

## COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	<b>19-496</b>	Meeting:	<b>November 18, 2019</b>
	Agenda Item:	<b>57</b>	Roll Call:	<b>19-1878</b>
	Submitted by:	<b>Erin Olson-Douglas, Economic Development Director</b>		

### AGENDA HEADING:

Resolution holding hearing and approving Urban Renewal Agreement with Connolly Lofts Associates, L.P. to purchase and develop City-owned property at 401 SE 6th Street and 400 SE 7th Street in the Metro Center Urban Renewal Area, approving the conceptual development plan for the “Connolly Lofts” project, closing the hearing on the land sale, and granting a Temporary Right of Entry agreement to allow construction to commence immediately following this action.

### SYNOPSIS:

On October 14, 2019, by Roll Call No. 19-1643, the City Council accepted a proposal to purchase and develop City-owned land from Connolly Lofts Associates, L.P. (Frank Levy, Managing Member, 3408 Woodland Avenue, Suite 504, West Des Moines, IA 50266), for purposes of constructing a 4-story \$11.8 million 57-unit multi-family housing project located on City-owned land at 401 SE 6th and 400 SE 7th Streets. The Developer has opted to modify the previous proposal to respond to current market demands by changing the intended tenant base from senior housing to market rate housing. A total of four (4) dwelling units will have an affordable set-aside for households at or below 50% of the Area Median Income (AMI) for the duration of the development agreement, but the applicant is no longer pursuing Low Income Housing Tax Credits for this project.

No other proposals were received for this site. After the hearing and any public comment on the November 18, 2019 City Council meeting, the Council will vote on the following actions:

1. The Office of Economic Development (OED) has negotiated final terms of an Urban Renewal Development Agreement with Connolly Lofts Associates, L.P., for a financial assistance package that is explained in further detail in the “Fiscal Impact” section below.
2. Approval of the “Conceptual Development Plan” for the property.
3. Resolution closing hearing and approving an Urban Renewal Agreement for sale of land for private redevelopment to Connolly Lofts Associates, L.P., to purchase 1.03-acres (45,067-square-feet) of City-owned property located at 401 SE 6th and 400 SE 7th Streets in the amount of \$833,740, for purposes of constructing a new multi-family housing development.
4. Authorizing a Temporary Right-of-Entry Agreement to allow the Developer to have access to begin construction on the property prior to the land sale closing. The Developer needs to begin work immediately due to timeline constraints on the project’s Workforce Housing Tax Credit funding through the Iowa Economic Development Authority (IEDA).

## FISCAL IMPACT:

Amount: The financial assistance package included in the Urban Renewal Agreement will consist of an economic development forgivable loan in the amount of \$350,000 to be paid upon closing of the land sale, and a declining percentage of project-generated tax increment revenues in years nine (9) through 14, with an estimated total value of \$724,859 or \$432,161 on a net present value (NPV) basis.

Return on Investment:

Year	Estimated Taxes Received Without Project*	Estimated Taxes Received with Project**	Estimated TIF Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$0	\$186,985	\$532,038	-\$407,038
Sum 20 Years	\$0	\$1,786,699	\$1,125,952	\$660,747
Sum 30 Years	\$0	\$4,194,475	\$1,125,952	\$3,068,523

\*Taxes include all property taxing authorities (not just City property taxes) on a currently tax-exempt parcel

\*\*Taxes received estimates used an assumption for 1.5% growth in reassessment years.

The Developer will purchase the 45,067-square-foot City-owned property for fair market value of \$830,000. Since the property was purchased with federal funds, the land sale proceeds (less vacated City rights-of-way {ROW}) are not able to be granted to the Developer. However, the City is proposing an economic development forgivable loan in the amount of \$444,366, which includes the value of the excess portions of ROW vacated and conveyed to assemble the project site and do not have the federal encumbrance on the land sale proceeds.

The Developer will also utilize 10-year declining tax abatement and is subject to a closing credit, if applicable, in the amount of the lowest three (3) bids estimating the cost of environmental remediation on the property required by the Iowa Department of Natural Resources (IDNR), or other state and federal regulations to be incurred by the Developer in an amount not to exceed \$200,000 regardless of bid amount.

