

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	December 18, 2017
	<b>Agenda Item No.</b>	<b>60</b>
	<b>Roll Call No.</b>	<b><u>17-2194</u></b>
	<b>Communication No.</b>	<b><u>17-841</u></b>
	<b>Submitted by:</b>	<b>Erin Olson-Douglas, Economic Development Director</b>

**AGENDA HEADING:**

Resolution approving second amendment to the Urban Renewal Development Agreement with 5th and Walnut Parking, LLC, regarding the sale and redevelopment of the Fifth and Walnut Parking Garage.

**SYNOPSIS:**

On April 3, 2017, the City Council approved an Urban Renewal Development Agreement for the sale of land for private redevelopment of a 1.3-acre site located along 5th Avenue between Walnut Street and Court Avenue with 5th and Walnut Parking, LLC (Justin Mandelbaum, Developer, Mandelbaum Properties, 4500 Westown Parkway, West Des Moines, Iowa). The City Council approved a first amendment to the Urban Renewal Development Agreement on July 17, 2017, which allowed for an increase in the number of parking stalls from 564 to 671 to accommodate the additional 3-stories of approximately 41,000 square feet of office space above the movie theater and an increase in the size of hotel from an 84-key hotel to 117-key hotel.

A second amendment to the Urban Renewal Development Agreement is needed to acknowledge the following:

- Delay in the completion of the Parking Garage Component, without changes to any other deadlines, from October 31, 2019 to February 28, 2020, to allow additional time to complete the construction of the now larger garage.
- Acknowledge that the parking garage component will contain 690 total parking stalls, an increase of 19 parking stalls from the 671-stall count provided and approved with the first amendment. This increase in stall count increases the “Stipulated Price” for the parking garage per the terms of the development agreement by \$884,393 to \$45,210,868.
- Allow the property to be divided into the three (3) building sites by a declaration of a horizontal property regime instead of a plat of survey.

**FISCAL IMPACT:**

Amount: The terms for the Second Amendment affects the financial terms related to the Stipulated Price for the garage and the Parking Shortfall Loan. All other terms regarding Tax Increment Financing (TIF) incentives on the tower, garage and theater building remain the same. Total increase to the Stipulated Price of \$884,393 (19 additional parking stalls x \$46,547 cost per additional parking stall per the terms of the development agreement). Total Stipulated Price increase from \$44,326,475 approved with the first amendment to \$45,210,868 (this construction cost is paid by the Developer). The Project will 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 installments required to fully amortize the Developer's first mortgage loan having a principal value not to exceed \$45,210,868 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 \$28.3 million, (NPV of \$19.1 million, discounted at 3.5%). Shortfall loan advances will accrue interest annually at 1% (with the exception of the proportionate share of interest attributable to the land purchase in the first 20 years) 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 amendment provides for an adjustment to the timeline for the completion of the garage. All other timelines remain the same, as follows:

<u>Building:</u> _____	<u>Original Deadline:</u>	<u>Amended Deadline:</u>
Commence Garage	04/30/2018	no change
Complete Garage	10/31/2019	02/28/2020
Commence Theater	10/31/2019	no change
Complete Theater	10/31/2021	no change
Commence Tower	10/31/2019	no change
Complete Tower	09/01/2022	no change

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

Date: July 17, 2017

Roll Call Number: [17-1202](#) and [17-1203](#)

Action: [First](#) Amendment to Urban Renewal Agreement for Sale of Land for Private Redevelopment with 5th and Walnut Parking LLC regarding the sale and redevelopment of the Fifth and Walnut Parking Garage at 422 Walnut Street. ([Council Communication No. 17-542](#)) Moved by Hensley to adopt; refer to the City Manager to be sure that the developer and staff over-communicate with affected businesses. Motion Carried 6-1. Nays: Gatto.

- (A) [Approving](#) private construction contract between the Weitz Company, LLC and 5th and Walnut Parking, LLC for Skywalk Bridge Improvements in Skywalk Bridges 4C-4D (Over Walnut) and 4C-5C (Over 5th), \$137,000. Moved by Hensley to adopt. Motion Carried 6-1. Nays: Gatto.

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

Board: Urban Design Review Board

Date: September 26, 2017

Resolution Number: N/A

Action: Motion to approve incorporating the Board's comments by Reynolds. Seconded by Rypma. Motion carried. Yes – 8, No – 0, Absent – 2, Abstain – 0.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Site plan and zoning review – Plan and Zoning Commission
- Board of Adjustment – building height exceeding 200 feet
- Urban Design Review Board – amendments to the Conceptual Development Plan, if needed
- City Council – amendments to the Conceptual Development Plan, if needed

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