



Roll Call Number

17-0233

Agenda Item Number

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Date February 13, 2017

RESOLUTION APPROVING COMPETITIVE PROCESS FOR SALE AND REDEVELOPMENT OF THE FIFTH AND WALNUT PARKING GARAGE IN THE METRO CENTER URBAN RENEWAL PROJECT AREA, AND RECEIPT OF REDEVELOPMENT PROPOSAL FROM 5TH AND WALNUT PARKING, LLC

WHEREAS, on July 13, 2015, by Roll Call No. 15-1207, the City Council received and filed a proposal from Mandelbaum Properties, represented by Justin Mandelbaum, for the purchase and redevelopment of the Fifth and Walnut Parking Garage at 422 Walnut Street (the "Property") and authorized and directed the City Manager to: i) work with Mandelbaum Properties regarding the potential redevelopment of the Property; and ii) initiate a process for selecting a developer and redevelopment proposal with competing proposals to be submitted by September 11, 2015, all as forth in Council Communication No. 15-377; and,

WHEREAS, on September 14, 2015, by Roll Call No. 15-1572, with no competing proposals received, the City Council selected Mandelbaum Properties as the preferred developer and authorized the Office of Economic Development to work with Mandelbaum Properties to refine the project's programming, design, and financial proposals and to present preliminary terms of agreement for consideration by City Council; and

WHEREAS, on April 25, 2016, by Roll Call No. 16-0687, the City Council approved preliminary terms of agreement with Mandelbaum Properties, for the sale and redevelopment of the Property with a 32-story mixed use tower containing approximately 200 market rate residential units, lobbies, common area and amenities, an urban movie theater, indoor rock climbing facility, restaurant, jazz club, office space, daycare and parking garage, and directed the Office of Economic Development to proceed with negotiation of a formal agreement with Mandelbaum Properties; and,

WHEREAS, 5th and Walnut Parking, LLC (hereinafter the "Developer), has been created by Mandelbaum Properties to serve as the development entity for the redevelopment of the Property; and,

WHEREAS, both the City staff and Developer have requested material changes to the project at variance with the previously approved preliminary terms; and,

WHEREAS, the City's Office of Economic Development has negotiated final terms of agreement with the Developer whereby:

- The Developer has undertaken to purchase the Property for a purchase price of \$4 million, and to redevelop the Property by:
 - The construction of a parking garage fronting on 5th Street in the middle of the Property, with approximately 564 parking spaces;

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- The construction of a movie theater fronting on Court Avenue on the southern portion of the Property (the "Theater Building"); and,
 - The construction of a building (the "Residential Building") anticipated to have 32 stories (but required to have at least 25 stories) fronting on Walnut Street with a hotel having at least 50 lodging rooms on the lower floors and approximately 200 residential dwelling on the upper floors.
- with the Parking Garage to be constructed first, and either the Theater Building or Residential building to be constructed second.
- The City would undertake to provide the following financial incentives:
 - A Forgivable Economic Development Loan in the amount of \$4 million for the benefit of the Residential Building, to be advanced upon sale of the Property and forgiven upon substantial completion of the Residential Building;
 - Urban renewal construction period tax abatement on each phase;
 - 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 of not more than \$39,345,946 at a market rate of interest, reduced by the net operating income from the operation of the parking garage;
 - An economic development grant for each phase whereby the City returns 100% of the tax increment generated by that phase for 20 years, provided however that any tax increment generated by the Residential Building and Theater Building after Year 11 for each respective building, above the amount returned in Year 11, shall be applied to reduce the balance of the Parking Shortfall Loan;
 - Upon full repayment of the Developer's first mortgage loan, the City shall forgive a portion of the Parking Shortfall Loan equal to \$6,826,779 of the principal, together with the accrued interest that portion;

all as more specifically described in the *Urban Renewal Agreement for Sale of Land for Private Redevelopment* (the "Proposed Agreement") which is on file in the office of the City Clerk; and,

WHEREAS, the Property referenced in this resolution is more specifically described as follows:

Lots 1 through 6 and the two intervening vacated East/West alley rights-of-way, in Block 21, Fort Des Moines, an Official Plat, all now included in and forming a part of the City of Des Moines, Polk County, Iowa.

WHEREAS, it is necessary and appropriate that City Council take certain actions in accordance with Iowa Code Section 403.8 in order to receive the Proposed Agreement and give



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full and fair opportunity for other potential developers to submit competing proposals for the redevelopment of the Property; and

WHEREAS, the City Council believes it is in the best interests of the City of Des Moines to consider the Proposed Agreement from the Developer and any competing proposals for the purchase and redevelopment of the Property in accordance with the procedures identified below.

NOW THEREFORE, BE IT RESOLVED, by the City Council of the City of Des Moines, Iowa, as follows:

1. The Proposed Agreement submitted by the Developer, is hereby received and filed, and shall be available for public inspection in the office of the City Clerk.
2. Any interested party (hereinafter referred to as an "Applicant") may submit a competing proposal for the purchase and redevelopment of the Property in accordance with the following procedures:
 - A. Permitted uses of the Property include hotel, office, residential, and commercial retail and service uses. Off-street structured parking shall be provided on the Property to serve the parking needs of the proposed development of the Property, with at least 250 parking spaces to be made available for use by the general public.
 - B. The design and exterior materials shall substantially comply with the Commercial Construction and Sustainability Design Standards and with the Court Avenue Design Standards set forth in Appendix A-1 and A-2, respectively, to the Third Restated Urban Revitalization Plan for the Citywide Urban Revitalization Area.
 - C. All proposals for the redevelopment of the Property shall:
 - 1) Provide a detailed description of the proposed development,
 - 2) Provide a proposed form of the *Urban Renewal Agreement for Sale of Land for Private Redevelopment* tailored to the Applicant's proposal.
 - 3) Provide documentation of the Applicant's experience completing comparable development projects and documentation of the Applicant's and its management team experience managing similar projects over a long term.
 - 4) Provide evidence of the Applicant's financial capacity to complete its proposal, including a complete financing plan identifying proposed sources and uses of funds and a cash flow analysis that shows projected revenues and expenses with all underlying assumptions.

