



Agenda Item:

48

COUNCIL COMMUNICATION

City Manager's Office

GENERAL INFORMATION

Agenda Date: 07/25/05
Agenda Item Type: Resolution

Communication No.: 05-419
Roll Call No.: 05-

Submitted by: Richard Clark, Acting City Manager

SUBJECT—

Resolution expressing support for the redevelopment of the Riverpoint West Development Area as proposed by Riverpoint West, LLC, represented by George Sherman, officer, and authorizing the City Manager to continue negotiations upon the terms of a Preliminary Development Agreement regarding the provision of City assistance to the project consistent with the concepts outlined below.

SYNOPSIS—

This agenda item includes the following actions:

1. Express the City Council's support for the redevelopment of the Riverpoint West Development Area as proposed by Riverpoint West, LLC, and
2. Authorize the City Manager to continue negotiations regarding the provision of up to \$21 million of City assistance to the project, and
3. Amend the 2001 Brownfield Economic Development Initiative application to allow for the \$2 million grant to be used in Riverpoint West, and
4. Make preliminary application to HUD for a Section 108 loan, all subject to the conditions identified below.

The Developer for the project is Riverpoint West, LLC, a consortium of Sherman Associates (George Sherman, President and Owner, 233 Park Avenue South, Minneapolis, MN) and Rottlund Company (Tim Whitten, Executive Vice President, 3065 Centre Pointe Drive, Roseville, MN). As advised in Council Communication No. 05-305, Ryan Companies is no longer part of the developer consortium.

FISCAL IMPACT—

Subject to further negotiations and final approval of future preliminary and final Development Agreements by the City Council, it is contemplated that the City would provide financial assistance and public improvements totaling up to \$21 million to be funded as follows:

- \$17 million from the proceeds of a Section 108 loan secured by the City's future CDBG payments and to be repaid primarily from future tax increment revenues generated by the project.
- \$4 million from tax increment revenues and/or tax increment backed general obligation bonds.

In addition the City would provide tax abatement consistent with the planned extension of the City-wide Tax Abatement Program.

RECOMMENDATION—

It is recommended that Council express its strong support for the proposed Riverpoint West Development, and authorize the City Manager to continue negotiations on the terms outlined in this letter. Council approval of the project, however, is contingent upon review and approval by Council of both preliminary and final agreements.

BACKGROUND—

The 300-acre Riverpoint West Redevelopment Area is located directly south of the Central Business District, north of Gray's Lake and east of Water Works Park. The area is bounded by Martin Luther King, Jr. Parkway to the north, SW 9th Street to the east and the Raccoon River to the south and west.

The intent of the Riverpoint West Redevelopment project proposed by Riverpoint West, LLC is to replace a heavy industrial brownfield site located adjacent to the Central Business District with a mixed-use urban village that adds significant new value to the downtown area. The goal of the new development is to create approximately 725 to 750 new townhomes and condominiums, approximately 420,000 square feet of commercial office and retail space, a neighborhood park and other environmental and recreational enhancements. It is expected that at least 400 new jobs will be created. The project build-out is estimated to be 7 years and the value will total over \$200 million. Based on discussions with Riverpoint West, LLC, it appears that the successful redevelopment of the Riverpoint West area may require that the City make available financial assistance and public improvements totaling up to \$21,000,000.

By creating interdependency with the Central Business District, Riverpoint West can enhance the success of downtown redevelopment initiatives by meeting its need for new workers and consumers and offering support services. The project will contribute to the long-term economic viability of the downtown core and serve as a national model of effective public/private cooperation.

On June 21, 2004 by Roll Call No. 04-1336, the Council voted to receive, file and refer to the City Manager a communication from Chris Greenfield, Downtown Community Alliance, requesting the City to consider redevelopment of the Riverpoint West area by the developer consortium.

On May 23, 2005, by Roll Call No. 05-1331, the Council voted to approve the Preliminary Agreement among the City, Hubbell Realty Company, Hubbell Terminal Corporation, and Riverpoint West, LLC concerning redevelopment of Riverpoint West. On the same agenda, by Roll Call No. 05-1332,

Council established the new “C-3B” Central Business Mixed Use District classification and rezoned the Riverpoint West area as C-3B.

