



Agenda Item:

084

COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 09/13/04
No.: 04-439
Agenda Item Type: Resolution
No.:

Communication

Roll Call

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Court Avenue Redevelopment Proposal and Offering Process

SYNOPSIS—

The following roll call items appeared on the September 13, 2003 Council agenda:

- Receive and file the development request received from Court Avenue Partners (a joint venture of BH Equities—Harry Bookey, President and Hubbell Realty—James Hubbell III, President) and approve the terms of agreement as outlined in the this communication.
- Initiate the offering period and detail the terms and conditions, including minimum and competitive development requirements, for redevelopment proposals for the redevelopment of City-owned property located on Court Avenue between 3rd and 4th Streets.
- Set the dates for receipt of proposals (October 15) and selection of a developer by the Council (October 25).

This roll call establishes the requirements that proposals have to meet or exceed to be considered by the City. The Council will make its decision on proceeding with a development proposal at the end of the Code of Iowa-required 30-day notice period at its meeting on October 25, 2004.

This expedited schedule is necessary in order to allow a developer to submit an application to the Iowa Finance Authority for the Low-Income Housing Tax Credit (LIHTC) Program on or by November 22, 2004. A complete application must include evidence of land control.

FISCAL IMPACT—

The full fiscal impact will not be known until the development contracts have been negotiated. The background section of this letter includes a summary of the City's financial participation requested by the developer.

RECOMMENDATION—

Approval

BACKGROUND—

On August 9, 2004 by Roll Call 04-1693, the Council voted to receive and file, and to direct the City Manager to proceed with solicitation of a developer initiated proposal and possible competing proposals for the redevelopment of City-owned property south of Court Avenue. Staff has been working on a development agreement with the Court Avenue Partners as directed by Council. The overall project proposal includes development of City-owned property which is the subject of the competitive offering. In addition, the City is working with Court Avenue Partners on a development proposal for non-City parcels (Spaghetti Works building and Generations building) that are not part of the competitive offering, but may be brought forward together with the development agreement on City-owned property.

Schedule

The process proposed in the roll call provides for the following schedule:

- | | |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sept. 14 | Newspaper publication of notice of the offering. |
| Sept. 17 | Form of contract available. Staff is available to meet with any developer formulating a proposal for submission to the City to generate a "tailored" contract for the developer's specific proposal that must meet the minimums approved by the Council. |
| Oct. 15 at 1 p.m. | Completed and executed proposal must be submitted to the Office of Economic Development (OED). OED staff opens proposals and prepares report to the Urban Design Review Board. |
| Oct. 19 | Meeting of Urban Design Review Board to review proposals and make comments/recommendations to the Council. |
| Oct. 25 | City Council meeting. City Council shall select the developer. If the selected developer is Court Avenue Partners or any other developer who has submitted an Urban Renewal Agreement in a form acceptable to the |

City, the City Council may approve the agreement with that developer. If the selected developer has not submitted an Urban Renewal Agreement in a form acceptable to the City, the City Council shall schedule a later public hearing to consider approval of an Urban Renewal Agreement with the selected developer.

Nov. 22

LIHTC application submission due at State of Iowa.

This process allows the City to complete negotiations with the Court Avenue Partners and other interested developers and draft the required urban renewal contract while allowing for competing proposals to be received by the City and meeting the Code of Iowa notice period requirements.

Previously Approved Project

The project as approved contained the following components:

1. 40 new condominium units (located along 4th Street north of the existing Baggage Claim Building and south of the proposed apartment building)
2. 104 new apartment units in two buildings (located on the southwest & southeast corners of 4th and Court)
3. 17,000 square feet of commercial space located on the first floor of the two apartment buildings
4. Rehabilitation of the upper 3 stories of Spaghetti Works into 51 mixed-income apartments (terms contained in preliminary terms of agreement, not Urban Renewal Agreement)
5. Rehabilitation of the ground floor of the Generations and Nacho Mamas buildings into entertainment venues (This component not included in Urban Renewal Agreement)
6. Phase II apartment building containing 52 new apartment units and approximately 8,500 square feet of commercial located on the southwest corner of 5th and Court

The City incentives included:

1. 40 condominium units = \$1,154,706 upfront subsidy
2. 104 new residential units = \$726,333 upfront subsidy, \$1,484,944 ongoing subsidy (net present value)
3. 17,000 s.f. commercial = \$1,236,206 upfront subsidy
4. Spaghetti Works Rehabilitation = \$674,288 ongoing subsidy (npv) (terms contained in preliminary terms of agreement, not Urban Renewal Agreement)
5. Entertainment Venues = \$62,886 upfront subsidy, \$1,505,288 ongoing subsidy (npv); this component not included in Urban Renewal Agreement
6. Phase II Apartments/Commercial = \$763,951 upfront subsidy and \$1,426,651 ongoing subsidy (cash value) for apartment component and \$462,589 upfront subsidy and \$361,000 ongoing subsidy (cash value) for commercial component.

