

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	September 10, 2018
	Agenda Item No.	51
	Roll Call No.	[_____]
	Communication No.	<u>18-464</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution approving Amended and Restated Urban Renewal Agreement with 5th and Walnut Parking, LLC, regarding the sale and redevelopment of the Fifth and Walnut Parking Garage.

SYNOPSIS:

The purpose of the Amended and Restated Agreement with 5th and Walnut Parking, LLC is to update the development agreement as negotiated between the City Manager and the Developer and includes the following:

- Increase in parking stall count from 690 to 751 (originally 564).
- Increase in the Theater Building from a minimum of two (2) floors with a height of 50 feet to a minimum of three (3) floors with a height of 75 feet.
- Increase in the Residential Building from 25 stories to 39 stories and increase in hotel guest rooms from 84 to 120.
- Additional language that provides that upon completion of the garage the first \$1 million in net parking revenue before debt service to be paid to the City as the initial installment on a Facilities Fee, to be used for qualified Metro Center Tax Increment Financing expenditures thus providing an additional \$1 million in debt capacity to be spent on neighborhood improvements.
- Additional language that provides for the second \$1 million in net operating parking revenue before debt service be made available to the Developer to address extraordinary development costs, but only if the Developer has commenced construction of the South Building and Residential Building and the construction is being diligently pursued to completion.
- The payment of the first installment of the Facilities Fee and the release of funds to the Developer for extraordinary development costs as identified above will increase the amount advanced on the Parking Shortfall Loan which will be repaid by the Developer.
- Additional language that provides for a second installment on the Facilities fee in the amount of \$1 million be paid to the City commencing in year 21 from net operating revenue from the garage before any repayment of the Parking Shortfall Loan. The second installment on the Facilities Fee will only be paid if performance metrics on the parking garage are not met.
- Additional language that provides for a third installment on the Facilities Fee in the amount of \$250,000 be paid to the City commencing in year 26 from net operating revenue from the garage before any repayment of the Parking Shortfall Loan. The third installment on the Facilities Fee will only be paid if performance metrics on the parking garage are not met.

To accommodate the increased responsibilities of the Developer, the following changes have also been negotiated:

- Extension of timelines for the secondary closing, commencement and completion of the parking garage from July 7, 2018, July 23, 2018, and May 22, 2020 to October 4, 2018,

October 16, 2018, and August 16, 2020 respectively. Timelines for the commencement and completion of the Theater Building and the Residential Building remain the same.

- An increase in the Stipulated Price consistent with the original agreement, backstopped by the Parking Shortfall Loan and repaid by the Developer as further addressed in the Fiscal Impact section below.
- Reallocation of 100% of the Tax Increment Revenues generated by the commercial spaces located within the garage. The tax increment from these commercial spaces would not be used to reduce the Parking Shortfall Loan, and will now be paid to and benefit the Residential Tower.
- Approval of the condominium documents.

FISCAL IMPACT:

Amount: An increase in the Stipulated Price for the Parking Garage of \$2,839,367 (61 additional parking stalls x \$46,547 cost per additional parking stall per the terms of the Original Development Agreement) for a total Stipulated Price of \$48,050,235. An increase of \$1 million in net operating parking revenues before debt service to be paid to the City beginning in year one (1) of operations of the garage as the first installment on a new Facility Fee, to be used by the City for qualified Metro Center Tax Increment Financing expenditures, thus providing an additional \$1 million in debt capacity to be spent on neighborhood improvements. An additional \$1 million from net parking revenues before debt service to be made available to the Developer for extraordinary development costs if closing conditions on the South Building and Residential Building are met and construction is diligently pursued to completion. An additional \$1 million installment on the Facility Fee to be paid to the City in year 21 from the net operating revenues of the garage. The shortfall loan will begin to be repaid after the second \$1 million installment on the Facility Fee is first collected by the City commencing in year 21.

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 \$48,050,235 at a market rate of interest, reduced by the net operating income of the parking garage remaining after debt service on the construction loan, payment of both installments on the Facilities Fee, and the release of \$1 million to the Developer for extraordinary development costs.

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 following payment of the second \$1 million installment on the Facility Fee to the City. Upon full repayment of the Developer’s first mortgage, the City shall forgive a portion of the Parking Shortfall Loan equal to \$6,789,953 of the principal together with the accrued interest on that portion in recognition of up-front extraordinary development costs being incurred by the Project if the Project has qualified for a Certificate of Completion on the Residential Building. If the project has not qualified for a Certificate of Completion on the Residential Building, the portion of the Shortfall Loan that is forgiven is reduced to \$3,697,973 of the principal together with the accrued interest on that portion.

The final total of the Parking Shortfall Loan owed to the City at the end of year 20 will be dependent on the operations of the garage throughout the first 20 years.

Funding Source: Metro Center Tax Increment Financing District

ADDITIONAL INFORMATION:

- On September 14, 2015, the City Council selected Mandelbaum Properties as the preferred developer for what was then the City-owned property at 5th and Walnut. The City Council approved an Urban Renewal Development Agreement (the "Original Agreement") for the sale of land for private redevelopment of the 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) on April 3, 2017. 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. The City Council approved a Conceptual Development Plan and a second amendment to the Urban Renewal Development Agreement on December 18, 2017, which acknowledged an increase in the parking stall count to 690 and allowed for an extension for the completion date of the parking garage component from October 31, 2019 to February 2020, to allow additional time to construct the now larger garage. The second amendment also allowed the property to be divided into three (3) building sites by a declaration of a horizontal property regime instead of a plat of survey. On March 19, 2018, the City Council authorized an additional timeline extension for the commencement and completion of the garage due to the complexity of the project and time needed to adequately review the condominium document.
- The demolition of the previous 5th and Walnut Parking Garage structure is complete.
- A construction permit set on the 751-stall garage has been submitted, but does not include the architectural screen wall along 5th. The Development Agreement will require the architectural screen wall to be added as part of the Parking Garage construction.
- The Developer has a loan commitment from Bankers Trust for the 751-stall Parking Garage.
- The Developer has a signed hotel brand/management contract with 21c Museum Hotels for the hotel component of the Residential Building.
- Project Timelines in the Development Agreement:

<u>Building:</u>	<u>Current Deadline:</u>	<u>Amended Deadline:</u>
Secondary Closing (garage financing)	07/07/2018	10/04/2018
Commence Garage	07/23/2018	10/16/2018
Complete Garage	05/22/2020	08/16/2020
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: March 19, 2018

Roll Call Number: [18-0477](#)

Action: [Extension](#) of timelines in the urban renewal agreement for sale of land for private redevelopment with 5th and Walnut Parking, LLC regarding the redevelopment of the Fifth and Walnut parking garage site. ([Council Communication No. 18-123](#)) Moved by Gatto to adopt. Motion Carried 6-0. Council Member Mandelbaum abstains from voting based on an appearance of a conflict of interest.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: September 26, 2017

Resolution Number: N/A

Action: Motion to recommend approval of the proposed Conceptual Development Plan 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: NONE

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