At this time the City Council is asked: (1) to express its support for the redevelopment of the Riverpoint West Development Area as proposed by Riverpoint West, LLC; (2) to authorize the City Manager to continue negotiations regarding the provision of up to \$21 million of City assistance to the project; and, (3) to amend the 2001 Brownfield Economic Development Initiative application to allow for the \$2 million grant to be used in Riverpoint West , and (4) to authorize the City Manager to make preliminary application to the Department of Housing and Urban Development (HUD) for a Section 108 loan, but reserve entering in the loan agreement until the following conditions have been met:

1. The City and Developer shall jointly prepare a master plan identifying land development area, land reuse, infrastructure design and cost, streetscape, site and building design guidelines and build out timeline.
2. The City and Developer shall jointly work on obtaining local, state and federal project approvals required to proceed with the implementation of the master plan.
3. The City and Developer shall jointly work to secure other private and governmental funding for the project.
4. The City and Developer shall jointly work to create and secure approval for a Planned Unit Development (PUD) that outlines zoning requirements and design standards.
5. The Developer must undertake to assemble the land within the Riverpoint West Development Area as shown on the accompanying map and to redevelop the area with approximately 650 new townhomes and condominiums, approximately 420,000 square feet of commercial office and retail space, and other environmental and recreational enhancements.
6. The Developer must undertake the development of the new townhomes, condominiums and commercial office and retail space upon an agreed-upon schedule that will generate sufficient incremental tax revenues to timely pay the installments on the Section 108 Loan.
7. Subject to it being demonstrated to the City's satisfaction that it is necessary for the successful completion of the project, up to \$4 million of City assistance may be provided from tax increment financing revenues in the Metro Center Urban Renewal District, to be paid in FY2006 and FY2007, and up to \$17 million of City assistance may be provided from the proceeds of a Section 108 loan.
 - a. The City assistance shall be tied to performance goals to be satisfied by the Developer.
 - b. The City assistance may consist of a combination of economic development grants and forgivable economic development loans to the Developer and City-funded public improvements to serve the development.
8. The City must be able to obtain the Section 108 loan upon terms and conditions satisfactory to the City, including:
 - a. The Section 108 loan must be structured in a manner that does not cause the outstanding balance to be considered debt for purposes of the City's constitutional debt limit.
 - b. The estimated tax increment revenue from the planned redevelopment of the Riverpoint West Redevelopment Area must be sufficient to timely pay all, or nearly all installments on the Section 108 loan. This will likely require that the Developer enter into a

Minimum Assessment Agreement(s). **NOTE:** The repayment of the Section 108 loan may require the allocation of additional tax increment revenue derived from the balance of the Metro Center Urban Renewal Area on an interim basis. Based on existing assumptions, the project will generate an increment with a net present value of about \$16 million over 22 years, assuming a discount rate of 4% (the City's current cost of borrowing).

9. The Agreement must address what will be done if the Developer is unable to acquire any private property necessary for the successful redevelopment of the Riverpoint West Redevelopment Area. Any land acquired by the City through the exercise of its urban renewal powers can only be sold through a reasonable competitive disposition process as required by Section 403.8 of the Iowa Urban Renewal Law. Land in the area presently owned by the City will also need to be conveyed to the developer and must also be done so in accordance with Iowa Urban Renewal Law.

If this recommendation is approved by the City Council, the City Manager will continue negotiations with Riverpoint West, LLC, upon the terms of a preliminary Development Agreement for future consideration by the City Council. The preliminary Development Agreement will provide a more detailed analysis of the expected terms and conditions of the final Development Agreement. Due to the size and complexity of this project, further direction by the City Council may be sought during the course of these negotiations.

Note also that review of various elements of the project by City Boards and Commissions will be necessary: the Plan and Zoning Commission will review the overall site plan; the Urban Design Review Board will review the TIF financing and the overall design of the project; and the Neighborhood Revitalization Board will be reviewing the Section 108 loan because of their role with the CDBG program.