


COUNCIL COMMUNICATION

	Number:	23-068	Meeting:	February 6, 2023
	Agenda Item:	28	Roll Call:	<input type="text"/>
	Submitted by:	Matthew A. Anderson, Deputy City Manager		

AGENDA HEADING:

Resolution approving an amendment to the Parcel Development Agreement with Blackacre Development, LLC, and River Point West, LLC, regarding the construction of a mixed-use development with an outdoor sports and entertainment venue along SW 14th Street, south of Martin Luther King Jr Parkway.

SYNOPSIS:

In 2019, Blackacre (represented by Nate Easter, Krause+, 1459 Grand Avenue, Des Moines, IA 50309) purchased two (2) parcels, totaling 11-acres from River Point West, LLC (represented by George Sherman, Sherman Associates, 233 Park Avenue, Suite 201, Minneapolis, MN 55415) to construct a 6,000-8,000 seat outdoor sports and entertainment venue, a parking garage, and a 5-story, 150,000-square-foot mixed-use retail and office building. Any transfer of property within the Gray's Landing area is required to have a Parcel Development Agreement (PDA) approved by City Council as required under the Master Development Agreement with Sherman. As part of that PDA, Krause+ agreed to a payment in lieu of taxes (PILOT) by December 1, 2022, if their developments did not produce enough increment to help pay back the Section 108 loan payment that Sherman is responsible for paying. Krause+ has since shifted their interest for the location of the proposed outdoor sports and entertainment venue to the DICO site and has not developed anything on the 11-acre property purchased from Sherman. Krause+ is now asking for a 6-month delay in the PILOT.

FISCAL IMPACT:

The required PILOT amount stays the same. The due date is proposed to be delayed by six (6) months but would still be within the same fiscal year.

ADDITIONAL INFORMATION:

- An \$8.5 million Section 108 U.S. Housing and Urban Development (HUD) loan, along with Developer equity and other project financing elements, was a significant funding source for the necessary tasks to acquire, clear and remediate 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 development agreement with Sherman, Sherman Associates continues to pay the semi-annual payments on the Section 108 HUD loan, as well as brings forward new projects to create new increment. New taxable valuation creates the tax increment (TIF) that is the source for making semi-annual payments on the Section 108 HUD loan.
- The PDA requires the following payments per parcel per year:

PILOT requirements in the PDA			
	<i>Stadium</i>	<i>Mixed Use</i>	
Dec 1, 2022	\$327,384		\$327,384
Dec 1, 2023	\$327,384	\$123,096	\$450,480
Dec 1, 2024	\$327,384	\$123,096	\$450,480
Dec 1, 2025	\$327,384	\$123,096	\$450,480
Dec 1, 2026	\$327,384	\$123,096	\$450,480
Dec 1, 2027		\$123,096	\$123,096
TOTAL			\$2,252,400

PREVIOUS COUNCIL ACTION(S):

Date: December 16, 2019

Roll Call Number: [19-2062](#)

Action: [Parcel](#) Development Agreement with Blackacre Development, LLC (A wholly owned subsidiary of Krause Group Real Estate) and River Point West LLC, regarding the construction of a mixed-use development with an outdoor sports and entertainment venue along SW 14th Street, south of Martin Luther King Jr. Parkway. ([Council Communication No. 19-547](#)) Moved by Mandelbaum to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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