conformance with the Metro Center Urban Renewal Plan, the *What Next, Downtown?* plan, and the Des Moines 2020 Community Character Land Use Plan.
  - 2) The potential return on investment to the City over a 20 year period from the project and from further private investments anticipated to be attracted by the project.
  - 3) The extent to which the Applicant has demonstrated the experience and capacity to successfully complete its plans for the redevelopment of one or both of the Properties.
- J. If any responsive competing proposals are timely received, the Agreements with 7Grand and 7 Partners, and all such competing proposals will be reviewed by the Urban Design Review Board at a meeting on April 5, 2016, at 7:30 a.m. in the Council Chambers at City Hall. The Board will be asked to apply the Selection Criteria to judge the relative merits of the proposals, and to make a report and recommendation to the City Council.
- J. The City Council hereby declares its intent to select a developer or developers for the sale and redevelopment of the Properties consistent with the Selection Criteria identified above, at a public hearing on April 11, 2016, at 5:00 p.m. in the Council Chambers at City Hall. If the Agreement submitted by the selected developer(s) is not then in a form acceptable to the City Council, the City Council will schedule a later public hearing to consider approval of the Agreement after further negotiations with the selected developer(s).

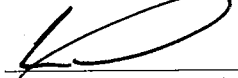
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3. At the public hearing on April 11, 2016, and any continuance thereof, the City Council of the City of Des Moines shall also consider adoption of an ordinance permanently vacating portions of the airspace over the 700 block of High Street and the conveyance of an easement to 7Grand for the construction of a private pedestrian bridge over High Street within the vacated air space, as part of the proposed Agreement with 7Grand.
4. At the public hearing on April 11, 2016, and any continuance thereof, the City Council of the City of Des Moines shall also consider adoption of an ordinance permanently vacating portions of the subsurface areas under the 700 block of Grand Avenue and the 500 block of 7th Street adjoining the West Block, and the conveyance of an easement to 7Grand for the construction of footings and foundations within the vacated subsurface areas for the parking garage proposed by 7Grand to be constructed on the West Block.
5. The City Clerk is hereby authorized and directed to cause the accompanying notice of the competitive bid process and the City's intent to enter into an urban renewal agreement for the sale and redevelopment of the Properties to be published in the Des Moines Register on February 25, 2016.
6. The competitive bid process set forth in this resolution is hereby determined to comply with the provisions of Iowa Code Section Chapter 403.8(2), requiring "reasonable competitive bidding procedures" for the sale of the Properties and this competitive bid process is hereby determined to be the appropriate method for making the Properties available for redevelopment in accordance with the Metro Center Urban Renewal Plan.

MOVED by \_\_\_\_\_ to adopt.

FORM APPROVED:

( Council Communication No. 16- 092 )

 for

Roger K. Brown, Assistant City Attorney

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COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
GATTO				
GRAY				
HENSLEY				
MOORE				
WESTERGAARD				
TOTAL				

MOTION CARRIED

APPROVED

\_\_\_\_\_  
Mayor

**CERTIFICATE**

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

\_\_\_\_\_  
City Clerk