

COUNCIL MEMORANDUM

TO: Mayor and City Council
THROUGH: Chris Brady, City Manager
FROM: Jeff McVay, Manager of Downtown Transformation
SUBJECT: Memorandum of Understanding for a proposed development near Mesa Drive and Main Street
DATE: May 22, 2017

The following summarizes a proposed development on City-owned land and the primary deal points included in the associated Memorandum of Understanding (MOU).

Pomeroy MOU

The City was approached by 3W Management, LLC, a private development company, with a unique proposal for a mixed-use development surrounding, and above the City-owned Pomeroy parking garage and City-owned surface parking lot on the southwest corner of Main Street and Pomeroy (currently leased to Benedictine University). The proposed development would also include the abandonment of a portion of the Pomeroy right-of-way, streetscape improvements, and Gateway Park improvements (see attached Exhibit A). Summarized below, the MOU establishes the primary deal points for further development and lease/purchase agreement negotiations.

Developer Obligations:

- In conjunction with further negotiations, provide a structural engineering analysis of the improvements necessary, if any, to accommodate the proposed development and the costs associated with those improvements.
- In conjunction with further negotiations, provide a business plan that details the development pro forma (acquisition, development, and operating costs; gross and net operating revenues; and operation and maintenance costs), projected commercial and residential lease rates, market analysis, and demonstrated tenant interest.
 - The developer may seek Transportation Infrastructure Finance and Innovation Act (TIFIA) from USDOT, or other financing mechanism, that includes City involvement. The business plan must detail the City's proposed role and how the inclusion of TIFIA, or other financing, impacts the project's pro forma.
 - The City will not finance any private improvements through TIFIA or other financing mechanism.
- In conjunction with further negotiations, provide City Manager with sufficient evidence of financial capacity/commitments to successfully execute and complete the project.

- In conjunction with further negotiations, provide the City with an executed Letter of Intent with Benedictine University that details both party's development, programming, and O&M obligations, and material lease terms.
- Minimum development improvements:
 - A minimum 18,000 SF of commercial/retail space along Main Street.
 - A minimum of 80 student housing beds.
 - A minimum of 190 above market-rate apartments.
 - A minimum of 14 for sale row homes lining the Pomeroy parking garage.
 - Addition of one additional parking deck on the Pomeroy parking garage.
 - Improvements to Gateway Park and Gateway Park Road.
- Responsibility for all parking garage structural maintenance and repairs.
- Payment of reasonable rental amount, and/or purchase price, for any property or air rights.

City Obligations:

- City will enter into a development agreement and lease agreement with an option to purchase land/air-rights for the Pomeroy parking garage, surface parking lot, and abandoned right-of-way.
- City will support qualification of the project for property tax abatement through GPLET.
- City will negotiate in good faith with Benedictine University to amend the existing lease agreement to allow the proposed development.
- City may abandon portions of the Pomeroy right-of-way to accommodate development of for-sale rowhomes.
- City will enter into a long-term license agreement for approximately 300-375 parking spaces within the Pomeroy parking garage.
- City may reimburse developer for construction costs associated with public infrastructure improvements.

Other Provisions:

- The existing parking within the Pomeroy parking garage will remain in the exclusive control of the City, except as agreed to in a license agreement.
- Developer may be provided development rights to redevelop existing parking within the Pomeroy Parking Structure to commercial/residential use, as demand for parking decreases.
- Developer will use all City utilities (Electric, Gas, Sewer, Water, Solid Waste).
- MOU expires December 31, 2017.