

## COUNCIL COMMUNICATION

	Number:	<b>21-457</b>	Meeting:	<b>October 18, 2021</b>
	Agenda Item:	<b>52</b>	Roll Call:	<b>21-1605</b>
	Submitted by:	<b>Erin Olson-Douglas, Development Services Department Director</b>		

### AGENDA HEADING:

Resolution closing hearing, selecting Developer, approving Urban Renewal Development Agreement for the sale of land for private redevelopment and for development of land owned by Developer with KG Store 543, LLC (a Krause+ affiliate) and conceptual development plan for the redevelopment of an existing 2-story building at 555 17th Street and sale of adjacent City-owned property.

### SYNOPSIS:

The Office of Economic Development has negotiated final terms of an Urban Renewal Development Agreement with Krause+ (Gerard Haberman, President, 1459 Grand Avenue, Des Moines, IA 50309-3005) for project-generated tax increment financing (TIF) to assist with extraordinary development costs related to the redevelopment of an existing building. In conjunction with the redevelopment, the City is selling a total of 1.71-acres of adjacent City-owned property and City right-of-way. That action is also included in the development agreement document. Total project costs are estimated at \$17 million.

The preliminary terms, which were approved by City Council on February 8, 2021, provide project-generated tax increment on the building valuation, exclusive of land at 90% for 20 years in the 66-acre Stadium District and Western Gateway District. Krause+'s intent is to serve as the Master Developer. They will prepare the properties for redevelopment through replatting, street construction, and utility relocation/construction, as well as development. They plan to retain long-term ownership of the developed properties.

The intention for the development agreement had been that the entire 66-acre project in both the Stadium District and the Western Gateway District would be part of one (1) master development agreement; however, this smaller adaptive reuse project for the Crescent Chevrolet building is moving faster than the larger Stadium District projects. Staff has proposed that this smaller project have its own separate development agreement with the larger development agreement to follow, to allow redevelopment to begin.

### FISCAL IMPACT:

Amount: The financial terms result in TIF incentives of approximately \$4,855,508 on a cash basis (\$3,087,236 on a net present value {NPV} at a 4.5% discount rate) over 20 years which responds to a financial gap presented by the development team. The TIF incentive will be capped at \$3 million NPV. The tax increment is approximately 18% of estimated total project costs.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$758,743	\$4,066,501	\$2,201,813	\$1,864,688
Sum 20 Years	\$1,683,509	\$9,022,948	\$4,885,508	\$4,137,440
Sum 30 Years	\$2,810,631	\$15,064,102	\$4,885,508	\$10,178,594

\*Taxes include all property taxing authorities (not just City property tax dollars).

\*Taxes received estimates used the following assumptions: 2.5% growth in re-assessment years, 1.5% growth in non-re-assessment years.

Building and Land assumptions at completion of construction:

\$1,679,000 land

\$6,594,100 building

Funding Source: Tax increment generated by the project in the Metro Center TIF District.

In addition to the TIF described above and below, the City is also offering a forgivable loan, which will equal the amount of the appraised value of the 1.71-acres of City-owned property, which is \$727,000. The loan would be considered repaid upon completion of the project.

#### **ADDITIONAL INFORMATION:**

- The Crescent Chevrolet building was built in 1968 and was used as a car dealership. It has been vacant for several years. Big Grove Brewery, which has two (2) locations in eastern Iowa intends to occupy a portion of the first floor of the building (12,720 square feet) on the east side, while the remainder (42,955 square feet) will be office and retail tenants, yet to be determined.
- To the south of the Crescent Chevrolet building, across Linden Street, there is a small Krause+-owned parking lot. The City owns the remainder of the property between Linden Street and Ingersoll Avenue. Krause has requested that they be allowed to purchase this property and incorporate it into their development plans. Krause has also requested that the Linden Street and 16th Street rights-of-way adjacent to the project site be vacated and that they be allowed to purchase the right-of-way. The vacation of this right of way is being submitted with this agreement and must be approved prior to the sale of the parcel. The northern portion of 16th Street will still be used for access to the parking lot and to the property to the east, but it will become more a place for pedestrians than cars. The purchase of both the City-owned property and the right-of-way property has been incorporated into the development agreement action.
- The buildings/parking lot on the three (3) lots owned by Krause are currently assessed at \$300, \$100 each. The Krause-owned land is currently assessed at \$1,679,000.
- There are two (2) existing “Crescent Chevrolet” signs.
  - Roof sign – south-facing, more prominent
  - Wall sign – north-facing, located above existing windows
 Krause+ intends to keep these signs and is in the process of preparing a submittal for landmark status.

