

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	September 14, 2015
	<b>Agenda Item No.</b>	<b>68</b>
	<b>Roll Call No.</b>	<b><u>15-1572</u></b>
	<b>Communication No.</b>	<b><u>15-484</u></b>
	<b>Submitted by:</b>	<b>Matthew A. Anderson, Assistant City Manager</b>

**AGENDA HEADING:**

Selection of Mandelbaum Properties as the preferred developer to purchase and redevelop the City-owned property at 5th and Walnut.

**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 building containing 200 plus market-rate residential units;
- A 560-space parking component; and
- Approximately 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.

On July 13, 2015, the City Council directed City staff to seek other redevelopment proposals for the site until September, 11, 2015. No competing proposal have been received.

The City Council is asked to direct City staff to work with Mandelbaum Properties to refine the project’s programming, design, and financial proposals and present preliminary terms for development to the Council by January 31, 2016. 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.

**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, a movie theater. 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.

Graphics



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



*Proposed Mandelbaum project for 5th 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 5th 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 the site.

The site is complicated by its long depth of over 400 feet long, various skywalk connections, difficult demolition of the existing 5th and Walnut structure in a limited space environment, integration of public and private parking, and 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.

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 includes:

- 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):**

Date: July 13, 2015

Roll Call Number: [15-1207](#)

Action: [Regarding](#) redevelopment interest for the City-owned 5<sup>th</sup> and Walnut parking structure property. ([Council Communication No. 15-377](#)) Moved by Hensley to adopt. Motion Carried 7-0.

**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 a Request for Proposal (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.
- Walnut Streetscape design.
- Site plan and zoning review by Plan and Zoning Commission.

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