

June 19, 2006

Date

**RESOLUTION APPROVING AN URBAN RENEWAL DEVELOPMENT AGREEMENT WITH VILLAGE PLACE, L.L.C. FOR DEVELOPMENT OF VILLAGE PLACE AND AUTHORIZING SUBMISSION OF AN ENTERPRISE ZONE APPLICATION TO THE STATE OF IOWA.**

WHEREAS, on June 6, 2005, by Roll Call No. 05-1417, the City Council of the City of Des Moines received, filed and referred a communication from William J. Lillis, regarding East Locust Development to the City Manager for review and recommendation of development at 517 East Locust Street ("Property"); and

WHEREAS, the City Manager has negotiated an Urban Renewal Development Agreement ("Agreement") with Village Place, LLC ("Developer") which provides that Developer shall undertake construction of at least 35,000 square feet of retail, office and housing space in a five-story building, at least 6,720 square feet of retail and housing space in a two-story building, and at least 200 parking spaces in a structured parking ramp on the Property (herein collectively called the "Project"); and

WHEREAS, the Agreement provides that the City shall advance an economic development grant payable in one annual installment of \$50,000 and followed by nineteen annual installments of \$105,000 upon assessment for taxation at the Minimum Assessed Values pursuant to the Agreement; and

WHEREAS, the property is located in the Metro Center Urban Renewal Project Area ("Project Area") and is being developed as a public and private sector initiative to stimulate investment in the surrounding properties in the Project Area; and

WHEREAS, the economic development assistance for the development of the Project shall be provided by the City to Developer pursuant to the Urban Renewal Law and Chapter 15A of the Code of Iowa, and Developer's obligations to construct the Project under the Agreement will generate the following gains and benefits: (i) it will advance the improvement and redevelopment of the Eastern Gateway in accordance with the Urban Renewal Plan and the Eastern Gateway District Area "1" Design Guidelines; (ii) it will advance the goal of providing a range of affordable and market-rate housing in decent, safe and sanitary conditions in attractive settings to serve employees and other people who would like to live in the downtown area; (iii) it will encourage further private investment and will attract and retain residents and businesses in the Eastern Gateway area of the Project Area to maintain and enhance taxable values and reverse the pattern of disinvestment and declining resident population; and, (iv) it will further the City's efforts to create and retain job opportunities within the Project Area which might otherwise be lost; and,

(Continued on Page 2)

June 19, 2006

Date

WHEREAS, the construction of the Project is a speculative venture and the construction and resulting employment, housing and redevelopment opportunities would not occur without the economic incentives provided by the Agreement; and,

WHEREAS, City believes that the redevelopment of the Property pursuant to the Agreement, and the fulfillment generally of the Agreement, are in the vital and best interests of the City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of the applicable state and local laws and requirements under which the project has been undertaken, and warrant the provision of the economic assistance set forth in the Agreement; and

WHEREAS, on June 6, 2006, the Urban Design Review Board, by 7-0 vote, recommended approval of the use of tax increment financing assistance and Conceptual Development Plans for the Mixed-Use Building and Oxford Court components of the Project; and,

WHEREAS, on January 19, 2006 the Plan and Zoning Commission approved a request from Iowa State Bank, represented by John Burgeson, for vacation and conveyance of the air rights of the segments shown adjoining the Property at 517 East Locust Street, commencing at an elevation 12' above the right-of-way, to allow for balconies to overhang up to 8' into the right-of-way, subject to the approval of the final site plan for the proposed development; and,

WHEREAS, on September 14, 1998 by Roll Call No. 98-2839, the Des Moines City Council established the nine-member Des Moines Enterprise Zone Commission ("Commission"), and on June 21, 1999 by Roll Call No. 99-2002, the City Council designated the Des Moines Gateway Enterprise Zone, which the State of Iowa subsequently certified, all pursuant to Iowa Code sections 15E.191-96; and

WHEREAS, the authority of the ("Commission") is independent of the Council and said Commission is required to review applications primarily for State tax incentives from qualified businesses located within or requesting to locate within an enterprise zone in order to encourage new development and forward its recommendation to the State of Iowa; and

