


COUNCIL COMMUNICATION

	Number:	20-568	Meeting:	December 21, 2020
	Agenda Item:	55D	Roll Call:	20-2156
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Accepting development proposal from The District Developer, LLC to develop a master planned mixed-use redevelopment on 10 blocks of private and City-owned property located in the vicinity of SE 4th and East Market Street and setting date of public hearing on the proposal and land sale for January 25, 2021.

SYNOPSIS:

The Office of Economic Development (OED) has negotiated final terms of an Urban Renewal Development Agreement with The District Developer, LLC, a consortium consisting of JSC Properties and MidAmerican Energy, (Paul Hayes, Managing Member, 350 E. Locust Street, Suite 309 Des Moines, IA 50309) for project generated tax increment financing (TIF) to assist with the extraordinary development costs related to the redevelopment of an ten block, 39-acre industrial area, generally located around East 4th and East Market Streets. The agreement provides for the Developer to purchase City-owned property and to receive economic development assistance upon completion of projects within the development area.

This redevelopment is proposed to be a high quality, dense downtown urban neighborhood with a mix of uses that will include housing, office, retail, hotel, and entertainment, and is one (1) of the largest redevelopment projects proposed within the City of Des Moines with an estimated construction cost anticipated to be in excess of \$750 million. When fully developed, the Market District will transform an underutilized industrial portion of the City into a new urban neighborhood and regional destination, reconstruct substandard public infrastructure such as streets, sewers, and public sidewalks, bring transit services to the area, better connect development with the remainder of the Historic East Village, add new residential offerings that will include affordable housing, increase employment offerings to foster growth in the regional economy, and increase the City's property tax base.

The District Developer, LLC's intent is to serve as the master Developer. They will prepare the properties, once acquired, for redevelopment by demolishing the existing buildings, conducting necessary environmental remediation, and bringing additional developers and businesses to invest in the area on the developable sites. The master Developer will also be responsible for reconstructing public streets and utilities necessary to serve the redevelopment. The City will be responsible for reconstructing segments of public streets that serve as gateways into the district through the Capital Improvement Projects (CIP) budget. The project is anticipated to begin with site preparation on properties already under control of the Developer and infrastructure work throughout the district in the Spring of 2021. Additional details on the preliminary terms are provided in the fiscal impact and additional information sections below.

FISCAL IMPACT:

Amount: The proposed terms provide for project generated tax increment on the building valuations, exclusive of land, at 93% for a 20-year term for each development project. The financial terms proposed have increased from 90% as presented in the preliminary terms approval to 93% in the final terms. The recommended increase is in response to the Developer's commitment to long-term ownership of Market Street and operational maintenance of the bioswales in this area.

A Developer contribution of up to \$1.75 million is applied to the implementation of the regional stormwater basin and related improvements.

Land Sale Proceeds: Fair market value of \$11,105,397 for the City-owned parcels sold (2020 value); the land sale price will escalate by 2% annually each year starting in 2022, but will be reduced by a yet-to-be determined cost of building demolition and site environmental remediation, referred to as an environmental credit.

Funding Source: Metro Center Urban Renewal TIF generated from the increment on each development project constructed within the development area. A specific fund code will be assigned by the Finance Department.

Stormwater proceeds will be directed to the Stormwater Improvement Fund.

Land sale proceeds will be directed to the Capitol Improvement Project Fund to help pay for part of the Municipal Services Center (MSC) Phase II project.

ADDITIONAL INFORMATION:

- On June 8, 2020, by Roll Call Number 20-0914, the City Council approved the preliminary terms of an Urban Renewal Economic Development Agreement with The District Developer, LLC, giving direction for the OED staff to continue to negotiate the final details of the agreement.
- JSC Properties, LLC has a successful track record of high-quality development in the East Village and has constructed nearly 230,000 square feet in developed building area with an estimated construction value of over \$80 million spread between four (4) projects since 2014.
- JSC Properties has a history of interest in the Market District, and in conjunction with MidAmerican Energy, approached the City with a request to jointly submit a proposal to utilize a portion of property in the Market District as the home for the new federal courthouse in 2016. While the riverfront site at 101 Locust Street was ultimately selected for the courthouse, the opportunity for redevelopment of the largely industrial and under-utilized area was evident.
- In addition to the blocks addressed in this development agreement, there are additional land holdings on the riverfront that are owned by MidAmerican Energy where there is potential for a future 8-acre greenspace to be constructed, but is outside of the scope of this agreement.
- Since most of the properties within this agreement are currently tax-exempt today, the current assessed valuation is only \$677,000. The entirety of this project is estimated to take 10 plus years to fully build out, with projections showing that future assessed property valuations could exceed \$245,000,000 upon completion.
- Significant building demolition, environmental remediation, and infrastructure work is needed before vertical construction can begin. The Developer's early cost projections to ready the

