

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date:</b> February 13, 2017
	<b>Agenda Item No.</b> 3 <b>Roll Call No.</b> [ _____ ] <b>Communication No.</b> <u>17-073</u> <b>Submitted by:</b> <b>Matthew A. Anderson,</b> <b>Assistant City Manager</b>

**AGENDA HEADING:**

Resolution approving competitive process for sale and redevelopment of the 5th and Walnut Parking Garage in the Metro Center Urban Renewal Project Area, and receipt of development proposal from 5th and Walnut Parking, LLC.

**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. The existing garage is beyond its useful life and was closed from public access on January 15, 2017. On July 13, 2015, the City Council received communication from the City Manager regarding interest from Mandelbaum Properties (Justin Mandelbaum, 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. Preliminary terms of an Urban Renewal Development Agreement were approved by the City Council on April 25, 2016.

City staff has continued to work with the developer to refine the project’s programming, design and financial proposal for the final terms of an Urban Renewal Development Agreement. Mandelbaum Properties is proposing an estimated \$111.7 million project consisting of 200 market rate residential units, and a hotel with a ground level lobby and a minimum of 50 lodging rooms. In addition, project plans call for a 2-story, 9-screen upscale urban movie theater located on Court Avenue. Total project costs also include the demolition of the existing parking facility, demolition of a portion of the existing skywalk connections, construction of new skywalk connections, and the construction of a new privately-owned and operated 564 stall parking garage that will be used by the residents of the project, theater goers, hotel guests, as well as the general public.

Staff has negotiated a development agreement for this developer-initiated proposal. Additional details on the final terms of the Urban Renewal Development Agreement 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 10-year declining residential tax abatement and will otherwise receive 100% of the available project generated tax increment revenues for 20 years on the residential, commercial, and parking facility. Any tax increment generated by the residential building or the theater building after year 11 for each respective

building, above the amount returned in year 11, shall be applied to reduce the balance of the parking shortfall loan. The estimated net present value of the project generated tax increment is \$2.8 million on the residential portion of the project (discounted at 5.35%), and \$4.3 million on the commercial component of the project (discounted at 4.5%), and \$3.4 million on the parking garage component (discounted at 3.5%).

The project will also receive an economic development loan designated as the “Parking Shortfall Loan” to be advanced in semi-annual installments over 20 years commencing on the substantial completion of the parking garage. The semi-annual advances are equal to the instalments required to fully amortize the Developer’s first mortgage loan having a principal value of not more than \$39,345,946 at a market rate of interest, reduced by the net operating income of the parking garage. Total Parking Shortfall Loan advances in the first 20 years of operations for the garage are estimated at \$29.7 million. Shortfall loan advances will accrue interest annually at 1% and will be repaid with 80% net operating cash flows beginning in year 21 of the garage. Upon full repayment of the Developer’s first mortgage, the City shall forgive a portion of the Parking Shortfall Loan equal to \$6,826,779 of the principal together with the accrued interest on that portion in recognition of up-front extraordinary development costs being incurred by the project.

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 includes a minimum 3-screen upscale movie theater.
- The proposed operator, Main Street Theatres (William Barstow, Omaha) successfully started and has operated the Aksarben Cinema in Omaha for five (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 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 564 stall parking garage will have 250 spaces allocated for residential parking and an estimated 314 parking stalls for additional 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.
- Demolition of the existing garage is expected to begin in May/June 2017.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: April 25, 2016

Roll Call Number: [16-0687](#)

Action: [Preliminary](#) terms of agreement of an urban renewal agreement with Mandelbaum Properties LLC for the sale and redevelopment of City-owned property at 5th and Walnut. ([Council Communication No. 16-220](#)) Moved by Hensley to receive, file and approve the preliminary terms of agreement as set forth in Council Communication No. 16-220, and to direct the Office of Economic Development to proceed with negotiation of a formal agreement with Mandelbaum Properties consistent with the terms set forth in Council Communication No. 16-220. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: June 7, 2016

Action: No formal action requested of the board. This was an informational review only.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Financial Assistance Review with the Urban Design Review Board.
- Final Terms of an Urban Renewal Development Agreement by the City Council.
- Preliminary Design Review with the Urban Design Review Board.
- Walnut Streetscape design.
- Site plan and zoning review by Plan and Zoning Commission.
- Board of Adjustment – Building Height Exceeding 200 feet.
- Final Design recommendation from the Urban Design Review Board.

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