



Council Communication

Office of the City Manager

Date:	October 10, 2016
Agenda Item No.	29
Roll Call No.	<u>16-1721</u>
Communication No.	<u>16-592</u>
Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approving preliminary terms of agreement with Market District One, LLC for the development of City-owned property at 401 SE 6th Street, Des Moines.

SYNOPSIS:

Market District One, LLC (Frank Levy, Partner, 3408 Woodland Avenue, Suite 504, West Des Moines, Iowa 50266) is proposing a 53-unit multi-family residential project at 401 SE 6th Street, Des Moines. The estimated \$9.4 million project will construct a 4-story multi-family residential building on two (2) vacant, .83-acre City-owned properties at 401 SE 6th Street and 400 SE 7th Street, Des Moines.

This development represents the first new residential project for the emerging Market District, and is slated to include a mix of one (1) and two (2) bedroom dwelling units. Proposed resident amenities will include a rooftop commons/patio space, individual balconies and patios on south-facing units, a dog park, and 51 on-site parking spaces. The project will also construct new segments of public sidewalk on SE 7th and Raccoon Streets, and will install curb on gutter where it currently does not exist along the south side of Raccoon Street and the west side of SE 7th Street.

The Office of Economic Development (OED) has negotiated preliminary terms of an Urban Renewal Development Agreement with Market District One, LLC for the project, with payment of an economic development grant paid out upon project completion, and project-generated tax increment to be provided in semi-annual payments for a period of five (5) years. Additional information is provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: The financial assistance package will consist of an economic development grant in the amount of \$125,000 to be paid upon completion of the project, and a declining percentage of project-generated tax increment revenues in years 9-13 with an estimated total of \$340,000.

The developer will also utilize 10-year declining tax abatement, (per revised schedule effective 1/1/17 in the Second Amended and Restated Urban Revitalization Plan).

The developer will purchase the City-owned property for fair market value. Since the property was purchased with federal funds, the land sale proceeds are not able to be granted back to the developer. However, the City is proposing an economic development forgivable loan for small portions of right-of-way that will need to be vacated and conveyed to accommodate the project. An appraisal of the various sections of right-of-way included in the forgivable loan is currently underway.

Funding Source: Metro Center Urban Renewal Tax Increment (economic development grant at project completion) and project generated tax increment in the Metro Center Urban Renewal Area Years 11-15. A specific fund code will be assigned by the Finance Department.

ADDITIONAL INFORMATION:

- The proposed project is located at the intersection of SE 6th and East Martin Luther King Jr. Parkway, which is the southern gateway into the Historic East Village Neighborhood. This project represents a pioneering effort to introduce the first residential project into the emerging Market District redevelopment area.
- The development will introduce a mix of one (1) and two (2) bedroom, market rate and affordable housing units into the neighborhood, consisting of 27 dwelling units renting at market rates, 24 dwelling units for residents meeting 80% of median family income, and two (2) units set aside for residents meeting 30% of median family income. The inclusion of affordable housing in this project is noteworthy. Most downtown housing developments currently under construction are slated to be rented at market rates, leaving a need for more affordable units to be added to this submarket.
- It is contemplated that other future residential or mixed-use projects will develop in the Market District, but the current adjacent land uses to this project site are largely industrial in nature. Constructing the first residential project in this transitioning redevelopment district presents a market risk for the developer, who may see lower rents and rate of return until other more compatible uses can develop around the project.
- The *PlanDSM Creating our Tomorrow* comprehensive designates the subject property and surrounding properties as a “Downtown Mixed Use”, and the development is compatible with applicable design guidelines for the district. The project represents a step towards realizing the plan envisioned in the City’s May 2010 *Market District of East Village Urban Design Study*.
- Vacation and conveyance of portions of excess rights-of-way along Raccoon Street, SE 7th Street, East Martin Luther King Jr. Parkway will be necessary to accommodate the project. Additionally, an intervening platted but unimproved alley segment will need to be vacated and conveyed.
- The prior acquisition of property necessary for the completion of the East Martin Luther King Jr. Parkway project from SE 4th to SE 10th Street has left properties that are challenging to redevelop along the north side of the corridor. The properties are narrow in depth and wedged between various existing rights-of-way. Staff has spent considerable and mutually cooperative time working with the developer and their design team to provide a concept that can meet various urban design-related goals of the City. It is anticipated that the layout and form of this project could also be emulated on other adjoining blocks facing the same parcel size constraints.
- The project is anticipated to start construction late in 2016, with completion anticipated in the first quarter of 2018.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: March 15, 2016

Resolution Number: N/A

Action: No action; informational review for Board input.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Urban Design Review Board recommendation of development agreement terms and design, and Council approval of Urban Renewal Development Agreement, approval of sale of City-owned property and vacation and conveyance of various right-of-way segments.

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