



Legislation Text

File #: 18-104, Version: 1

TO: Mayor and Members of City Council

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

FROM: Kristoff Bauer, Deputy City Manager

DATE: March 7, 2018

RE:

Prince Charles Holding ("PCH") Parking Lease, Set Public Hearing for March 19, 2018

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, plaza, and garage/hotel developments, the Prince Charles Hotel redevelopment project and Festival Park Plaza sale. The execution of a lease between PCH and the City for parking in the new garage under development is a key element of that agreement. State law requires that any lease longer than 10 years considered through the same process as a sale of land. This requires a public hearing after the terms have been advertised for 10 days.

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.

The Council authorized the execution of DDA Two on October 9, 2017 (attached). Key issues addressed in that amendment include:

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 approved the DDA Third Amendment and Garage Contract on December 11, 2018. A key term of that agreement is the execution of a lease between the City and PCH. The lease is necessary for PCH to secure funding for the redevelopment of the historic Prince Charles Hotel. The lease will also provide a long-term funding source to the City for the operation of the Hay St. parking garage.

Issues/Analysis:

The lease must be considered by Council through the same process as a sale. The key terms include:

- 90 spaces subject to joint use
- 33 year initial term
- 3 renewal options of 25 years
- \$50 rent per space per month for first 7 years
- Rental rate subject to increase by up to 5% each year dependent on a number of factors

Budget Impact:

Initial revenue, upon completion of the garage and commencement of the lease, will be \$54,000 per year.

Options:

- Call for a public hearing March 19, 2018

Recommended Action:

Staff recommends that Council call for a public hearing on the proposed parking lease with PCH on March 19, 2018.

Attachments:

None