

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 8, 2015
	Agenda Item No. 66 Roll Call No. <u>15-977</u> Communication No. <u>15-281</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Selection of Nelson Construction and Development as the preferred developer of the air rights over the new 7th and Grand parking garage.

SYNOPSIS:

On March 23, 2015, by Roll Call No. 15-0488, Council moved forward with design of a new 7th and Grand parking facility to be located west of 7th Street and replace the facility that currently spans 7th Street. This action selected Substance Architecture to provide design and construction services for the new mixed use parking structure. The scope of services for the design contract for the parking facility includes structural and architectural elements allowing future development above the garage structure. Substance is nearly complete with schematic design of the 7th and Grand parking facility, the first phase of design, but needs direction on the air rights for development above the garage to proceed with design work.

At the Council Workshop on April 20, 2014, staff provided an outline of the air rights development selection process. A Request for Proposals (RFP) for air rights above the 7th and Grand parking structure was released on April 24, 2015. The RFP garnered three (3) responses, all for housing development above the garage, including:

- Linden Street Partners, a Denver-based developer proposed in a 5-story U-shaped configuration with 160 apartments and a small boutique hotel.
- Nelson Construction & Development, a Des Moines-based developer and full service construction company, proposed 150-262 units of high end market rate apartments in an L-shaped configuration that includes rooftop courtyards and restaurant/lounge. Nelson also proposes to purchase one (1) level of the garage (approximately 100 spaces).
- Sherman Associates, a Minneapolis-based developer, proposed 195 units of high-end market rate apartments in a 13-story building along Grand Avenue.

Nelson and Sherman have been working in the downtown Des Moines development market for the past several years; the RFP piqued new interest from Linden Street Partners.

Staff recommends that Council identify local developer and contractor, Nelson Construction & Development, as the preferred developer of the air rights above the garage.

FISCAL IMPACT:

Amount: N/A

Funding Source: A financial proposal will be negotiated with the developer and presented to the City Council at a future date.

ADDITIONAL INFORMATION:

The 7th and Grand Air Rights RFP was a quick turn-around process intended to capture interest in developing higher value on this key downtown site and leveraging existing investments in infrastructure (skywalks, parking, subgrade construction) . The next several months will be spent developing the design of the City's public parking garage with the private housing development proposed by the preferred developer. A benchmark schedule that relates the garage design to the design of the air rights development with affiliated development agreements will be presented in a follow-up meeting to Council.

Nelson's proposal included phased implementation of up to 270 housing units, 150 units in phase one (1) and 112 units in phase two (2). To limit future disruptions to neighboring properties and parking patrons and limit the City's investment in reinforced structure for air rights development, staff has requested that the air rights development be implemented in a single phase. Nelson has agreed to revisit the proposal to provide a single phase development that will immediately follow construction of the 7th and Grand parking facility. Nelson has also agreed to begin design immediately so that air rights housing design can be efficiently and economically coordinated with design of garage and that key aspects (structural, mechanical, electrical, plumbing, fire suppression, vertical circulation systems, and potentially cladding) of the air rights construction could be bid simultaneously with bidding of the parking facility.

The Nelson Construction & Development team includes:

- Exeter Group, a Minneapolis-based urban real estate development company;
- BKV Group, a full service architectural firm based in Minneapolis; and
- Faegre Baker Daniels (Larry James), real estate counsel.

Structural coordination between the parking structure and the air rights development will be a key factor in the successful implementation of the total project. Nelson has agreed to include Shuck Britson, the structural engineer for the parking structure, on the air rights design to assist with coordination.

PREVIOUS COUNCIL ACTION(S):

Date: March 23, 2015

Roll Call Number: [15-0488](#)

Action: [Approving](#) Professional Services Agreement with Substance Architecture LLC, for the 7th and Grand Parking Ramp, not to exceed \$1,971,000. ([Council Communication No. 15-138](#)) Moved by Hensley to adopt. Motion Carried 6-1.

Date: February 24, 2014

Roll Call Number: [14-0330](#)

Action: [Approving](#) selection of The Opus Group as the preferred developer of the 7th and Grand parking garage site. ([Council Communication No. 14-076](#)) Moved by Hensley to adopt and include the following: 1. Evidence of financial support consistent with the Developer's proposal. 2. Developer will submit a third-party market assessment demonstrating viability of the extended-stay hotel and the market-rate housing. 3. Developer will commission an appraisal for the housing component to determine if the proposed financial structure is achievable. 4. Staff will report back to Council on the status of those items in the next 45 days at a workshop. Motion Carried 6-1. Absent: Cownie.

Date: October 21, 2013

Roll Call Number: [13-1684](#)

Action: [Issuance](#) of a Request for Proposals (RFP) for redevelopment of the current 7th & Grand Parking Garage Site and the former YWCA site. ([Council Communication No. 13-520](#)) Moved by Hensley to adopt; refer to the City Manager to develop a comprehensive communication strategy for the project. Motion Carried 7-0.

Date: July 29, 2013

Roll Call Number: [13-1235](#)

Action: [Presenting](#) the City Manager's recommended development teams for the 7th & Grand Parking Garage Redevelopment project and authorizing the City Manager to proceed to the next stage of the process with the selected Developers. ([Council Communication No. 13-391](#)) Moved by Hensley to receive and file, and to authorize and direct the City Manager to proceed to the next stage of the process with selected developers and to prepare a Request for Proposals for future consideration by the City Council. Motion Carried 7-0.

Date: February 11, 2013

Roll Call Number: [13-0255](#)

Action: [Communication](#) presenting a Conceptual Assistance package with Principal Financial Group for campus-wide renovations and approving submittal of an Iowa Economic Development Authority Business Financial Assistance Application on behalf of Principal Financial Group. ([Council Communication No. 13-070](#)) Moved by Hensley to receive and file the accompanying Council Communication; to direct the City Manager and staff to proceed with negotiation of preliminary terms of agreement consistent with the proposed conceptual assistance package; and to authorize the Mayor to sign Principal's Business Financial Assistance Application on behalf of the City as the sponsoring entity. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Appropriate board and commission review and recommendation.
- Actions pursuant to State Urban Renewal land disposition.

- Council consideration of a Development Agreement for the purchase and redevelopment of the City-owned air-rights over the 7th and Grand parking facility.
- Normal Council actions for design and construction of a public parking facility.

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