



Legislation Text

File #: 19-135, **Version:** 1

ACTION REQUESTED:

Communication from the City Manager with a Request to APPROVE a REDEVELOPMENT AGREEMENT and PARKING DECK LEASE with OSF HEALTHCARE SYSTEM and 124 SW ADAMS PROPERTY HOLDING, LLC.

BACKGROUND: OSF Healthcare Systems (OSF) and Caterpillar have formed 124 SW Adams LLC to redevelop the Block and Kuhl department store building, built in 1905, into the OSF Ministry Headquarters. The estimated cost of the project is \$127 million. The OSF Ministry Headquarters will consist of collaborative administrative office space housing medical professionals, attorneys, financial professionals, and C-suite officers, among others. In total, approximately 700 OSF Mission Partners (employees) will occupy and utilize the former Block and Kuhl Building to provide support services for OSF HealthCare hospitals and outpatient centers throughout the Midwest. The Project will also include site amenities to benefit OSF Mission Partners and the Downtown public. The former Caterpillar Merchandise Center will be programmed with a public facing coffee shop. The former A&P grocery store at the corner of Washington and Fulton will be programmed with a public facing restaurant. Redevelopment of the former Block and Kuhl Building will create more than 300 construction jobs. It is anticipated that OSF Mission Partners will provide an impact of \$2 million per year to Downtown Peoria through increased economic activity. Construction of the project will commence in 2019. OSF Healthcare plans to complete construction of the project by December 31, 2022.

The balance of the above block is owned by the OSF Healthcare, but is not the subject of the attached Redevelopment Agreement. However, there will be ongoing negotiations between the City and OSF Healthcare regarding a mixed use development on the balance of the block to be completed within the next 3-5 years.

In addition, OSF has agreed to purchase the LD Building located in the 300 block of Adams Street from Caterpillar to utilize as a Virtual Care Center which will employ approximately 500 people and have an estimated project cost of \$12 million. This additional development is not the subject of the attached Redevelopment Agreement, though will generate the need for additional parking downtown.

The attached Redevelopment Agreement addresses both (i) the construction of the OSF Ministry Headquarters in accordance with rather standard provisions used in the past by the City and (ii) OSF Healthcare's additional parking needs generated by both the OSF Ministry Headquarters. and the Virtual Care Center. The parking needs are addressed as follows:

First, Caterpillar has agreed to sell the 450 parking spaces in the One Technology Parking Deck (One Technology Deck) not now owned by the City to the City for two million dollars payable in five installments of four hundred thousand dollars each beginning in 2020. This will result in the City owning the entire One Technology Deck and put the City in the position to address OSF Healthcare's parking needs. This acquisition is an essential precondition to the City's ability to address OSF Healthcare's parking needs.

Second, pursuant to the attached Redevelopment Agreement, prior to the opening of the OSF Ministry Headquarters, the City has agreed to discounted parking for OSF Healthcare employees and construction workers in the One Technology Deck, the Niagara Deck and the Jefferson Deck. The price will be \$37 per month per space leased.

Third, upon the opening of the OSF Ministry Headquarters, the City will triple net lease the One Technology Deck to OSF Healthcare for 20 years pursuant to the One Technology Parking Deck Lease attached to the Redevelopment Agreement. The rent will be \$19,193 per month triple net. The parties have agreed that the taxes and insurance for the One Technology Deck will be paid by the City and 100% reimbursed by OSF Healthcare. OSF Healthcare will also have the right to purchase the One Technology Deck from the City with the purchase price set at fair market value by appraisal. Any additional parking needed by OSF Healthcare in excess of the One Technology Deck will be provided in the Jefferson Deck and Niagara Deck at \$33.00 per space per month fixed for 20 years.

FINANCIAL IMPACT: The City will reimburse OSF Healthcare 100% of its qualified redevelopment costs for the period of time that property taxes are paid and historic tax credits are being reimbursed. It is anticipated that upon completion of the reimbursement period for historic tax credits, OSF Healthcare will apply for tax exempt status for the building.

NEIGHBORHOOD CONCERNS: Redevelopment of the City's Downtown is a widely held community goal.

IMPACT IF APPROVED: The Redevelopment Agreement will be approved and the project will proceed.

IMPACT IF DENIED: The Redevelopment Agreement will not be approved and the project may be delayed or cancelled.

ALTERNATIVES: None

EEO CERTIFICATION NUMBER: N/A

WHICH OF THE GOALS IDENTIFIED IN THE COUNCIL'S 2017 - 2032 STRATEGIC PLAN DOES THIS RECOMMENDATION ADVANCE?

1. Grow Peoria

WHICH CRITICAL SUCCESS FACTOR(S) FROM THE COMPREHENSIVE PLAN DOES THIS RECOMMENDATION IMPLEMENT?

1. Grow employers and jobs.

DEPARTMENT: Legal