

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	November 5, 2018
	<b>Agenda Item No.</b>	<b>42I</b>
	<b>Roll Call No.</b>	<b><u>18-1858</u></b>
	<b>Communication No.</b>	<b><u>18-554</u></b>
	<b>Submitted by:</b>	<b>Erin Olson-Douglas, Economic Development Director</b>

**AGENDA HEADING:**

Resolution Approving Preliminary Terms of Third Amended and Restated Urban Renewal Development Agreement with Riverpoint West, L.L.C. for the Gray’s Landing Project.

**SYNOPSIS:**

On August 24, 2015, by Roll Call No. 15-1463, City Council approved the Second Amended and Restated Development Agreement with Riverpoint West, L.L.C. (George Sherman, President, Sherman and Associates, 233 Park Avenue South, Suite 201 Minneapolis, MN 55415) for the development of the Gray’s Landing area. The second amendment provided for the initiation of over \$70 million in new projects, the Developer’s construction of Tuttle Street between SW 9<sup>th</sup> Street and SW 11<sup>th</sup> Street, and for the semi-annual payments on the project’s \$8.5 million Department of Housing and Urban Development (HUD) Section 108 Loan to begin to be made by the Developer until enough project generated tax increment (TIF) was created to fund the loan payments. Since that action, the Developer has made the required Section 108 payments and completed the construction of Tuttle Street, the Holiday Inn Express Hotel, and the Nexus and Edge apartment projects, each of which included significant earthwork costs. New Horizons Academy childcare center was also constructed.

The Office of Economic Development has negotiated terms for the Third Amended and Restated Agreement. In this amendment, Riverpoint West, LLC will continue to make the semi-annual payments to the HUD Section 108 Loan, while simultaneously investing in the development of a second set of projects detailed below. The resulting project generated TIF from the new set of projects, following any tax abatement term, will be directed to 1.) the semi-annual Section 108 payments, 2.) Developer’s identified project development costs, and 3.) repayment of the Developer’s advance payments to the Section 108 loan.

**FISCAL IMPACT:**

Amount: Riverpoint West, L.L.C. will advance to the City during the Section 108 repayment term an amount estimated at \$11,811,500, including interest, to fund any shortfall in the HUD 108 repayment obligation. Riverpoint West, L.L.C. will then be repaid for these advance payments through project generated TIF estimated to begin in Fiscal Year (FY) 2030 and not to exceed FY 2040. Riverpoint West, L.L.C. will also be granted an amount not to exceed \$2,800,000 through 50% of project generated TIF from the second hotel project, Gray’s Landing office building, both phases of senior apartments, and all other projects and 36% of project generated TIF from all other projects, from FY 2022 through FY 2036 for demonstrated project development costs related to environmental remediation and geotechnical issues, including importing significant fill material. The distribution of TIF is shown in this report and has been reviewed and approved by the Finance Department.

Funding Source: Riverpoint West, L.L.C. and project generated TIF in the Metro Center Urban Renewal Area.

**ADDITIONAL INFORMATION:**

- The second set of projects includes a second hotel, two (2) phases of senior apartments, two (2) market rate apartment projects, a commercial pad site and the completion of the Gray's Landing office building with a total estimated investment of \$154,000,000.
- Proposed TIF Distribution
  - All TIF will be project generated.
  - 100% of the new TIF on the Holiday Inn Express, Nexus, Edge, and child care center is proposed to flow directly to the Section 108 loan payments, with Riverpoint West, L.L.C. making up any difference in these semi-annual payments.
  - 50% of the new TIF on the second hotel, both phases of senior apartments, and the Gray's Landing office building would go to the Section 108 loan; 50% of the second hotel and the Gray's Landing office building and 36% of all other projects would go to the identified development costs.
  - Following the anticipated end of the Section 108 term in FY 2029, project generated TIF would go to Riverpoint West, L.L.C.'s advance Section 108 payments.
  - The term for project generated TIF capture for the development costs will end in FY 2036; term for TIF capture on Section 108 advances will end in FY 2040.
- The City is working with Riverpoint West, L.L.C. and HUD beginning in fall 2018 to seek a refinancing of the Section 108 loan to ideally achieve an improved interest rate. August 2018 was the end of the 10-year lockout period on the current interest rate.
- Each new project will return for individual design review by the Urban Design Review Board and City Council through a separate parcel development agreement, along with an updated conceptual master plan.
- The City's return on investment (ROI) for the Gray's Landing project is estimated as follows:
  - 2007 base land values: \$6,376,094
  - 2040 projected total taxable valuation: \$95,675,095
  - Total estimated Riverpoint West, L.L.C. project investment: \$215,050,000
  - Total estimated Section 108 Loan payments and interest carry by Riverpoint West, L.L.C. through FY2029: \$11,811,500 (based on current amortization schedule)
  - Total TIF generation: \$36,447,303
  - Total project generated TIF to Riverpoint West, L.L.C. for project development costs: \$2,800,000 (NPV 5.5%)
  - Total project generated TIF to Riverpoint West, L.L.C. for repayment of Section 108 loan advances: \$5,430,980 (NPV 5.5%)
  - City participation 10.2% of total project investment

**PREVIOUS COUNCIL ACTION(S):**

Date: August 24, 2015

Roll Call Number: [15-1463](#)

Action: [Second](#) Amended and Restated Urban Renewal Development Agreement with River Point West, LLC. ([Council Communication No. 15-471](#)) Moved by Hensley to adopt. Motion Carried 7-0.

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

Board: Urban Design Review Board

Date: November 14, 2017

Resolution Number: N/A

Action: Motion to recommend approval as presented by Reynolds. Seconded by Hielkema. Motion carried.

Board: Urban Design Review Board

Date: July 18, 2017

Resolution Number: N/A

Action: Motion to recommend approval of the proposed financial assistance for the plan recommended for approval at the July 11, 2018 meeting by Reynolds. Seconded by MacRae. Motion carried.

Board: Urban Design Review Board

Date: July 11, 2017

Resolution Number: N/A

Action: A consensus of the members present recommend approval of the project as presented with the following conditions: continue work with Hubbell Realty Company and City staff on final determinations for stormwater management capacity and south parkway road alignment, remove the City owned site from the conceptual plan, and consider alternate scenarios for the proposed one story building site.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Urban Design Review Board review of proposed project generated TIF assistance.
- Final development agreement presented to City Council.

- Parcel development agreements, minimum assessment agreements and consent to sale for each project, with review by Urban Design Review Board and City Council.
- Certificates of Completion for each project.
- Future Updated Master Conceptual Development plan for blocks between SW 11<sup>th</sup> Street and SW 16<sup>th</sup> Street.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).