
COMMUNITY DEVELOPMENT

MEMORANDUM

Planning,
Zoning,
Building Safety,
Construction Inspection Services,
Public Health,
Housing Inspections,
Code Enforcement

To: Mayor and City Council Members
From: Jodi Royal-Goodwin, Community Development Director
Cc: Gregg Mandsager, City Administrator
Date: September 15, 2019
Re: **Request to Accept Responses to the Carver Corner Redevelopment Request for Proposals, Designate Merge Urban Development Group as the Preferred Developer, Authorize Staff to Negotiate a Development Agreement and to Enter into Negotiations for the Transfer of Property**

INTRODUCTION: A request for proposals for the redevelopment of land assembled by the City of Muscatine referred to as Carver Corner was released June 21, 2019. One response was received and determined to be responsive. At this time staff recommends Council accept responses to the RFP, designate Merge Urban Development as the preferred developer, authorize staff to negotiate a development agreement, and to enter into negotiations for the transfer of property.

BACKGROUND: For more than two decades the City has been working to assemble the Carver Corner project area, starting in 1996 with the acquisition of the Carver Pump site and ending in 2017 with the purchase of the Testrake property. During this time the City completed environmental, archeological, and other studies on these properties. These studies were necessary for the advancement of other City projects and clearance activities. The City also demolished many of the existing derelict structures. In all the offered site includes 7 parcels totaling more than 6 acres.

The City has expended over a half million dollars on the acquisition, clearance, and clean-up of this site; this does not include costs of assembling this Carver Corner site or costs for maintaining this site. The City also owns adjacent properties not included in the RFP due to development constraints, but which may be available for ancillary uses to support the Carver Corner development, such as storm water retention, parking or green space. Staff anticipates coordinating with the developer of Carver Corner and the neighborhood on the realignment of the Hershey Avenue/Green Street intersection as part of the Corridor reconstruction project started in 2016.

In recent years a number of public and private projects, with the goal of revitalizing the area and enhancing the quality of life in Muscatine, have been completed or soon will be. These projects include the Mississippi Drive Corridor Project, the Grandview Avenue Corridor, a

railroad quiet zone, the Merrill Hotel and Conventions Center, the 2nd Street Enhancement Project, the new Musser Public Library and HNI Community Center, and HNI's improvements to its downtown campus. In total these projects represent more than \$100 million investments in the area.

Carver Corner serves as the gateway to the central business district from the south via Grandview and Hershey Avenues. It is approximately 0.5 miles from the downtown business district and is in very close proximity to the riverfront and the City's trail network. The City's forethought in assembling the site, on-going reconstruction of the main transportation thoroughfare and associated utility and pedestrian amenity improvements, and the anticipated realignment of the intersection provide a once-in-a-lifetime redevelopment opportunity for the Carver Corner site and opportunity to promote investment into the south end. Based on all of these factors, economic development principles indicate the highest and best use of the site is a mixed-use project that aligns with established goals and community needs.

Conversations with internal and external stakeholders and a review of community documents, including the Comprehensive Plan, Housing Market Demand Study and 2019-2020 Goals and Priorities adopted by Council, confirmed the redevelopment of Carver Corner is an opportunity to address identified community needs and furthers a number goals. Following is a discussion of the goals and needs from these documents the Carver Corner redevelopment supports or addresses.

Comprehensive Plan

The Comprehensive Plan is the vision of what community members desire Muscatine to become over the course of the next decade based on community input, including the specific actions, policies, and projects needed to make this vision a reality. This process primarily occurred through a series of eight facilitated town hall meetings in the summer of 2012 where community members identified the strengths, weaknesses, challenges, and opportunities facing Muscatine and their neighborhood and what they want the City of Muscatine and their neighborhoods to become. Four community member advisory groups comprised of residents and representatives from the business community, neighborhood groups, community organizations, and governmental entities met a total of 26 times to establish the goals and the implementation strategies under for the four broad topics: infrastructure, land use, economic development, or quality of life.