WHEREAS, on October 6, 1998, the Commission adopted an application process that requests Council to review applications for enterprise zone benefits and forward its recommendation to the Commission; and

WHEREAS, Village Place, LLC is a business requesting approval of its application for enterprise zone benefits regarding a project in the Des Moines Gateway Enterprise Zone; and

June 19, 2006

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WHEREAS, Village Place, LLC’s application appears to meet all of the requirements for enterprise zone benefits as described in the staff report herein referenced as Exhibit “A”; and

WHEREAS, the Historic East Village, Inc. neighborhood association has reviewed and recommend support of this project; and

WHEREAS, Council is requested to recommend approval of Village Place, LLC’s application for enterprise zone benefits to the Des Moines Enterprise Zone Commission as well as to the Iowa Department of Economic Development, which administers the State of Iowa Enterprise Zone Program; and

WHEREAS, the public gains and benefits generated from this economic development activity are warranted in comparison to the amount of funds invested.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Des Moines, Iowa, as follows:

1. The Urban Renewal Development Agreement between the City and Developer, which is on file in the Office of the City Clerk, is hereby approved and the Mayor is hereby authorized and directed to sign the Agreement on behalf of the City and the City Clerk is hereby authorized and directed to attest to the Mayor’s signature.

2. Upon satisfaction of the conditions for advancement of the economic development grant pursuant to Article 5 of the Development Agreement and confirmation of same by the City Manager and the Legal Department, the Finance Department is hereby authorized and directed to advance the proceeds of such grant to the Developer in accordance with the terms of the Development Agreement.

3. The City Manager or his designees are hereby authorized and directed to administer the Agreement on behalf of the City, including the filing of the Agreement in the Office of the Polk County Recorder, and to monitor compliance by Developer with the terms and conditions of the Development Agreement and the City Manager is directed to forward to the City Council all matters and documents that require City Council review and approval in accordance with the Agreement.

4. Upon receipt of the signed Minimum Assessment Agreement from Developer pursuant to Section 405 of the Agreement and approval of the same by the City Legal Department, the Mayor is hereby authorized and directed to sign the Minimum Assessment Agreement on behalf of the City of Des Moines, and the City Clerk is hereby authorized and directed to attest to the Mayor’s signature.

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Date June 19, 2006

5. The staff report describing how Village Place, LLC's application meets the requirements for enterprise zone benefits, herein referenced as Exhibit "A", is hereby accepted.

6. Village Place LLC's application is recommended for approval to the Des Moines Enterprise Zone Commission and to the Iowa Department of Economic Development.

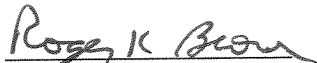
7. The Office of Economic Development is directed to transmit a copy of this Roll Call to the Commission and to the Iowa Department of Economic Development and is directed to conduct project compliance monitoring.

8. Upon approval of the application by the Iowa Department of Economic Development, the Mayor is authorized to execute and the City Clerk is directed to attest to his signature any documents necessary for Village Place, LLC to receive enterprise zone benefits.

( Council Communication No. 06-315 )

MOVED by \_\_\_\_\_ to adopt.

FORM APPROVED:



Roger K. Brown  
 Assistant City Attorney  
 C:\Rog\Eco Dev\EV Place\RC 06-06-19 Approve.doc

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
BROOKS				
COLEMAN				
HENSLEY				
MAHAFFEY				
KIERNAN				
VLASSIS				
TOTAL				

MOTION CARRIED

APPROVED

\_\_\_\_\_  
 Mayor

**CERTIFICATE**

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

\_\_\_\_\_  
 City Clerk

**DES MOINES GATEWAY ENTERPRISE ZONE (EZ-3)****Staff Report Regarding Application for Housing Benefits****Applicant Name:** Village Place, LLC**Project Location:** 517 E. Locust Street

**Project Summary:** The developer intends to construct three buildings: (1) a five-story, mixed-use building which will contain six single-family condominiums with two and three bedrooms on the third, fourth and fifth floors, (2) a two-story retail and residential structure that will provide six one-bedroom, "Oxford" efficiency loft apartments to be rented at market rate, and (3) a 204-stall above- and below-ground parking ramp. Only the residential portion of the project will be eligible for enterprise zone benefits. Condominiums will range from 1,800 to 3,000 s.f. and sell for \$396,000 to \$660,000 per unit (\$220/s.f.). Apartments will have approximately 540 gross s.f. (475 net s.f.) and rent for about \$850/month. Building tenants will be able to park in the adjacent ramp. The total cost for the residential aspect of the Village Place project is estimated at \$4 million.

