

**CITY COUNCIL
COMMUNICATION:**

98-185

AGENDA:
MAY 4, 1998

SUBJECT:
GATEWAY PROJECT

TYPE:
RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:
ERIC A. ANDERSON
CITY MANAGER

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

SYNOPSIS —

The City Council received the final report and recommendation of the Steering Committee for the western Gateway on May 19, 1997. This report was referred to the Plan and Zoning Commission, Park Board, Architectural Advisory Committee, Urban Renewal Board, Library Board, Historic District Commission, Skywalk Commission, and the Neighborhood Advisory Board. All of the boards and commissions reviewed the Steering Committee's report and recommended approval with various comments. On September 22, 1997, the City Council received and filed the recommendations of the boards and commissions and referred their comments to me for review.

The City Council received the final report and recommendation of the Steering Committee for the eastern Gateway on May 19, 1997, and referred the report to the Plan and Zoning Commission, Park Board, Architectural Advisory Committee, Urban Renewal Board, Library Board, Historic District Commission, Neighborhood Revitalization Board, and the Traffic Safety Committee. These boards and commissions have reviewed the Steering Committee's report for the eastern Gateway, and are recommending approval with various comments. Their recommendations are on the Council agenda of May 4, 1998.

Subject to your approval, I have reached agreement with the Des Moines Development Corporation on a joint funding plan for the Gateway Project (including both the western and eastern Gateway components), and have developed a funding plan for the City's portion of the project cost. We have also begun meeting with impacted property owners and tenants, and if Council decides to proceed with the project, we will continue to meet on an ongoing basis in order to provide information and address concerns.

It is now appropriate for Council to consider approving the Gateway Project, and directing me to take the initial actions

required to implement the project.

My recommendation for the Gateway Project was formulated after review and consideration of all the board and commission recommendations, as well as the careful review and consideration of City staff.

FISCAL IMPACT –

Economic Impact

The western Gateway has the potential to achieve approximately 3,600,000 square feet of taxable new development over a 20-year period, resulting in a projected assessed value of approximately \$324,000,000. This level of new development is projected to provide more than \$82,000,000 of new consolidated property tax revenue over the 20-year period.

New development within the eastern Gateway is projected to reach 500,000 to 1,000,000 square feet over the initial 20-year period, resulting in a projected assessed value of \$35,000,000 to \$70,000,000.

Although the projections for new development in the western Gateway and the eastern Gateway are aggressive, they are attainable given the expected public and private commitment to the project.

Budgetary Impact

The Gateway Project is estimated to cost \$27.2 million to accomplish the initial objectives. Of this total amount, \$6 million would be provided by DMDC, \$5 million would be provided by sources to be identified by DMDC, and \$16.2 million would be funded by tax increment supported general obligation bonds issued in varying amounts over the next four years. (See letter from Fred Weitz, President of DMDC, dated April 29, 1998.) The tax revenue generated by the Equitable and Meredith projects (located at either end of the western Gateway) should, in the long run, be sufficient to pay total debt service on the \$16.2 million. In the short run, existing tax increment funds will need to be tapped to pay debt service in the early years, until tax revenue from the Equitable and Meredith projects can take over (and, a bit later, replenish the total tax increment used in the early years). Under this proposal, compliance with the City's tax increment financing

(TIF) policy would be maintained.

Current projections show that the combination of the adopted Capital Improvements Program (CIP) for 1998-99/2003-04, already-approved economic development loans, existing general obligation debt, and expected demands on tax increment from other projects all fit within the City's self-imposed 30 percent overall debt margin. That is, total outstanding general obligation debt for all those purposes would be less than 70 percent of the City's constitutional debt limit, assuming 3 percent annual growth in assessed valuation throughout the City. Financing the Gateway Project in the manner described above would not cause the City to push up against that 30 percent overall debt margin. However, adding significant debt over and above these projections, would exhaust the debt margin in fiscal years 1999-2000 through 2001-02.

RECOMMENDATION –

Approval of the Gateway Project, encompassing both the western Gateway and the eastern Gateway as a unified project, and direct the City Manager, in conjunction with Des Moines Development Corporation (DMDC), to:

- 1. Prepare a detailed acquisition plan for the land and buildings between Locust Street and Grand Avenue, from 10th to 15th Streets, with the goal of completing the property acquisition within three to four years.**
- 2. In accordance with Council's prior action, solicit proposals for a consultant study to assess the financial and structural feasibility of architecturally and historically significant buildings that are targeted for acquisition in the western Gateway.**
- 3. Develop a detailed program for the long-term use of the western Gateway which will include well developed open spaces, streetscape improvements, public uses and attractions, and appropriate development which supports and complements the western Gateway design. The western Gateway should be designed to serve the entire community, be a successful people place, and provide an environment that attracts major development adjacent to the Gateway.**

4. Pursue four key initiatives for the eastern Gateway Plan:

- a) streetscape improvements for Locust Street from the Des Moines River to the Capitol grounds, including analysis of two-way traffic feasibility for Locust Street, Walnut Street, and Court Avenue;**
- b) restoration/redevelopment of the four-block area surrounding the East 5th and Locust Street intersection;**
- c) redevelopment of one or more sites for appropriate new development which is in keeping with the eastern Gateway Plan;**
- d) work with the State of Iowa to assist, where appropriate, the Capitol Terrace improvements including the Hall of Pride project and a new State parking facility.**

5. Evaluate the need and establish, if necessary, a formal public/private entity to prepare plans, facilitate land acquisitions, coordinate public or private improvements, market the area, and carry out other activities related to the project.