The Comprehensive Plan addresses all aspects of the community and provides a comprehensive vision, identifying goals to guide individual decisions regarding particular facets of the community, insuring they are not made in isolation, but rather in a manner that furthers implementation of the vision. The plan provides a roadmap based on community input for leveraging the strengths of the community, taking advantage of opportunities, correcting weaknesses, and addressing challenges in order to achieve all goals of the plan.

The Future Land Use Plan, which is contained in the Land Use chapter of the adopted Comprehensive Plan, summarizes the Muscatine community's vision of how development,

preservation, and public realm investment should occur. It is intended to be used in conjunction with all of the goals and implementation strategies contained within the entire Comprehensive Plan to make the community's vision of the desired future Muscatine a reality and presents Muscatine's preferred future land use scenario in map format. It is intended to represent preferred future land uses and reflect the unique opportunities and assets associated with neighborhoods, natural resources, and public infrastructure as well as guide land use decisions and policies by depicting the desired future land use for any given location.

The Future Land Use Plan designates the Carver Corner site as "Neighborhood Mixed Use" (see Attachment A). The Neighborhood Mixed Use category is defined as: *"A transitional use between more intensive commercial uses and purely residential neighborhoods. Includes conversions of houses to office or live-work spaces. May include limited commercial-only space oriented to neighborhood or specialty retail markets."*

Goal LU.3 states, *"Increase new residential development on vacant lots in portions of the City already served by public infrastructure."*

Goal LU.16: Revitalization

The revitalization of established neighborhoods, particularly blighted areas by promoting development that conserves land, protects historic resources, promotes pedestrian accessibility, and integrates different uses of property. Remediation and reuse of existing sites, structures, and infrastructure is preferred over new construction in undeveloped areas.

Goal ED.16: Development and/or revitalization of specifically targeted areas

Seek development and/or revitalization of specifically targeted areas through partnerships with community stakeholders and by leveraging infrastructure improvements, aesthetic enhancements, incentives, and a review of land use regulations.

- Downtown
- Grandview Avenue Corridor
- Park Avenue Corridor

Goal ED.9: Retain Within the Muscatine Economy a Greater Percentage of the Wages Paid by Muscatine Employers

Grow the Muscatine economy by retaining within Muscatine more of the wages paid by Muscatine business establishments. By increasing the percentage of those who work in Muscatine also living in Muscatine over the next decade a higher percentage of those dollars earned in Muscatine should be spent in Muscatine.

The findings of the Housing Market Demand Study reinforced the goals identified in the Comprehensive Plan address current housing needs as illustrated below.

Housing Market Demand Study

One of the key findings of the Housing Demand Study can found on page 52, where it states the following. *"For the market to support new growth and offer variety in the market,*

approximately 814 new housing units will need to be added between 2017 and 2030. This equates to approximately 58 new units annually including both renter and owner units, compared to current building activity since 2010 at about 32 units per year.”

The Study included a number of other considerations in addressing housing needs, including needs of various populations, the impact of housing choice on the business sector and community growth, and the issue of quality.

Surveys completed as part of the Study indicated the housing market does not adequately serve all ages and employment groups in the City. Primarily many young professionals, especially those not familiar with Muscatine, have a hard time finding housing. The ease of commuting to Muscatine can ease the choice of choosing to live outside of the community where housing options and amenities are more plentiful. This is supported by the fact that 61% of those employed in Muscatine live elsewhere. The Study recognizes that Muscatine has good jobs and a strong economy, but continued business growth is impacted by the availability of adequate housing.

As a Midwestern community the City also has an aging population. The Study projected 13,454 households over the age of 55 will live in Muscatine by 2025. If just 1.0% of these households demand alternative independent housing options 135 units would be needed. Without appropriate housing options a portion of this population is likely to relocate out of the area as these households seek living options that are closer to amenities with less maintenance requirements.