- The project has enrolled in MidAmerican's Commercial New Construction Program. In addition, the developer intends to reuse as many of the building materials as possible during renovation. Building materials that are removed as part of the renovation will be assessed as to whether they can be creatively reused within the project before recycling. Building systems that increase the energy efficiency of the building and decrease its reliance on fossil fuels will be pursued.
- The Crescent Chevrolet building is part of a much larger development effort led by Krause+, which includes the Stadium District and the Western Gateway District. The Stadium District will include a 6,300-seat multi-use stadium built for soccer, which will be non-taxable, but will be the impetus for additional development in the area, such as a 150-room hotel; residential, commercial, and office buildings; and a parking ramp. When fully developed, the Stadium District will transform a brownfield area (including a Superfund Site) into a welcoming gateway into the downtown; provide the construction/reconstruction of substandard or vacant public infrastructure, such as streets and public sidewalks; and increase the City's property tax base.
- The Western Gateway District includes a 125-room hotel to serve the nearby hospital and neighborhood; renovation of the Crescent Chevrolet building; residential, commercial, and office buildings; as well as public places with art. Some of the existing buildings will be restored, while some will be torn down.
- The entire development area (Western Gateway District and Stadium District) is proposed to consist of approximately 2.1 million square feet of new or renovated building development at a cost of \$550 million. The land proposed for redevelopment is currently assessed at \$12.12 million, which includes 3.8-acres of property currently owned by the City. Assessed valuation of new development in the project area is projected to be up to \$330 million. The development area is expected to be built out in 10-15 years. The developer proposes to open the first part of the phased development as early as 2022, with the stadium expected to be complete in spring 2025.
- This project area was recently awarded provisional approval of \$23.5 million in state sales and hotel/motel tax through the Iowa Reinvestment Act, an application process spearheaded by the Iowa Economic Development Authority (IEDA). The Crescent Chevrolet building is a small portion of the project area, but a portion of the state sales taxes collected on the site will be funneled back to the City, who will then transfer the funds to the developer to help fund eligible projects (multi-use stadium and global plaza) in the district. The TIF provided through this project is part of the financial participation required for this IEDA program.

**PREVIOUS COUNCIL ACTION(S):**

Date: September 13, 2021

Roll Call Number: [21-1412](#)

Action: [On](#) the competitive process for sale of land and redevelopment of the Crescent Chevrolet Building in the Metro Center Urban Renewal Project Area and receipt of redevelopment proposal from the Krause+ Affiliate KG Store 543, LLC, (10-18-21). Moved by Boesen to adopt. Motion Carried 6-1. Absent: Westergaard.

Date: February 8, 2021

Roll Call Number: [21-0219](#)

Action: [Preliminary](#) terms for sale and/or lease of City-owned property and for an Urban Renewal Development Agreement with Krause+ for the phased, master planned redevelopment of approximately 60-acres of property, south of Martin Luther King, Jr. Parkway, east of the Raccoon River and 6-acres of property in the Western Gateway area, bounded by High Street and Grand Avenue between 15th, 16th, and 17th Streets. ([Council Communication No. 21-062](#)) Moved by Mandelbaum to adopt. Motion Carried 7-0.

#### **BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: August 3, 2021

Resolution Number: N/A

Action: Motion by Ward to recommend final approval of the design as presented. Seconded by Rypma. Motion carried. Yes=6. No=0. Abstain=0. Absent =3. Motion by Hanley to recommend approval of the financial assistance as presented. Seconded by Rypma. Motion carried. Yes=6. No=0. Abstain=0. Absent=3.

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- City Council – Certificate of Completion

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