

# COUNCIL COMMUNICATION

	Number:	<b>22-105</b>	Meeting:	<b>March 7, 2022</b>
	Agenda Item:	<b>45</b>	Roll Call:	<b>22-0337</b>
	Submitted by:	<b>Erin Olson-Douglas, Development Services Department Director</b>		

**AGENDA HEADING:**

Resolution approving final terms of an urban renewal development agreement with Merge, LLC for the construction of a \$22 million, 108,000-square-foot mixed-use development at the southeast corner of 25th Street and Carpenter Avenue, across from Drake University.

**SYNOPSIS:**

Merge Urban Development (Brent Dahlstrom, Partner/CEO, Merge Development Group, 604 Clay Street, Cedar Falls, IA 50613) proposes to construct an approximately 108,000-square-foot mixed-use building east of Drake University, on the northern half of a 2.65-acre block bounded by 24th Street, 25th Street, University Avenue, and Carpenter Avenue. The proposed building will include 120 residential units and approximately 10,000 square feet of commercial space on the ground floor along Carpenter Avenue.

The Office of Economic Development has negotiated the final terms of an urban renewal development agreement with Merge, LLC which provides for tax increment generated by the proposed project to address a financing gap presented by the developer. Additional details are provided in the fiscal impact section below.

**FISCAL IMPACT:**

Amount: The project would receive 90% of project-generated tax increment (exclusive of land) for 15 years, which is estimated to be approximately \$5,069,527 (\$3,567,968 net present value {NPV} at 4.5% discount rate). The TIF assistance is estimated to be about 14.01% of total project costs.

Funding Source: Project-generated tax increment from the proposed Carpenter Urban Renewal Plan/TIF District:

Year	Estimated Taxes Received Without Project *	Estimated Taxes Received with Project *	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$0 (Drake-owned)	\$4,838,603	\$3,200,924	\$1,637,679
Sum 20 Years	\$0 (Drake-owned)	\$10,753,432	\$5,069,527	\$5,683,905
Sum 30 Years	\$0 (Drake-owned)	\$17,945,322	\$5,069,527	\$12,875,795

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

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

**ADDITIONAL INFORMATION:**

- This will be Phase 1 of the project that will eventually conclude with the development of the southern half of the block along University Avenue (Phase 2).
- The entire 2.65-acre block consists of 11 parcels, two (2) of which are owned by U.S. Bank, and one (1) of which is owned by Varsity Cinema, LLC. The balance of the parcels are currently owned by Drake University, and are largely tax-exempt. Merge, LLC plans to purchase the parcels from Drake University, which will make those parcels taxable. The project cost is estimated at \$22 million and would begin construction in fall 2022, with completion expected in Spring of 2024.
- US Bank and the Varsity Theater do not plan to sell their property and will remain on the block.
- The mixed-use project proposes approximately 116 dwelling units, 22-24 each of five (5) different sizes: studios of 400 square feet; studio plus units of 450 square feet; 1-bedroom units of 550 square feet; 1-bedroom plus units of 650 square feet; and 2-bedroom units of 900 square feet.
- Within the proposed approximately 10,000 square feet of office/retail space, the Developer may provide micro-retail units which will support entrepreneurial activity in the area.
- The Developer has committed to providing 20% of the residential units (24 units) at an affordable rate of 10% at 80% area median income (AMI) and 10% at 65% AMI. The Developer is also researching DART's unlimited access pass.
- The Developer has committed to providing four (4) electric vehicle charging stations and to provide conduit to eventually provide more stations if needed. The Developer has also committed to providing rooftop solar arrays and will participate in MidAmerican's Commercial New Construction program.
- The project will not be seeking tax abatement.
- The project was announced on June 24, 2019, at a press conference in front of Old Main. Mayor Pro Tem and Ward 1 Councilmember Bill Gray represented the City.
- The Developer and their design team have engaged with the Drake Neighborhood Association as their concept plans have been developing.
- The Developer has indicated that during Phase 2 they intend to work with the Varsity Theater owners to maintain a theater within the development, and hopefully support and capitalize on the use with its adjacent buildings.
- This property is within one (1) of the City's two (2) federally designated Opportunity Zones. The Developer will be able to realize some additional benefit by foregoing a portion of federal capital gains tax through investment in this area. The amount will vary by the length of the investment. Currently, the program is set to expire at the end of 2026.

**PREVIOUS COUNCIL ACTION(S):**

Date: February 7, 2022

Roll Call Number: [22-0191](#) and [22-0192](#)

Action: [Amending](#) Section 134-1.10 of the Municipal Code by rezoning and changing the district classification of certain property located at 1236 24<sup>th</sup> Street from University Square Legacy "PUD" to MX2 Mixed Use District classification. Moved by Gatto that this ordinance be considered and given second vote for passage. Second by Boesen. Motion Carried 7-0.

(A) [Final](#) consideration of ordinance above (waiver requested by Michelle D. Morgan Huggins, Drake University), requires six votes. Moved by Gatto that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#16,101](#). Second by Boesen. Motion Carried 7-0.

Date: December 20, 2021

Roll Call Number: [21-1937](#)

Action: [Authorizing](#) the City Manager to negotiate a development agreement based on preliminary terms with Merge Urban Development and Drake University for the construction of \$25 million, 108,000-square-foot mixed-use development at the southeast corner of 25<sup>th</sup> Street and Carpenter Avenue across from Drake University. ([Council Communication No. 21-563](#)) Moved by Gray to adopt. Motion Carried 7-0.

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

Board: Urban Design Review Board

Date: March 1, 2022

Resolution Number: N/A

Action: Motion to recommend approval of final design as presented by Hanley. Seconded by Clark. Motion carried. Yes = 8, No = 0, Abstain = 0, Absent = 2.

Board: Urban Design Review Board

Date: December 21, 2021

Resolution Number: N/A

Action: Motion to recommend approval of the financial assistance package by Morgan-Huggins. Seconded by Hanley. Motion carried. Yes = 5, No = 0, Abstain = 1, Absent = 4.

Motion to recommend approval of the preliminary design as presented by Hanley. Seconded by Wilke-Shapiro. Motion carried. Yes = 5, No = 0, Abstain = 1, Absent = 4.

Board: Plan and Zoning Commission

Date: December 16, 2021

Resolution Number: ZONG-2021-000046

Action: Part A) The Commission finds the requested rezoning and amendment to the University Square Legacy “PUD” Conceptual Plan are in conformance with the PlanDSM Creating Our Tomorrow Comprehensive Plan, which designates this area as Neighborhood Mixed Use.

Part B) Approval of the request to amend the University Square Legacy “PUD” Conceptual Plan, to remove approximately 0.56 acres to be rezoned to “MX2” Mixed Use District. The applicant shall

submit an amended “PUD” Conceptual Plan that eliminates the area that is being rezoned to “MX2” Mixed Use District, to the satisfaction of the City’s Planning & Urban Design Administrator.  
Part C) Approval of the request to rezone the property from University Square Legacy “PUD” District to “MX2” Mixed-Use District. Motion by Freed. Passed by a vote of 8-0-1.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- City Council – Approval of Certificate of Completion to commence economic development assistance.

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