“Fortunately, retirees and young professionals tend to have similar preferences [in housing], thus targeting these housing options satisfies two age markets and offers the opportunity to integrate these households within one development.” (Housing Study, page 88) These units, typically in multiunit developments, require less maintenance and are designed with accessibility in mind.

Next, the economics of housing. The Study’s authors state on page 52 that current building activity supports a 0.18% population growth rate, but additional growth is stifled by housing challenges. One barrier to growth in Muscatine is the availability of housing that meets the needs of current and potential future residents. Addressing this unmet need will lead to overcoming the pent-up demand for housing to spur population growth. The ability to attract new residents influences continued business growth, which is impacted by the ability to house the necessary workforce.

According to findings in the Housing Study, the housing market in Muscatine presents problems for those in the workforce, senior, and prospective new residents. Households with incomes ranging from \$25,000 to \$74,999 have difficulty securing adequate, affordable housing (page 69). This is primarily the result of households with higher incomes competing for the same units. A limited lot supply is the most significant challenge to overcome. The construction of new homes meets an immediate need for households who can afford homes above \$200,000.

New construction indirectly alleviates other housing challenges by opening existing housing and rental units at more affordable prices.

Finally, it is important not to confuse quantity with quality. Development should be incorporated at strategic and appropriate locations with quality design (Housing Study, page 65). Redevelopment of strategic sites should be used to create attractive and productive residential use that eliminates blighting conditions, supports private market reinvestment in surrounding areas, and creates new taxable value and uses. Successful investment needs to focus on neighborhoods by prioritizing investments that create and reinforce strong neighborhoods that provide amenities such as sidewalks, landscaping buffers from adjacent land uses, and proximity to community features (page 69).

The number of rental units available is low, but the demand for rental units is high as new workers, young professionals, and seniors all search for similar units. The Housing Study notes there are a number of issues that can arise as a result of these conditions. Low quantity and high demand is a recipe to affordability concerns for the workforce and lower income households. New rental development is not keeping up with high demand for market rate rentals. Strategic policy priorities need to grow the number of rental units in the community (pages 69 & 83). Muscatine has a high demand for rental options, but a lack of rental options can have several negative effects on a market, including:

- Forcing potential new residents to look elsewhere for housing
- Discouraging reinvestment in existing properties
- Limiting the overall turnover of housing in the market
- Increasing rental prices and incentivizing single-family home conversions (page 68)

Muscatine needs to provide new workers/residents more quality housing options, especially rental, as they “try out” the community. With a positive experience, many renters will eventually settle in as homebuyers.

The Goals of the Comprehensive Plan and needs identified in the Housing Market Demand Study were considered in the annual process of establishing the City’s goals and management objectives. Those related to the redevelopment of Carver Corner are identified below.

City of Muscatine Goals 2019-2020

City goals are adopted by Council each year to develop management objectives as community needs change. These goals are established during an annual City Council goal setting session following an evaluation of progress on the prior year’s objectives. Initiating the redevelopment of Carver Corner is specifically identified under the Community and Economic Development goals, but also supports other objectives in many of the target areas as identified below.

- Ongoing Opportunities
 - Attract employees that work in Muscatine but do not live in Muscatine

- Position the City to address potential shortfalls in revenue due to state and federal mandates, work to leverage local funding with grants, and increase the City’s General Fund balance
- Community and Economic Development
 - Evaluate areas, programs and opportunities for economic development
 - Evaluate the new Federal Opportunity Zones rules and potential to participate
 - Develop vision and prepare RFP for the redevelopment of the “Carver Corner” area
- Housing
 - Promote and communicate infill opportunities and evaluate opportunities to improve current housing stock
 - Review and sell, redevelop, repurpose or demolish nuisance and city-owned properties (create assets versus liabilities)
 - Market the Housing Demand Study (Downtown, Single Family, Multi Family, Pocket Neighborhoods, etc.)
 - Identify public, private and partnership opportunities
- Marketing, Communication, and Engagement
 - Work to have more people calling Muscatine their “hometown”
- Key Projects, Programs and Placemaking
 - Explore Placemaking projects – develop and maintain local amenities for residents that attract and retain a quality workforce (aesthetics, pocket parks, native plantings, low maintenance, appropriate trees)

Early in 2018, the City also applied to the State of Iowa to have the census tract encompassing the project site designated as an Opportunity Zone to provide additional incentives to private investment in the area. The designation was awarded by the Internal Revenue Service June 8, 2018.

