


COUNCIL COMMUNICATION

	Number:	19-022	Meeting:	January 14, 2019
	Agenda Item:	48C	Roll Call:	19-0073
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

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

SYNOPSIS:

On November 5, 2018, by Roll Call No.18-1858, City Council approved preliminary terms of the Third 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. Urban Design Review Board (UDRB) reviewed the proposed financial assistance through tax increment (TIF) at the November 13, 2018 UDRB meeting.

The Office of Economic Development has negotiated final terms of the development agreement, which provide for the continued semi-annual U.S. Department of Housing and Urban Development (HUD) Section 108 Loan payments by Riverpoint West, LLC (backed by Sherman Associates, Inc.), project generated TIF for development costs, and project generated TIF for future repayment of the Section 108 advances by Riverpoint West, LLC.

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 carry, to fund any shortfall in the Section 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 \$2.8 million 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 project development costs.

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

ADDITIONAL INFORMATION:

- This Third Amended and Restated Agreement is submitted for final Council approval with the caveat that HUD will need to provide final review and approval of the documents.

- 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 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. Any assignment of economic development grants to separate projects by the developer will occur through the parcel development agreement process.
 - 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: November 5, 2018

Roll Call Number: [18-1858](#)

Action: [Preliminary](#) terms of the Third Amended and Restated Urban Renewal Development Agreement with Riverpoint West LLC for the Gray's Landing Project. ([Council Communication No. 18-554](#)) Moved by Mandelbaum to approve the preliminary terms of amendment as set forth in Council Communication No. 18-554 and to direct the City Manager or his designee to negotiate final terms of agreement for future consideration by the City Council. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: November 13, 2018

Resolution Number: N/A

Action: Motion to recommend approval of the amendment subject to a commitment to meet monthly between the two (2) development teams and the City to better coordinate the projects and that the developer provide a framework diagram that shows the public improvements in terms of open space and circulation by MacRae. Seconded by Weisenbach. Motion carried. Yes – 7, No – 0, Abstain – 1, Absent – 2.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- 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 11th Street and SW 16th Street.

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