

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> April 3, 2017
	<b>Agenda Item No.</b> 22 <b>Roll Call No.</b> <u>17-0587</u> <b>Communication No.</b> <u>17-329</u> <b>Submitted by:</b> Erin Olson-Douglas, <b>Economic Development  Director</b>

**AGENDA HEADING:**

Approving preliminary terms of agreement with 212 East 3rd Street with H. Glass Partners for a building restoration project located at 212 East 3rd Street.

**SYNOPSIS:**

The developer, H. Glass Partners, LLC (represented by Jeremy Cortright, Paul Cownie, and Tim Rypma) is proposing the restoration of the existing 10,500-square-foot building located at 212 East 3rd Street in the East Village for purposes of creating upper-floor office space and ground floor restaurant or retail use. The project is anticipated to cost \$2.9 million, with construction projected to begin in spring 2017.

The Office of Economic Development has negotiated preliminary terms of an Urban Renewal Development Agreement with H. Glass Partners, LLC for financial assistance to consist of project-generated tax increment financing (TIF) to assist with extraordinary development costs and fill a gap in the project’s anticipated operating expenses.

**FISCAL IMPACT:**

Amount: The proposed financial assistance package will consist of a declining percentage of project-generated tax increment revenues based on the following: 90% in years 1-5, 85% in years 6-9, 80% in years 10-12, and 75% in years 13-15, due in 15 annual payments. The estimated total assistance package will have a net present value (NPV) of \$419,000.

Funding Source: Metro Center TIF - a specific fund code will be assigned by the Finance Department.

**ADDITIONAL INFORMATION:**

- This \$2.9 million project consists of the historic renovation of a vacant warehouse building in a redeveloping area of the East Village.
- Proposed uses include first floor restaurant/retail space and 2nd floor office space.
- Staff believes that this building contributes to the character of the Historic East Village neighborhood.
- Planning analysis concludes that retaining the building will not encumber the redevelopment of other portions of this large block.

- The developer is asking that the City retain a no-build easement on half of the adjacent vacated alley south of the building so that an adjoining development to the south could not build up to his wall, where restored window openings will exist.

#### Financial Assistance

- The developer has provided the Office of Economic Development with a financial analysis of the nearly \$3 million project.
  - Funding sources include \$2,094,172 in bank debt and \$897,502 in developer equity.
  - The graduated TIF assistance (proposed as Years 1-5: 90%, Years 6-9: 85%, Years 10-12: 80%, Years 13-15: 75%) will be used to address narrow operating margins until rent rolls can support the debt service, and eventually the debt service is retired.
- The proposed financial assistance package will use project-generated tax increment revenues. The property is now only assessed at \$145,000, and is anticipated to increase to approximately \$1.2 million upon project completion.
- The smaller scale of this development places the financial performance of the project on a thin margin, which is further compounded by the need to install public utilities to service the building. A reasonable return on investment (ROI) cannot be projected without the inclusion of the project generated tax increment.

#### 212 E. 3rd Street Existing Condition:



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

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

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Review and recommendation of the project design and financial assistance incentives by the Urban Design Review Board.
- Review of the site plan by the Plan and Zoning Commission for conformance with C-3B design guidelines.
- Consideration of a no-build easement in the vacated public alley on the south side of the property.

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