

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date:</b> July 13, 2015
	<b>Agenda Item No.</b> 64 <b>Roll Call No.</b> [ ] <b>Communication No.</b> <u>15-377</u> <b>Submitted by:</b> Matthew A. Anderson, Assistant City Manager

**AGENDA HEADING**

Communication from the City Manager regarding redevelopment interest for the City-owned 5th and Walnut Parking Structure property.

**SYNOPSIS**

The City owns the 620-space parking structure and its approximate 1.3-acre site located between Walnut Street and Court Avenue, bounded by a City alley on the east and 5th Avenue on the west. Justin and John Mandelbaum of Mandelbaum Properties (Developer), 4500 Westown Parkway, West Des Moines, Iowa, have approached the City Manager’s Office with an interest to purchase and redevelop the property with an \$85 plus million project that would start construction in late 2016 with completion in late 2018.

The preliminary design, by Studio Melee (West Des Moines, IA) for the site shows:

- A 27-story tower building containing 200 plus market-rate residential units;
- A 560-space parking component; and
- About 57,000-square-feet of commercial space with entertainment (9-screen movie theater to be operated by Main Street Theatres of Omaha, Nebraska, a jazz club, restaurant, rock climbing facility), office, and daycare uses.

The City Council is asked to direct City staff to work with this developer to refine the project’s programming, design, and financial proposals and present preliminary terms for development to the Council. If Council approves preliminary terms, a development agreement will be prepared as part of a developer-initiated proposal which may then be approved by the City Council following a competitive disposition process.

**FISCAL IMPACT**

The financial proposal will be negotiated with the developer and presented to the City Council as part of the preliminary terms at a future date.

Demolition of the 5th and Walnut structure for a total \$3.45 million is shown in the adopted Capital Improvement Program (CIP) budget (page 23) with a majority of the expenditure occurring in Fiscal Year (FY) 2017-2018. As noted on page 139 and 143, alternatives are being explored.

This site is also located in the Iowa Convention and Entertainment Reinvestment District, located generally between the proposed Events Center Hotel and the 4th & Court project containing the Hy-Vee project. This proposed project will be a sales tax generator with its entertainment and dining components. Staff will pursue adding this project to the District, which could accelerate and shorten the 20-year payout of the State of Iowa’s commitment.

## ADDITIONAL INFORMATION

This proposed redevelopment addresses a major missing component in the downtown of movie theaters. The proposed operator, Main Street Theatres (William Barsteo, Omaha) successfully started and has operated the AkSarBen Cinema in Omaha for almost 10 years with over 500,000 customers per year. The addition of high-rise rental housing will provide for a missing component in the housing market as well as inserting a dramatic new addition to the skyline.

Proceeding with this redevelopment presents a balancing act. The timing, which would involve the loss of parking by demolishing the Walnut Street ramp in mid-2016, needs to be balanced with the risk of not proceeding with a project that supplies several missing uses in the downtown. It also provides the opportunity for leveraging other downtown investments.

The likelihood that this proposed redevelopment would proceed in the future is unknown; additionally, with higher interest rates more likely in the near future, the redevelopment becomes much more difficult to accomplish.

### Graphics



*Proposed Mandelbaum project for 5<sup>th</sup> and Walnut site. Looking north with Court Avenue in foreground.*



*Proposed Mandelbaum project for 5<sup>th</sup> and Walnut site. Court Avenue view with movie theater entrance in foreground.*

### Background

In 2014, the City received five (5) different redevelopment proposals for the redevelopment of the City-owned property located on the south side of Court Avenue; Hy-Vee Knapp Properties was selected by the Council for that site. The Council strongly encouraged other developers and staff to identify sites that could incorporate the proposed uses from the redevelopment proposals. Mandelbaum Properties, which proposed a mixed use development including the movie theater component for the 5<sup>th</sup> and Court site, has identified the 5th and Walnut property as meeting its size and locational needs.

### Process

While this site has been the subject of developer inquiries over the years, this preliminary developer-initiated proposal is the first serious proposal the City has seen for this site.

The site is complicated by its long depth of over 400 feet long, the various skywalk connections, the difficult demolition of the existing 5th and Walnut structure in a limited space environment, the integration of public and private parking, and the design challenges posed by the historic nature of Court Avenue and redevelopment of Walnut Street.

The proposed uses are very complementary with existing and to-be-constructed 4th and Court development as well as with the more modern Walnut Street development of Capital Square and renovation of the Polk County Judicial Center (the former Penney's building). The developers are qualified and understand the complexity of financing the project.

State urban renewal land disposition processes will apply to this site which requires a competitive offering period. To get to that point where a development agreement can be negotiated and an offering period for competing proposals be issued by the City, the following – a tiered process first requesting other informal proposals by mid-September, selection of a preferred developer with approval of preliminary terms by late January 2016 – is suggested by staff. With approval of the preliminary terms, a formal proposal and development agreement will be submitted for the urban renewal competitive disposition process and, if no competing proposal, approval of the development agreement by the City Council. This process is similar to other recent projects involving City-owned property in the downtown.

This process was developed to ensure the highest and best value is developed on this site while creating desired connectivity in downtown. Other informal proposals must materially differentiate themselves from the proposed Mandelbaum redevelopment. Criteria for evaluating the Mandelbaum and other informal proposals will include:

- Primary and accessory uses;
- Project size;
- Project design;
- Catalytic impact;
- Increase in number and/or variety of downtown housing;
- Increase in entertainment options;
- Connections between Court Avenue, Walnut Street and the Iowa Convention area;
- Financing sources;
- Higher property and sales tax base;
- Innovative parking solutions; and
- Aids in solving other issues for the City/neighborhood.

The deadline for submittal of other informal proposals expressing an interest in redeveloping this site will be September 11, 2015. If other informal proposals are received, review and comment by staff

and the Urban Design Review Board will be provided to the Council which will then select a preferred developer, prepare preliminary terms and work on arriving at a formal development agreement.

#### Issues Prior to Formal Offering

There are several significant items to be resolved prior to entering into a formal development agreement which staff will work with the chosen preferred developer to resolve in the upcoming months.

#### *Parking Component:*

- Coordination on timing of actual demolition of structure and completion of the new parking;
- Identification of other parking for current users (about 200 daily parkers);
- Amount of parking in the new structure, availability for public parking and possible public ownership or lease; and
- Legal structure for ownership and financing if a public owned or leased parking component.

#### *Skywalks:*

- Identification of the skywalk corridors and bridges that can remain standing, what needs to be reconstructed and potential extension of system from Walnut Street to Court Avenue area; and
- Financing the public components of skywalk projects.

Proposed responses to these issues will be brought to Council as part of the proposed preliminary terms of agreement.

**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S): NONE**

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS**

- Preliminary terms of agreement will be negotiated with the preferred developer and presented to the City Council.
- The deadline for Council approval of preliminary terms of agreement will be by January 31, 2016. If the project has not advanced by this date, staff will analyze the market and may recommend issuing an RFP for the site or begin preliminary negotiations with alternate developers.
- Urban Design Review Board review and recommendation regarding project design on the City-owned site and financial assistance, if needed, for the project.
- Submittal of completed redevelopment proposal with finalized development agreement, followed by urban renewal disposition process, and if no competing proposal approval of redevelopment proposal and development agreement.
- Walnut Streetscape design.
- Site plan and zoning review by Plan and Zoning Commission.

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