The RFP was written to solicit developments that would support these needs and goals identified above by meeting the following objectives:

1. Redevelop vacant property
2. Achieve high quality architectural and site design
3. Establish land uses consistent with redevelopment plans
4. Promote in-fill opportunities
5. Create high quality employment opportunities
6. Encourage destination points to draw people
7. Provide opportunities to live, work and recreate near the river
8. Enhance visitor experience along an important corridor in the community
9. Establish outdoor recreational or green space (trail, park, courtyard, etc.)
10. Improve long-term economic benefit

A draft of the RFP was presented to Council at the April 4 meeting of the City Council, and the document was discussed during the April 11 meeting. The document was finalized and released June 21 with submissions due August 14. The RFP was posted on the City's website and sent to 72 individuals representing development companies and others who requested a copy. An informational meeting was hosted July 30 to answer any questions regarding the site or RFP. The meeting was attended by 16 individuals.

Merge Urban Development Group submitted the only responsive proposal (Attachment 2). The respondent proposes a mixed use development that includes approximately 300 units of housing and 20,000 square feet of commercial space in 5 buildings as well as covered and surface parking. Total development costs are estimated at more than \$52 million. The preliminary sources and uses and pro-forma show a land purchase price of \$50,000 with no public investment, however the proposal notes these items are subject to negotiation.

Merge has experience incorporating sustainable features in their projects and a goal to work with local businesses, including startups, to provide vibrant commercial space that serves as a resident amenity. Merge anticipates utilizing the Opportunity Zone tax incentive and is committed to establishing an Opportunity Zone Business Fund to invest in early-stage companies located in qualified Opportunity Zones.

What is being proposed in Merge's submission, a largely residential development that contains residentially compatible retail/office space, is exactly the type of development envisioned for the Neighborhood Mixed Use category in the Comprehensive Plan. In addition to being in alignment for the Future Land Use Plan, the proposed project is closely aligned with the following goals identified in the Comprehensive Plan.

Infill development, the new development of vacant, abandoned, passed over, or underutilized land within built-up areas of Muscatine where infrastructure is already in place is Goal LU.3, of the Comprehensive Plan. Infill reduces growth pressure on productive farm land, provides for efficient use of land, maximizes the return on investment already made in public infrastructure, reduces costs associated with providing municipal services and amenities to new development, and can improve quality of life in older communities. The proposed development would create 302 new dwelling units and a significant amount of office/retail space without necessitating the construction and subsequent maintenance of any new public infrastructure in direct support of Goal LU.3.

While approximately 1/8 of the population of the City of Muscatine lives in the area bounded by Hershey Avenue, the U.S. 61 Bypass, Dick Drake, only 27 of the 741 new dwelling units constructed in the City of Muscatine since 2000 have been constructed in this area. Of these 27 units, 20 of them area accounted for the conversion of the Lamplight into an apartment complex in 2016. The prosed development would represent significant movement toward achieving ED.16.

The Housing Study clearly demonstrates a need for housing units, and the 302 units being proposed will make a significant impact on the identified need. Since the start of 2017, 137 dwelling units have been constructed or are under currently under construction, an annual rate of construction of 46 units. While an improvement over 32 dwelling units added per year observed between 2010 and 2016, it still falls short of the desired 58 units per year. Additionally, 89% of the added dwelling units were in just three projects, Harrison Lofts, Oak Park Apartments, and the Hershey Building redevelopment, and there are no additional multiunit projects on the horizon. Without the start of additional large-scale projects this rate is likely to decline.