City Funding Summary:

Phase I: \$4,461,345 in TIF funds
 \$1,597,245 upfront
 \$2,864,100 ongoing cash injection (npv = \$1,484,944)

Phase II: \$2,399,191 in TIF funds
 \$611,540 upfront
 \$1,787,651 ongoing cash injection

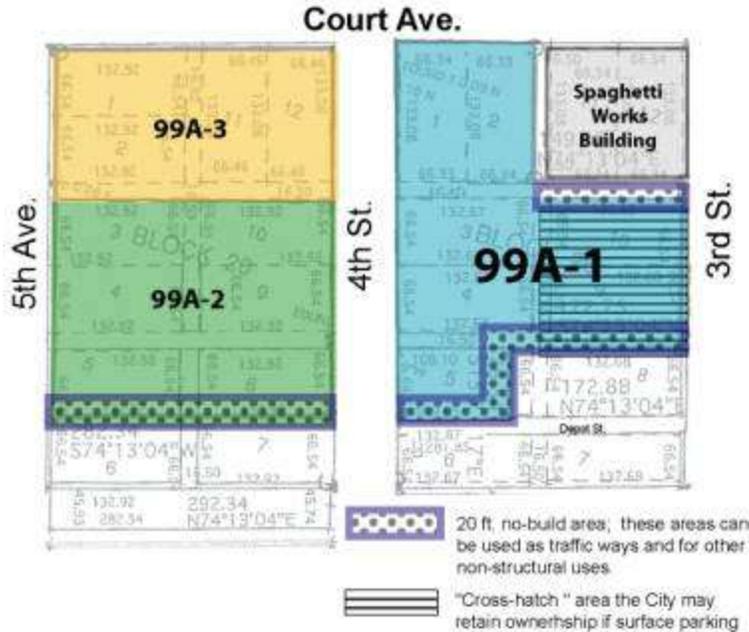
Iowa Finance Authority (IFA) Action

A key component of the project financing for the 104 new apartment units and the rehabilitation of the Spaghetti Works building was Low Income Housing Tax Credits (LIHTC). Court Avenue Partners applied for credits as well as State of Iowa HOME funds for both of these projects in November 2003. In March, tax credits were awarded for the rehabilitation of Spaghetti Works but not for the construction of the two new apartment buildings. Not receiving these credits created a major funding gap. Although LIHTCs were awarded to Spaghetti Works, the project received a significantly reduced HOME award -- \$150,000 of \$750,000 requested -- which created a large funding gap for that project component as well.

Revised Project September 2004

Because the developer was not awarded the low income tax credits for the two new apartments buildings as well as the reduction in HOME funds in the amount of \$1.25 million (or more), a complete review of the project was required to determine an approach that would allow the project to proceed. This Developer-Initiated proposal contemplates the redevelopment of the City-owned land between 3rd and 4th Streets south of Court Avenue and designated as Parcel 99A-1 below. (See graphics at <http://www.dmoed.org/udrb.htm>.) Separate Developer-Initiated proposals will be submitted for the redevelopment of parcels 99A-2 and 99A-3. It is anticipated that 99A-2 will contain a commercial use and that 99A-3 will contain structured parking wrapped by condominiums.

Although the changes to the project are significant, the project will still provide a dramatic infusion of new residents within a diverse offering of affordable rental units, market rate rental units and condominium units in both new buildings as well as a historically significant structure.



Based on the developer-initiated proposal, the terms of agreement are as follows:

- The City will provide the Developer with economic development grants as described below. This communication does not detail the City's participation in the rehabilitation of Spaghetti Works or in the entertainment/restaurant venues.

4th and Court Residential Development (52 rental units)	\$430,073 Upfront Subsidy \$609,929 Ongoing Subsidy*
4th and Court Commercial Development	\$699,684 Upfront Subsidy
Condominium Development—E of 4th (40 units)	\$1,292,289 Upfront Subsidy
Parking Lot—South of SW	\$552,260 Upfront Subsidy
General Development Requirements (Required Upfront)	\$922,500 Land Write-Down \$100,000 Archeology \$225,000 Infrastructure Costs

TOTAL City Subsidy = \$4,221,806 upfront and \$609,929 ongoing

Net Cash Required Upfront = \$2,376,806

* net present value (npv) of ongoing cash injection of \$1,016,257 discounted at 4 percent to determine the npv.

- The City will grant 10-year 100% percent tax abatement for the residential redevelopment.

- The City will process the Developer's application for the State Enterprise Zone Housing Program.
- The City will provide parking spaces for the 52-unit new apartment project within one block walking distance at a rate to be negotiated.

Developer Responsibilities:

- The Developer will construct the following:
 1. 40 new condominium units (located along 4th Street north of the existing Baggage Claim Building and south of the proposed apartment building)
 2. 52 new apartment units in one building (located on the southeast corner of 4th and Court)
 3. 6,500 square feet of commercial located on the first floor of the apartment building
- A minimum assessment agreement will be required.
- The Developer shall apply for tax credits through the Iowa Department of Economic Development Enterprise Zone Program.
- The Developer shall agree to share any unanticipated profits with the City. The terms of this participation shall be negotiated.