**Current Status:** The sources and uses of project funds for the residential project are as follows:

<b>Funding Source</b>	<b>Amount</b>	<b>Proposed Use of Funds</b>	<b>Amount</b>
Equity – Initial (Land and soft costs)	\$ 400,000	Land and parking lot demolition	\$ 317,500
Loan – Oxford apartments	\$ 364,500	Condominium construction	\$ 2,710,099
Loan – Mixed-use residential	\$ 2,135,972	Apartment construction	\$ 486,000
Developer equity	\$ 870,874	Soft costs and fees	\$ 465,586
EZ investment tax credits	\$ 138,600		
EZ sales tax refund	\$ 69,239		
<b>PROJECT TOTAL</b>	<b>\$ 3,979,185</b>	<b>TOTAL</b>	<b>\$ 3,979,185</b>

**Start Date:** August 2006**Completion Date:** October 2007**Total Project Cost:** \$3,979,185

**State Financial Incentive:** \$207,839 (Total) - \$138,600 (Investment tax credits); \$69,239 (Sales tax refund)

**Long-term Plan:** The project involves new construction. Village Place, LLC plans to sell the condominiums and contract with an independent real estate management company to manage the entire project. A condominium association will be established. It will collect dues for the long-term infrastructure needs and provide labor to maintain the structure.

**DES MOINES GATEWAY ENTERPRISE ZONE (EZ-3)**

**Staff Report Regarding Application for Housing Benefits**

**Benefits:** Village Place will provide approximately 15,000 s.f. of retail/commercial space that could serve five to eight businesses which could employ 30-40 people. Neighborhood retail will offer additional services to area residents.

**Merits of Project:** This project will bolster the residential and commercial viability of the East Village neighborhood by helping to build a critical mass. It will also contribute to the area's revitalization.

**Affidavit:** An affidavit has been provided certifying that the developer has not, within the last five years, violated state or federal environmental or worker safety statutes, rules and regulations.

**Program Requirements:** The project meets the program requirements of rehabilitating or constructing four single-family units. Construction will be completed within 14 months from the start of construction and will meet all applicable housing quality and local safety standards.

**Commission Requirements:** On May 15, 2006, the Historic East Village Neighborhood Association provided a letter of support for the project.

**Recommendation:**

Staff recommends approval of the application and submittal to the Des Moines Enterprise Zone Commission and to the Iowa Department of Economic Development for consideration.

Respectfully submitted,

Ellen Walkowiak  
Economic Development Coordinator

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P.O. Box 6043 DES MOINES, IA 50309

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May 15, 2006

Urban Design Review Board  
c/o City of Des Moines  
602 Robert D. Ray Drive  
Des Moines, IA 50309

Dear Members of the Urban Design Review Board,

On behalf of the Historic East Village, Inc. Board of Directors, I am writing this letter in support of the Village Place project.

The Historic East Village, Inc. Board is comprised of people who live, work or have a vested interest in the East Village. As such, we are able to see the changes that seem to occur almost daily. In accordance with the organization's mission, this passionate group of people promote the East Village neighborhood as a thriving and attractive retail, commercial, entertainment and residential area.

We appreciate the time John Burgeson has taken to explain the Village Place project to the Board. In doing so, board members have had the opportunity to view the plans for the buildings which will occupy land in the 500 block of East Locust Street and along East 6th Street south of East Locust. We feel this development would greatly benefit the East Village neighborhood with its mix of retail, residential and parking.

Following discussions with John, the Board agreed to support the concept of Village Place and expressed willingness to work with John and the City in whatever capacity necessary toward final design solutions.

Thank you for your time and consideration of this matter. Please contact me at (515) 281-4011 if I can do anything else on behalf of Historic East Village, Inc.

Sincerely,

Sarah Oltrogge  
President, Historic East Village, Inc.