

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date:</b>	April 25, 2016
	<b>Agenda Item No.</b>	<b>37</b>
	<b>Roll Call No.</b>	<b><u>16-687</u></b>
	<b>Communication No.</b>	<b><u>16-220</u></b>
	<b>Submitted by:</b>	<b>Matthew A. Anderson, Assistant City Manager</b>

**AGENDA HEADING:**

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Mandelbaum Properties for the redevelopment of the City owned property at 5th and Walnut.

**SYNOPSIS:**

The City owns a 620 space parking structure on an 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. On July 13, 2015, the City Council received communication from the City Manager regarding interest from Mandelbaum Properties (Developer, 4500 Westown Parkway, West Des Moines, Iowa) in purchasing and redeveloping the 5th and Walnut City-owned site. At this time, the City Council directed City staff to seek other redevelopment proposals for the site until September 11, 2015. No competing proposals were received. On September 14, 2015, the City Council selected Mandelbaum Properties as the preferred developer to purchase and redevelop the City-owned property at 5th and Walnut, and directed City staff to work with the developer to refine the project’s programming, design, financial proposals and to present preliminary terms for development back to the City Council.

Mandelbaum Properties is proposing an estimated \$106.7 million project consisting of a 32-story mixed-use tower with approximately 221,800 square feet planned for 200 market rate residential units, lobbies, common area and amenities. The project also includes approximately 78,000 square feet in commercial space for an upscale urban movie theater with cutting edge amenities, an indoor rock climbing facility, a restaurant, jazz club, office space and a daycare. Total project costs also include the demolition of the existing parking facility, demolition of the existing skywalk connections, the construction of a new privately-owned 568 stall parking garage that will be used by the residents of the project as well as the public and the construction of new skywalk connections.

Additional details on the preliminary proposal are below.

**FISCAL IMPACT:**

Amount: The Developer will purchase the existing site for \$4 million and receive an economic development forgivable loan of the same amount. The Project will qualify for the 10-year residential tax abatement and otherwise will receive 100% of available tax increment rebates for 20 years on the residential, commercial, and parking facility. The total net present value (NPV) of the tax increment rebates is estimated at \$10.4 million (\$2.5 million on the residential, \$4.4 million on the commercial, and \$3.5 million on the parking).

The Developer will finance the new garage using 20-year bond financing with a City guarantee, and reimburse the City with interest for the amount of the City’s guarantee payments. The guarantee payments (subject to annual appropriations) will be in the form of a loan (the “shortfall loan”) in an

amount equal to the annual shortfall between the parking net operating income and the bond debt service payments, and shall not exceed the annual debt service. The shortfall loan will be funded over time and is projected to peak at \$32 million in year 20 (\$21.6 million on an NPV basis). The City will forgive approximately \$10.4 million of the loan in year 21 in recognition of development costs that are unique to the site that the development project is incurring up front. The remainder of the loan will be repaid with interest at 1% by an 80% cash sweep of the parking net operating income (after reserves/repairs) beginning in year 21. It is estimated that the parking net operating income can repay the shortfall loan with interest in 25 years beginning in year 21. Total interest payments to the City are estimated at \$4.1 million. The private ownership of the new garage will also reduce the City's total long-term liabilities within the City's parking fund.

Funding Source: Metro Center Tax Increment Financing District

### **ADDITIONAL INFORMATION:**

- This proposed redevelopment addresses a major missing component in the downtown, a movie theater. The operator's preliminary proposal for the 9-screen upscale movie theater includes an estimated 700-800 recliner-style seats.
- The proposed operator, Main Street Theatres (William Barstow, Omaha) successfully started and has operated the Aksarben Cinema in Omaha for 5 plus 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.
- 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 the 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 proposed private ownership of the parking garage will bring both the land and the facility onto the tax rolls and eliminate the City's financial obligation to own, operate and maintain the parking garage in the future.
- The new 568 stall parking garage will have 250 spaces allocated for residential parking and an estimated 318 parking stalls for public parking needs. The City's parking study indicates a significant projected demand for public parking at the site.
- This site is 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.
- Construction is anticipated to begin in spring 2017 with a completion date in late 2019.



*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.*

**PREVIOUS COUNCIL ACTION(S):**

Date: September 14, 2015

Roll Call Number: [15-1572](#)

Action: [Selection](#) of Mandelbaum Properties as the preferred developer to purchase and redevelop the City-owned property at 5th and Walnut. ([Council Communication No. 15-484](#)) Moved by Coleman to adopt; refer to the City Manager to include public parking needs in the preliminary terms of agreement. Motion Carried 6-1. Absent: Cownie.

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

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Informational Review with the Urban Design Review Board.
- Preliminary Design Review with the Urban Design Review Board.
- Walnut Streetscape design.
- Site plan and zoning review by Plan and Zoning Commission.
- Final Design and Financial Assistance recommendation from the Urban Design Review Board.
- Final Terms of Economic Development Agreement with the City Council.

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