Funding Source: Metro Center Urban Renewal Tax Increment (economic development forgivable loan) and project-generated tax increment revenue in the Metro Center Urban Renewal Area, years nine (9) through 14. ROW land sale proceeds. A specific fund code will be assigned by the Finance Department.

## ADDITIONAL INFORMATION:

- This development is now proposed as a 4-story, 57-unit multi-family residential building that will include four (4) units renting at “HOME” income and rent limit affordability thresholds, which is considered applicable to households at or below 50% of area median income.

- The terms of the agreement and amount of project-generated tax increment financing (TIF) have been modified to respond to a higher land purchase cost based on a recent appraisal, and to replace low income housing tax credits and Polk County Housing Trust Fund dollars that are no longer a financial source for this project. City staff have worked with the Developer on this project since 2015 to find creative solutions that would maximize the development potential on this property, vacate adjoining rights-of-way necessary to complete the project, and address a project funding gap with a financial assistance package utilizing a combination of residential tax abatement and an economic development grant largely paid by project-generated TIF.
- Proposed resident amenities will include an outdoor patio and commons space, and indoor shared community room, individual balconies and patios on most of the dwelling units, outdoor park-like amenity spaces, and an estimated 49 on-site parking stalls.
- As part of the development agreement, the Developer is expected to improve the immediately adjoining segments of Raccoon and SE 7th Streets with an urban cross-section that will include public sidewalk and curb and gutter where it doesn't exist today. Inset parallel public parking will be installed on the south side of Raccoon Street.
- The prior acquisition of property necessary for completion of the East Martin Luther King Jr. Parkway project from SE 4th Street to SE 10th Streets has left remnant properties along the north side of the corridor that are challenging to redevelop since the properties are narrow in depth and wedged between existing rights-of-way. For this reason, acquiring additional excess right-of-way on the north, south and east sides of the project site is instrumental in getting the project layout to fit on this site. Staff has spent considerable and mutually cooperative time working with the Developer and their design team to provide a concept that can meet the various urban-design related goals of the City. It is anticipated that the same layout and form of this project could also be emulated on other adjoining blocks facing the same parcel size constraints.
- City staff have worked with the Developer on this project since 2015 to find creative solutions that would maximize development potential on this property, vacate adjoining rights-of-way necessary to complete the project, and address a project funding gap with a modest financial assistance package utilizing a combination of residential tax abatement and TIF in the form of an economic development grant.
- The Developer has committed to participating in Mid-American Energy's Commercial New Construction Program. This program provides complimentary energy design assistance and financial incentives from the utility provider to help offset the cost of implementing energy efficiency strategies.



## PREVIOUS COUNCIL ACTION(S):

Date: October 14, 2019

Roll Call Number: [19-1642](#) and [19-1643](#)

Action: Items related to Market District One, LLC (Frank Levy, Partner) for the “Connolly Lofts” project located at 401 SE 6th Street and 400 SE 7th Street: ([Council Communication No. 19-453](#))

- (A) [Approving](#) termination of previous Urban Renewal Development Agreement. Moved by Gatto to adopt. Motion Carried 7-0.
- (B) [Accepting](#) development proposal from Connolly Lofts Associates, LP (Frank Levy, Officer) to develop a multi-family housing project on City-owned property at 401 SE 6th Street and 400 SE 7th Street in the Metro Center Urban Renewal Area, and setting date of public hearing on the proposal and land sale, (11-18-19). Moved by Gatto to adopt. Motion Carried 7-0.

## BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: November 5, 2019

Resolution Number: N/A

Action: A consensus of the members present recommend approval of the financial assistance package as presented.

Board: Plan and Zoning Commission

Date: October 3, 2019

Resolution Number: N/A

Action: Francis Boggus made a motion to approve the site plan subject to conditions and the Plan and Zoning Commission voted 10-0 to approve a site plan for the “Connolly Lofts project, in conformance with “multiple-family residential” and “C-3B” zoning district design guidelines.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Issue Certificate of Completion when construction of the development is finished.

For more information on this and other agenda items, please call the City Clerk’s Office at 515-283-4209 or visit the Clerk’s Office on the first floor of City Hall, 400 Robert D Ray Drive. Council agendas are available to the public at the City Clerk’s Office on Thursday afternoon preceding Monday’s Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk’s Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).