To reach the target of 814 new housing units by 2030 set in the Housing Demand Study, an additional 677 housing units will have to be constructed between 2020 and 2030, in addition to the 137 constructed between 2017 and 2019. Hitting this target likely requires completion of a large-scale project, such as the proposed mixed use development at Carver Corner. Even with completion of all proposed 302 dwelling units, an additional 375 housing units will have to be constructed in order to reach the target of 814. To put this in perspective, 361 housing units have been constructed in Muscatine since the start of 2010.

This project will not only address a significant number of units needed, but will also address housing needs of multiple populations, especially those of young professionals and seniors, and quality of housing issues. This project will create the housing stock needed to support population growth that is not stagnate or declining. As a result the proposed project directly addresses a number of the goals established by Council, including attracting workers, increasing revenue, using a variety of economic tools and promoting infill to address identified housing needs.

In addition, this is a placemaking project that will help attract and retain workers by providing and housing, services and amenities with the goal of encouraging more people to call Muscatine their “hometown”.

A review panel met September 3 to evaluate responses. The Review Panel consisted of two Council members, the City Administrator, Finance Director, Executive Director of the Greater Muscatine Chamber of Commerce and Industry, and myself. The Panel was responsible for 3 tasks.

- 1) Determine if the RFP was responsive;
- 2) Develop a recommendation for Council to consider in identifying a preferred developer;
and
- 3) Identify next steps in the process.

The panel determined the RFP to be responsive and unanimously endorsed Merge Urban Development Group being recommended as the preferred developer upon receipt of positive references. Reference checks were completed, with four very positive responses indicating

Merge invests in the communities where they undertake projects and follows through in a timely manner. Staff is aware that Merge representatives have met with individuals and groups in the community to discuss their vision for the Carver Corner area, showing a willingness to work with other potential stakeholders.

Upon approval by City Council, staff will initiate negotiation of the Development Agreement and property transfer. This process will include:

- 1) Working with Merge to negotiate a development agreement, including a more detailed concept plan.
- 2) Negotiate the terms for the transfer of the property to the developer.
- 3) Ensure the development plan is presented at public meetings.
- 4) Present plans to Council for input and concurrence.
- 5) Complete necessary zoning actions.
- 6) Bring forward appropriate documents for Council action.

Accepting the responses and designating a preferred developer is the first step in the process of redeveloping Carver Corner. There will be a number of additional opportunities for public and Council input, and, of course, Council will be the final decision-makers regarding the development plans and agreements.

