


# COUNCIL COMMUNICATION

	Number:	<b>19-537</b>	Meeting:	<b>December 16, 2019</b>
	Agenda Item:	<b>30</b>	Roll Call:	<b>19-2015</b>
	Submitted by:	<b>Erin Olson-Douglas, Economic Development Director</b>		

## AGENDA HEADING:

Resolution approving Second Amended and Restated Parcel Development Agreement with Gray's Landing Office, LLC and Redevelopment Plan for Construction of an Office Building in Gray's Landing.

## SYNOPSIS:

Gray's Landing Office, LLC and River Point West, LLC is proposing to purchase the 3.75-acre subject property from River Point West, LLC (represented by George Sherman, Sherman Associates, 233 Park Avenue, Suite 201, Minneapolis, MN 55415), and construct a 72,000-square-foot building to house approximately 68,000 square feet of office space and 4,500 square feet of restaurant space in the Gray's Landing area.

In accordance with the Third Amended and Restated Urban Renewal Development Agreement (the "Master Agreement"), dated September 9, 2019 with River Point West, LLC., it is required to have a parcel Development Agreement, Minimum Assessment Agreement and City review and approval of the development plans for each parcel of land sold in the development area. The primary goal for the City under the Master Development Agreement with Sherman is to ensure the creation of new taxable valuation in the area through the development of high quality projects.

## FISCAL IMPACT: NONE

## ADDITIONAL INFORMATION:

- An \$8.5 million Section 108 U.S. Department of Housing and Urban Development (HUD) loan, along with Developer equity and other project financing elements, was a significant source for the necessary tasks to acquire, clear and remediate the land, construct streets and utilities and redevelop the former industrial brownfields area that is now called Gray's Landing (formerly known as Riverpoint West).
- Following the 2015 amendment to the Master Development Agreement, Sherman Associates continues to pay the semi-annual payments on the Section 108 loan, as well as bringing forward new projects to create new tax increment.
- This new taxable valuation creates the tax increment (TIF) that is the funding source for making semi-annual payments on the Section 108 HUD Loan.
- Sherman Associates has brought forward four (4) projects in the last few years (Holiday Inn Express Hotel, The Edge Apartments, the Nexus Apartments, and New Horizon Childcare Academy), totaling approximately \$60.3 million of investment.

- The Gray's Lake Office project had been previously reviewed and approved, but was not built. The market for speculative office construction was uncertain and the Developer chose to wait. The project is now coming forward similar to the 2014 version, but without underground parking.
- This parcel Development Agreement also memorializes the Developer's allocation of \$984,430 of the \$2.8 million allowed for parcel grants by the Master Development Agreement to fund a parcel grant for this project, with the amount of each semi-annual installment on such parcel grant to be equal to one-half of 45% of the incremental tax revenue generated by the project (a decrease from the 50% established in the Master Development Agreement), until the earlier of: 1) the parcel grant is paid in full; or 2) the City has paid the installments due in fiscal year 2035/36.
- The \$15 million project is anticipated to begin construction as soon as possible and be complete by spring 2021.

**PREVIOUS COUNCIL ACTION(S):**

Date: September 9, 2019

Resolution Number: [19-1408](#) and [19-1409](#)

Action: Items regarding the Gray's Landing Project:

- (A) [Approving](#) First Amendment to Contract for Loan Guarantee Assistance with the U.S. Department of Housing and Urban Development regarding the Section 108 Loan used. ([Council Communication No. 19-387](#)) Moved by Boesen to adopt. Motion Carried 7-0.
- (B) [Ratifying](#) Third Amended and Restated Urban Renewal Development Agreement with River Point West LLC (George Sherman, President). ([Council Communication No. 19-388](#)) Moved by Boesen to adopt. Motion Carried 7-0.

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

Board: Plan and Zoning Commission

Date: November 7, 2019

Resolution Number: ZON2019-00206

Action: Motion to recommend approval of the proposed 5th Amendment to the Gray's Landing Office Park 1 PUD Conceptual Plan to reconfigure the location of a 3-story office along with associated surface parking, subject to conditions, approved by a 15-0 vote.

Board: Urban Design Review Board

Date: October 21, 2014

Resolution Number: N/A

Action: Motion by Clark, seconded by MacRae to approve as presented, subject to screening west parking lot from MLK Jr Parkway.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Issuance of Certificate of Completion for the Gray's Lake Office Building.

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