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- 5) Provide letters of support or commitments for the project from equity and lending sources, if available.
 - 6) Be in substantial conformity with the provisions of this resolution.
- D. It is hereby determined that a minimum purchase price for the Property is \$4 million for uses in accordance with the Metro Center Urban Renewal Plan, taking into account the expected restrictions upon the Property and the covenants, conditions and obligations to be assumed by any Applicant for redevelopment and use of the Property.
- E. The City Council hereby declares its intent to make available financial incentives in a form and amount acceptable to the City Council to encourage quality development. The financial incentives may include:
- 1) A temporary exemption from taxation (tax abatement) pursuant to the City-wide Urban Revitalization Plan for the value added by improvements to any portion of the Property assessed as residential property, or as commercial or multiresidential property if such property consists of 3 or more separate living quarters with at least 75% of the space used for residential purposes.
 - 2) Economic development grants to be paid in installments from the proceeds of the purchase price and/or from project generated tax increment over a period of not to exceed 20 years.
 - 3) Economic development grants or loans payable from tax increment of the Metro Center Urban Renewal Area and urban renewal construction period tax abatement, if the proposed development includes a hotel and additional structured parking for general public use.
 - 4) Assistance in seeking additional funding and financial assistance from other sources including but not limited to the City of Des Moines and State of Iowa HOME Program, the State of Iowa Enterprise Zone Program, and Low Income Housing Tax Credits.
- F. All inquiries regarding the terms and conditions of this competitive bid process must be submitted to the Office of Economic Development. All interested potential developers are invited to contact the Office of Economic Development to discuss the types and levels of economic incentives that are available and acceptable to the City.
- G. Written proposals for the purchase and development of said Property must be received by the Office of Economic Development on or before 1:00 p.m., on March 17, 2017. Each proposal shall be opened and reviewed by the City staff after such deadline.

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- H. If a competing proposal is received, the following Selection Criteria shall be applied to judge the relative merits of the proposals:
- 1) The extent to which the project will advance and encourage further private investment to advance the redevelopment of the Court Avenue Area in conformance with the Metro Center Urban Renewal Plan, the Des Moines comprehensive plan titled *PlanDSM: Creating our Tomorrow*, and the Court Avenue Design Standards.
 - 2) The potential return on investment to the City over a 40 year period from the project and from further private investments anticipated to be attracted by the project.
 - 3) The extent to which the Applicant has demonstrated the experience and capacity to successfully complete its plans for the redevelopment of the Property.
- I. The City Council will hold a public hearing on March 20, 2017, at 5:00 p.m. in the Council Chambers at the Richard A. Clark Municipal Service Center at 1551 E. Martin Luther King Jr. Parkway, to receive all competing proposals. If no responsive competing proposals are timely received, the City Council will consider approval of the Proposed Agreement and the sale of the Property to the Developer at the public hearing on March 20th. If any responsive competing proposals are timely received, the public hearing will be continued until April 3, 2017, at 5:00 p.m. in the Council Chambers, and the Proposed Agreement and all competing proposals will be referred to the Urban Design Review Board for review and recommendation.
- J. If any responsive competing proposals are timely received, the Proposed Agreement and all such competing proposals will be reviewed by the Urban Design Review Board at a meeting on March 28, 2017, at 7:30 a.m. in the Council Chambers at the Richard L. Clark Municipal Service Center. The Board will be asked to apply the Selection Criteria to judge the relative merits of the proposals, and to make a report and recommendation to the City Council.
- K. If any responsive competing proposals are timely received, the City Council hereby declares its intent to select a developer for the sale and redevelopment of the Property consistent with the Selection Criteria identified above, at the conclusion of the public hearing on April 3rd. If the Agreement submitted by the selected developer is not then in a form acceptable to the City Council, the City Council will schedule a later public hearing to consider approval of the Agreement after further negotiations with the selected developer.
3. The City Clerk is hereby authorized and directed to cause the accompanying notice of the competitive bid process and the City's intent to enter into an urban renewal agreement for the sale and redevelopment of the Property to be published in the Des Moines Register on February 14, 2017.

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4. The competitive bid process set forth in this resolution is hereby determined to comply with the provisions of Iowa Code Section Chapter 403.8(2), requiring "reasonable competitive bidding procedures" for the sale of the Property and this competitive bid process is hereby determined to be the appropriate method for making the Property available for redevelopment in accordance with the Metro Center Urban Renewal Plan.

(Council Communication No. 17- 073)

MOVED by Hensley to adopt.

FORM APPROVED:

Roger K Brown
 Roger K. Brown
 Assistant City Attorney

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COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				✓
COLEMAN	✓			
GATTO	✓			
GRAY	✓			
HENSLEY	✓			
MOORE	✓			
WESTERGAARD	✓			
TOTAL	6			1

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

T. M. Franklin
 Mayor

Diane Rauh
 City Clerk