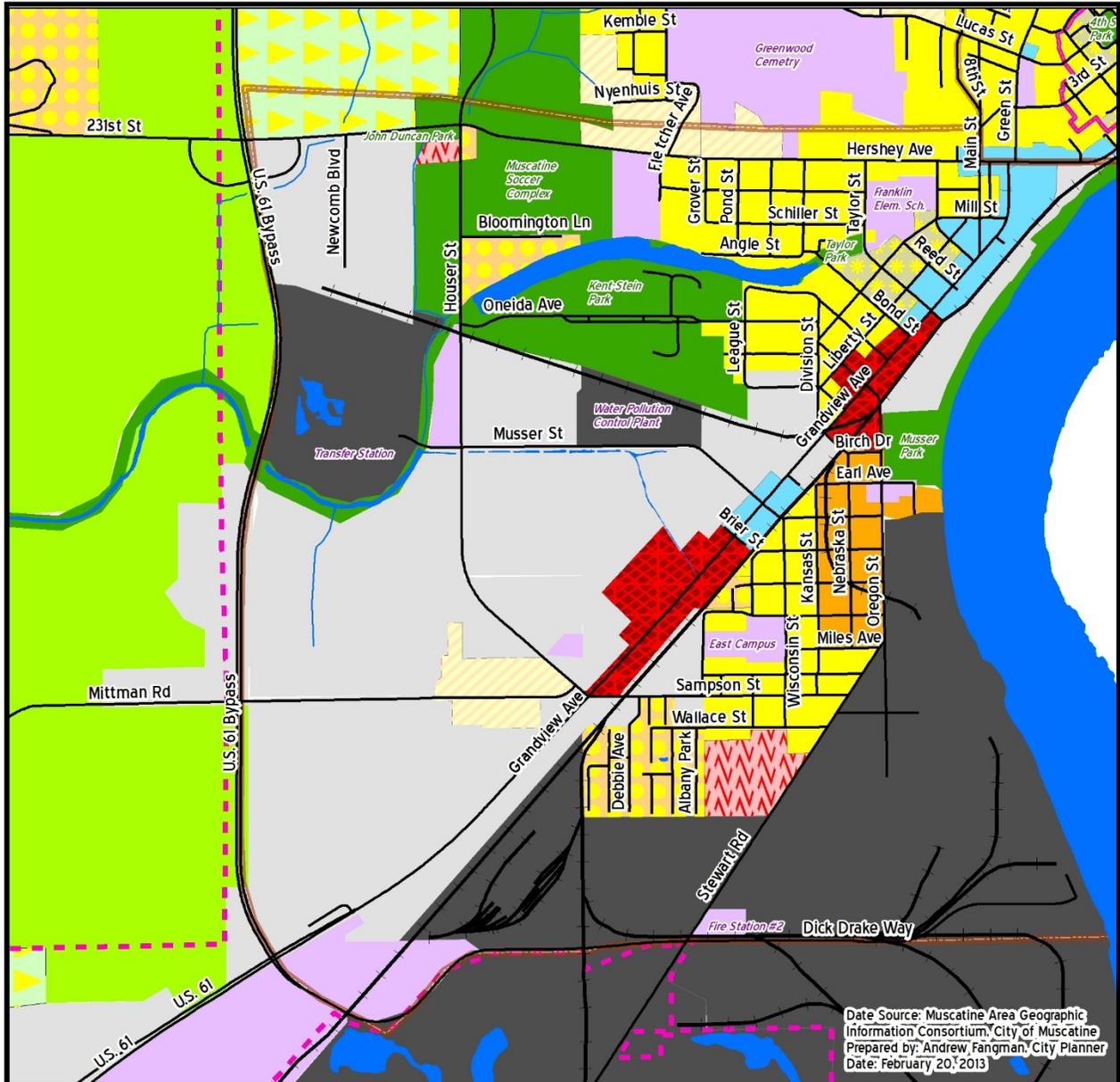
This site provides an opportunity to provide substantial modern housing for current and new residents. The size and location of this project site offers the biggest opportunity for non-industrial development within the City in many decades and the foreseeable future. Through this partnership Council will initiate a legacy project – honoring the community’s past and moving it forward.

RECOMMENDATION: Staff recommends Council accept responses to the RFP, designate Merge Urban Development as the preferred developer, authorize staff to negotiate a development agreement and to enter into negotiations for the transfer of property.

Supporting Documents

1. Future Land Use Map
2. Merge Response to RFP

Attachment 1: Future Land Use Map



Date Source: Muscatine Area Geographic Information Consortium, City of Muscatine
 Prepared by: Andrew Fangman, City Planner
 Date: February 20, 2013

MUSCATINE **South End Planning District Future Land Use Plan**

	Single Family Residential-Low Density		Downtown		Parks & Open Space
	Single Family Residential-Medium Density		Neighborhood Commercial		General Mixed Use
	Single Family Residential-High Density		Medium Scale Commercial		Agriculture
	Multi-Family Residential		Large Scale Commercial		South End Planning District
	Mixed Density Residential		Business Park		City of Muscatine Corporate Limits
	Neighborhood Mixed Use		Light Industrial		West Hill Historic District
	General Industrial		Community Facility		

0 625 1,250 2,500 Feet