properties for redevelopment and construct necessary infrastructure are in excess of \$25 million. Construction of Phase I street infrastructure work is planned to commence in the Spring of 2021, with vertical construction anticipated to start in early 2022.

- On November 4, 2019, by Roll Call Number 19-1761, the City Council approved the Market District of the East Village Master Plan, which contemplates the significant redevelopment of the area that is proximate to the downtown riverfront and the heart of the East Village Neighborhood. The Large-Scale Development Plan approved by the Plan and Zoning Commission for this redevelopment project aligns well with the Master Plan. Staff will continue to work with the Developer to ensure that the redevelopment respects the planning and vision outlined in the master plan.
- The City has commenced construction of the next phase of the Municipal Services Center, that will allow the Public Works Department to relocate entirely out of the district into a modern and efficient workspace, and freeing up City-owned land to be sold for private redevelopment purposes.
- The City-owned land will be sold at the appraised fair market value, less the costs to perform building demolition and remediate environmental contaminants on the sites. The Developer will need to furnish three (3) bids for this scope of work, and the City will provide an environmental credit on the value of the land equivalent to the lowest of the three (3) bids.
- As a component of this agreement, the master Developer has the sole purchase option on the City-owned land to be conveyed, which will be sold in phases and as redevelopment demand warrants. To provide additional protection to the City, future phases of the land sale will be completed after performance benchmarks have been met with the satisfactory installation of infrastructure to support the redevelopment within Phase I. The Developer has agreed to a land sale price escalator of 2% annually commencing in the year following the Public Works Department's relocation to the MSC Phase II.
- The Developer has opted to forgo allowance of residential tax abatement on projects that are built within the boundaries of this agreement.
- The proposed project-generated TIF assistance in the form of an economic development grant will aid in reducing the project construction cost gap on what is anticipated to be dense, high-quality urban redevelopment. The duration of the TIF assistance will be 20 years per development project, commencing upon completion. All development on this large phased project will need to have commenced construction by no later than October 2030 to receive the full 20-year term of financial assistance.
- To allow the area to redevelop with the population densities contemplated and improve overall infrastructure conditions, many of the existing public streets will need to be reconstructed with new urban cross sections with new public sidewalk, and utilities applicable to serve development. Staff and the Developer have mutually agreed upon which streets and public utilities will be constructed by each entity. The City will be responsible for reconstructing SE 4th Street from East Court Avenue to East Martin Luther King Jr. Parkway, and small segments of East 2nd Street, East 3rd Street, and East 5th Street, from East Court Avenue to the active Iowa Interstate Railroad track. All other streets within the district will be reconstructed by the master Developer.
- East Market Street from SE 2nd to SE 6th Street will be a privately owned street with a public easement in place to allow public vehicle and pedestrian access. East Market Street is intended to be a signature street for the district, with streetscaping and lighting intended to be unique and help contribute to the vibrancy and sense of place. A dead-end segment of SE 3rd Street south of East Elm Street to East Martin Luther King Jr. Parkway will also be privately owned. Operational and long-term maintenance of the private street segments will be the responsibility of the Developer.

