



Legislation Text

File #: 17-485, Version: 1

TO: Mayor and Members of City Council

THRU: Douglas J. Hewett, City Manager, ICMA-CM

FROM: Kristoff Bauer, Deputy City Manager

DATE: October 9, 2017

RE:
Prince Charles Holding ("PCH") Downtown Development Agreement - Second Amendment

COUNCIL DISTRICT(S):

All

Relationship To Strategic Plan:

Goal 4: Desirable Place to Live, Work and Recreate

Executive Summary:

The City has executed a Downtown Development Agreement ("DDA") with Prince Charles Holding, LLC. ("PCH") relating to the stadium development and Prince Charles Hotel redevelopment projects and Festival Park Plaza sale. The initial DDA focused predominantly on land transactions. Additional amendments were anticipated. The first amendment to that agreement, focusing on the management of the development of the plaza area of the project, was approved by Council on June 12, 2017. A second amendment, outlining the next steps in the development including financial guarantees, is attached (the agreement is in final review and will be attached Friday, Oct. 6, 2017. Staff is seeking Council authorization to execute this second amendment.

Background:

The City executed a Memorandum of Understanding with PCH in March, 2016. At that time, the main topics of discussion were the availability of parking and how to reconfigure the street system to support the renovation of the Prince Charles into a mixed use building, a hotel, and mixed use development on the site. That process was moving forward when the concept of placing a minor league baseball stadium was introduced in June 2016.

The DDA is a complex legal document the full completion of which is dependent upon the successful completion of design, survey, and other activities performed. The City, however, required control of the land in the development area in order to plat the property creating individual lots for the stadium, garage/hotel development, Amtrak, and a plaza area. These separate lots are required in order to move forward with financing, permitting, and other activities critical to the stadium development and redevelopment of the area. The DDA has been executed and several individual property transactions

agreed therein have been completed to include:

- Property Exchange:
 - The City purchased 2.5 acres of property owned by PCH adjacent to the existing Prince Charles hotel
 - PCH has executed a purchase agreement for the Garage/Hotel site
 - The plat has been recorded (Attached)
 - PCH is finalizing financing and expects to close within 45 days
- Festival Park Plaza Sale:
 - PCH has executed a purchase agreement for the Festival Park Plaza building, the City restricted the closing of this sale until after the closing of the sale of the Garage/Hotel site and the execution of a lease for the City occupied space in that building
 - PCH has executed an option on the Festival Park Plaza Development Lot for \$25,000

The Council authorized the execution of the First Amendment to the Downtown Development Agreement (attached) on June 12, 2017.

At the time the initial DDA was executed, it was believed that a portion of the residential development would be constructed above the stadium project. That overbuild idea has been eliminated due to the estimated cost of the support structure required and concerns regarding construction staging. PCH has redesigned their project to stack both the residential and hotel development on top of the parking garage to be developed on Lot 3 of the attached plat. That has increased the complexity of the financing of the project and led to some delay and unanticipated cost.

Issues/Analysis:

The attached draft DDA amendment addresses a number of key issues and is consistent with prior discussions with Council.

Garage/Hotel Project:

- Garage design elements and City design approval
- City surface demolition (anticipated and in process)
- Future requirement for a Garage Purchase Agreement based on cost of construction
- Key terms of parking space leases
- City's authority to approve the hotel flag

Easements and Environmental Remediation:

- Identification of future reciprocal easements that the parties will develop and clarification of responsibility for environmental remediation, which is assigned based on lot ownership consistent with prior executed purchase and sale agreements.

Minimum Assessed Value:

- This is the financial commitment to future valuation consistent with the City's financial model which relied on \$32.8 million in estimated new taxable value. The agreement commits to a minimum of \$37 million of enhanced taxable value. This is not the same as the level of investment, which remains in excess of \$65 million.

- Any shortage in this value is addressed through a “Gap Contribution.”

Timing:

- Commitments regarding the initiation and completion of primary projects is addressed.
- The level of design and detailed cost estimates are to be provided by the third week of November.
- Council consideration of the Garage Contract is scheduled for December 11 in order to allow for closing of all transactions on December 15, 2017.

Budget Impact:

The proposed DDA second amendment supports the next phase of design for the mixed use development. That will also support the development of detailed cost estimates and provide more information regarding the public investment necessary to support the parking garage and the private investment anticipated by the proposed agreement.

Options:

- Authorize the City Manager to authorize this second amendment to the DDA
- Do not approve the proposed amendment and provide alternate direction to staff

Recommended Action:

Authorize the City Manager to execute the Second Amendment to the Downtown Development Agreement substantially in the form attached.

Attachments:

Plat of Stadium Development Tract

DDA

DDA First Amendment

Draft DDA Second Amendment

(provided on Friday, Oct. 6, 2017, under separate cover)