6. Ensure that all occupants in property hereafter acquired by the City or DMDC are afforded relocation benefits as prescribed by the City's relocation policy. Further, the City Manager, working with DMDC, will offer assistance to businesses relocated by the Gateway project in identifying potential sites and buildings, within the City, that may meet their future needs.

7. Review, and propose revisions where appropriate, the City's long range land use plan for the area on either side of the western Gateway area extending south to the proposed Martin Luther King, Jr. Parkway.

8. Establish a process for providing information and feedback with the property owners and occupants who are impacted by the Gateway project.

9. Develop a detailed funding plan and project budget based on the following sources and uses of funds:

Source of Funds

\$16.2 Million TIF backed general obligation bonds issued over three to five years

\$6.0 Million DMDC (up front cash, or property with \$1 million repayable from project derived revenues)

**\$5.0 Million provided by other sources to be identified by DMDC
(\$1 million per year for five years)**

\$27.2 Million TOTAL (does not include funding for improvements not yet identified)

Uses of Funds

\$16.0 Million Western Gateway - land/building assemblage and related cost

\$4.0 Million Western Gateway - initial improvements

\$2.2 Million Eastern Gateway - Locust Streetscape Improvements

\$4.0 Million Eastern Gateway - East 5th and Locust Restoration/ Development Program

\$1.0 Million Eastern Gateway - new building sites/development projects

\$27.2 Million TOTAL

10. Prepare an overall implementation plan which will include the following actions to be undertaken during the next six months:

- a) complete the feasibility study of architecturally/historically significant buildings;**
- b) prepare a bond issuance plan for the City, and a funding agreement with DMDC;**
- c) if necessary, prepare an agreement between the City and DMDC for the formation of a public/private entity to facilitate project implementation;**

- d) obtain the necessary Phase II environmental analysis, appraisals, and other action necessary to commence acquisition activities;**
- e) undertake a comprehensive study of current and planned public attractions, amenities, and activities to identify the uses for the western Gateway. This study will identify demand driven uses and activities that will complement the balance of the Downtown and ensure the long-term success of the project;**
- f) prepare a conceptual architectural and engineering design of the Locust Streetscape improvement in the eastern Gateway, including a traffic engineering analysis of the two-way traffic proposal for East Locust, East Walnut, and East Court Avenue;**
- g) aggressively pursue potential restoration and development opportunities in and around the Gateway Project area;**
- h) prepare the urban renewal plan amendment(s) necessary for implementation of the Gateway Project.**

BACKGROUND –

Project Overview

Western Gateway Component

The purpose of the western Gateway is two-fold. First, the project is intended to serve as a catalyst for major new development to create a natural extension of the downtown core. Second, the project will provide a highly attractive public amenity which serves as a memorable entry into the downtown and attraction for the entire community. The western Gateway consists of the nine block site located between Grand Avenue and Locust Street from 9th to 18th Streets. In addition, the land on either side of the western Gateway will be prime development sites which will be able to accommodate buildings of 250,000 square feet or larger. The Meredith Corporation office campus and Equitable corporate office building serve as anchors (or “bookends”) on the west and east ends of the project site.

The western Gateway component, as conceived by the Steering

Committee, is a combination of well developed open spaces, streetscape improvements, public attractions, and compatible development such as, specialty retail, restaurants, hotel, and other appropriate commercial uses.

Eastern Gateway Component

The purpose of the eastern Gateway is to create an eastern Gateway to downtown characterized as a desirable urban neighborhood with residential, commercial and cultural vitality. The eastern Gateway is bounded by East 14th Street on the east, the Des Moines River on the west, I-235 on the north, and railroad tracks south of Court Avenue on the south.

The eastern Gateway is envisioned to serve as a catalyst for the rehabilitation of suitable existing buildings with a focus on the area around East 5th and Locust Streets, appropriate infill development throughout the district, and the development of attractive public spaces between the Capitol and the river linked with streetscape improvements on Locust Street.

Project Guidelines and Principles

- Rehabilitation of suitable existing historically and architecturally significant buildings should be undertaken in both the western Gateway and the eastern Gateway, provided, there is strong market demand and it is financially and structurally feasible.
- The open spaces and public attractions in the western Gateway must be designed and developed to ensure long-term success and viability, with a focus on creating an impetus to attract new development and providing an attractive people oriented space for the community. The public areas must also be designed and programmed to be well maintained and properly utilized. The maintenance of the public areas will be accomplished through varying techniques including: private ownership and maintenance, the creation of a SSMID (self-supporting municipal improvement district), and self-sustaining revenues generated by activities occurring within the Gateway.
- An aggressive marketing and promotion program will be essential to ensure sites adjoining the western Gateway project site are developed as quickly as possible. This effort should be undertaken cooperatively by DMDC, the Downtown Partnership, and the City.
- The Gateway Project cannot depend on the City parking

system to meet the parking needs of new development, until such time as sufficient parking demand is identified. Creative solutions will be required to meet the new demand which may include remote parking/shuttle arrangements and public/private facilities.

- Effective implementation of the Gateway Project will require close public/private cooperation and targeted commitment of resources for such things as plan preparation, land acquisition, construction of public and private improvements, and marketing/promotion activities.