- Many of the public streets will feature bioswale planting areas to help cleanse stormwater runoff and recharge the groundwater. The Developer will be responsible for the maintenance of the bioswales and other unique streetscape amenities proposed for the district for the entirety of the duration of the agreement.
- Stormwater management for the redevelopment area will be handled by an improved and enlarged regional basin that is located on the east side of the Market District. The Developer has agreed to contribute at least 44% of the total costs of the basin design and construction costs, including necessary conveyance piping, up to a maximum amount of \$1.75 million.
- City staff have met with representatives with Des Moines Area Regional Transit (DART) on the possibility of adding future bus transit service to the area when demand warrants and will continue to work towards funding strategies that assist in making enhanced transit service a reality.
- To support regional affordable housing needs, at least 10% of the multi-family housing constructed will be held at affordable rents for the duration of the financial assistance. At least 5% of the affordable housing will be at the 80% area median income (AMI) range, and at least 5% at 60% AMI range. Additionally, the City will have the ability to secure an additional 5% of housing at or below the 50% AMI affordability level if additional funding is provided by the City. Such funding will be 50% of the difference between 80% AMI and the rent limit identified based on current year Low Income Housing Tax Credit rent and income limits.
- The redevelopment parcels shall be at least three (3) or four (4) stories in height (depending upon location relative to the protected view corridor). In conjunction with this development agreement but as a separate Council consideration, zoning in this area is being amended to allow for taller heights, up to 200 feet on some blocks, while protecting the view corridors between the State Capitol Building and Principal Park.
- All buildings on the parcels identified in the development agreement shall be constructed of steel, concrete, mass timber, or other approved construction type. Wood-framed construction will be prohibited.
- Developers will be required to provide parking to support the demands of corresponding development. The public shall have access to a minimum of half of the private parking provided in structured parking ramps built for commercial uses during evenings, weekends, and holidays. The City will also have the ability to secure a full-time lease of up to 20% of the parking spaces built within any structured parking facility.
- Developers constructing projects within the boundaries of this agreement will be required to utilize MidAmerican Energy's Commercial New Construction Energy Efficiency (CNC) Program and shall implement the improvements deemed in the CNC program review to provide payoff within 15 years from the completion of the project. Should the program cease existence, the developer will secure similar analysis from design professionals providing consultation on the project, submit to the City for review, and implement the improvement deemed to provide payoff within fifteen years.
- Each development block with parking available to the public shall provide electric vehicle charging stations and/or electrical service and conduit for future use of electric vehicle charging stations for a total of at least 5% of the parking stalls per block.

Vicinity Map



PREVIOUS COUNCIL ACTION(S):

Date: June 8, 2020

Roll Call Number: [20-0914](#)

Action: [Preliminary](#) terms of an Urban Renewal Economic Development Agreement with The District Developers, LLC for the phased, master planned redevelopment of 11 blocks of property within the Market District. ([Council Communication No. 20-261](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Plan and Zoning Commission

Date: November 5, 2020

Resolution Number: N/A

Action: The Plan and Zoning Commission voted 14-0 in support of approval of Part A) the City initiated vacation of Raccoon Street from Southeast 4th Street to Southeast 5th Street, and the north/south segment of alley between Southeast 4th Street to Southeast 5th Street from Raccoon Street

to East Martin Luther King, Jr. Parkway, Part B) APPROVAL of the City initiated amendment to Section 135-2.18 of the City Code to revise regulations regarding applicability of Design Alternatives for maximum height requirements within the Capitol Dominance Area, Part C) APPROVAL of the developer initiated Large Scale Development plan and city-initiated rezoning being found in conformance with the PlanDSM Creating Our Tomorrow Comprehensive Plan, Part D) APPROVAL of the developer initiated Large-Scale Development Plan for the area, and adoption of it as a revision to the Market District of the East Village Master Plan element of PlanDSM Creating Our Tomorrow Comprehensive Plan, subject to addition of a table on Sheet 3 indicating maximum building heights outside the identified viewshed protection corridor, Part E) APPROVAL of the submitted Preliminary Plat for “The Market District” subject to the following conditions, Part F) APPROVAL of City initiated request to rezone property in the area west of Southeast 2nd Street from “DX2” Downtown District to “DXR” Downtown District, and rezone the property in the area east of Southeast 2nd Street from “DX2” Downtown District and “P2” Public, Civic and Institutional District to “DX1” Downtown District with the limitation of a Maximum Height for Buildings that is legally described based on the view corridor model established by the Large-Scale Development Plan.

Board: Urban Design Review Board

Date: August 4, 2020

Resolution Number: N/A

Action: Motion to recommend approval of the design as presented, noting the Board’s comments by Morgan-Huggins. Seconded by Nagle. Motion carried. Yes = 5, No = 0, Abstain = 2, Absent = 2.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Hold hearing on land sale and approval of final terms of the Urban Renewal Economic Development Agreement.
- Approval of final plats and public improvement plans/private construction contracts for infrastructure work.
- Urban Design Review Board approval of various development projects as they are proposed.

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.