



Agenda Item:

25

COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 08/09/04

Communication

No.: 04-401

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Receive and file communication from City Manager on the redevelopment of City-owned parcels south of Court Avenue and direct City Manager to proceed with developer-initiated proposals for the properties.

SYNOPSIS—

Because of the significant changes between the proposal the City originally accepted in 2003 and the current levels of development and financial assistance proposed for these properties, it is legally required to re-offer the properties for redevelopment.

The current proposal submitted by Court Avenue Partners will be used as the basis for the developer-initiated proposal. Adoption of the recommendations will provide for developer-initiated proposals for these properties. The schedule for the developer-initiated offering is time-sensitive because of the November 2004 Iowa Finance Authority's application deadline for Low Income Housing Tax Credits.

FISCAL IMPACT—

The estimated fiscal impact of the Court Avenue Partners' proposal, if Council elects to sign a development agreement with Court Avenue Partners at the conclusion of the competitive process, is outlined in the background section of this communication.

RECOMMENDATION—

Approval

BACKGROUND—

History

On November 21, 2003, the Council approved an urban renewal agreement and Tax Increment Financing (TIF) funding for a mixed-use project between 3rd and 5th Streets, south of Court Avenue with Court Avenue Partners II, L.P. (a joint venture of BH Equities—Harry Bookey, President, 400 Locust, Suite 790, Des Moines and Hubbell Realty—James Hubbell III, President, 6900 Westown Parkway, West Des Moines.) The Developer did not proceed with the project as approved because a low-income housing tax credit allocation was not received for the new construction rental component, resulting in a significant funding gap.

On June 7, 2004, the Council then approved revised preliminary terms of agreement for the redevelopment of these City-owned properties. Due to the substantial differences between the new revised preliminary terms of agreement and the prior urban renewal agreement, it is necessary to re-offer the parcels for redevelopment.

The fiscal impact of the revised Court Avenue project as currently proposed by Court Avenue Partners is as follows. (Note that the following subsidy amounts differ from those outlined in the revised preliminary terms of agreement due to construction cost adjustments, reduction in health club costs and the inclusion of HOME funding.)

	<i>Upfront Subsidy</i>	<i>Ongoing Subsidy**</i>
City Subsidy—New Construction	\$5,085,065	
\$609,929		
Ct. Ave. Apts. (f/k/a Spag. Works)*	\$558,617	
\$968,970		
Restaurant/Entertainment Venue*	\$475,000	
\$470,000		

* These elements are not part of the developer-initiated offering but are integral components of the overall project proposal as submitted by Court Avenue Partners.

** Ongoing subsidy is paid exclusively from project-generated tax increment dollars.

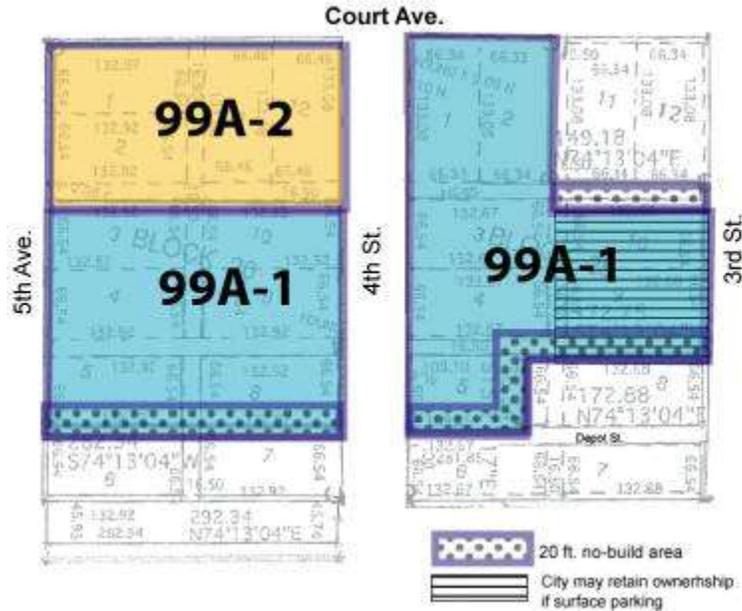
Final preliminary terms of agreement have not been reached with Court Avenue Partners for the development of the restaurant and entertainment venues. The upfront subsidy can be structured as a loan assuming the initial financial analysis proves out.

The Spaghetti Works building is not a component of the developer-initiated offering. This project component is privately owned and Court Avenue Partners has received a tax credit allocation for the rehabilitation of the property.

Proposed Re-Offerings

As part of the re-offering process, it is recommended that the properties be offered in a slightly different configuration than the original offering that required the developer to purchase all of the properties.

This proposed re-offering will have one parcel for which developers can initiate proposals to the City: Disposition Parcels 99A-1.



Parcel 99A-1, as shown on the map above, may be sub-divided with the City selling or leasing the property fronting on 3rd St. if the developer only proposes surface parking on that portion of the parcel. This may allow the City to lease the parking in the short-term and retain the long-term option to offer the property for a higher value redevelopment in the future.

Because it is anticipated that at least one parcel – 99A-1 – is likely to be developed for housing that may require Iowa Finance Authority (IFA) financial assistance for affordable housing and IFA applications are due by November 22, staff is recommending that the current developer, Court Ave. Partners II L.P., be given an opportunity to submit a developer-initiated proposal based on the schedule below. This will allow the City to offer the property, in accordance with state urban renewal law, to any competing developers while meeting IFA deadlines.

Proposed Schedule for Disposition Parcel 99A-1

<i>Selected Developer may not have time to submit IFA application</i>	<i>Action</i>
September 1, 2004	Court Avenue Partners II L.P. submits developer-initiated proposal.
September 7, 2004	Urban Design Review Board reviews developer-initiated proposal and makes recommendation on the Court Ave. Partners II L.P. proposal and on minimum and competitive development requirements that must be met by any competing development proposal
September 13, 2004	Council initiates the competing offering period, sets the terms and conditions for any competing redevelopment proposals, and declares its intent to consider approval of the developer-initiated proposal if no competing proposals are received

October 15, 2004	Deadline for submission of competing proposals
October 19, 2004	Urban Design Review Board reviews competing proposals.
October 22, 2004	Deadline for all developers to revise their proposals and make a written final/best proposal to the City.
October 25, 2004 (Special Meeting)	Urban Design Review Board reviews the final/best proposals and makes recommendation to the City Council
October 25, 2004	Council approves an urban renewal agreement and utilization of tax increment financing (TIF) funding
November 22, 2004	Applications for 2005 Low Income Housing Tax Credits (LIHTC) due at IFA

A separate schedule and offering process for Parcel 99A-2 will be developed and presented to Council at a later date.

Summary of Recommended Minimum Development Requirements

- At least 120 residential units must be constructed on Parcel 99A-1. (These units may be constructed in one or more phases.)
- The building on the southeast corner of the intersection of Court Avenue and 4th Street must contain commercial uses on the ground floor.
- The new development must adhere to district design requirements, including but not limited to building materials, building heights, building setbacks and ceiling heights.

A complete set of minimum development requirements will be included in the offering documents.