



Legislation Text

File #: 22-087, **Version:** 1

ACTION REQUESTED:

Communication from the City Manager with a Request to ADOPT an ORDINANCE Approving the 800 ADAMS LLC - REDEVELOPMENT AGREEMENT. (Council District 1)

BACKGROUND: 800 ADAMS LLC, led by Casey Baldovin, is in the process of redeveloping 800 and 810 SW Adams, subject to financing. The renovation includes a mixed-use redevelopment of the Federal Warehouse (6 stories) and the Mitchell Fabric (1 story) buildings. The renovated buildings include:

- a) 86,810 sf of residential with 93 market-rate residential units (15 - studios, 51- one-bedrooms, and 26 - two-bedrooms) on floors 1 to 6;
- b) 12,630 sf of commercial space on the first floor; and
- c) 32,000 sf of basement parking for 63 leased spaces. Additional parking will be made available across the street behind the Grawey Building at 809 - 833 SW Adams.

The project's budget is estimated at \$27.6 million and will be financed with private equity of 30% and debt financing of 70%. The total amount of TIF eligible cost is \$23.4 million. Demolition and preliminary construction are underway to meet leasing deadlines since 50% of commercial leases are required for bank financing to take place. 800 ADAMS LLC has obtained letters-of-intent to lease out the commercial space.

FINANCIAL IMPACT: 800 ADAMS LLC has presented its financials to City staff and have requested tax increment financing (TIF) reimbursement for 15 years (see Schedule 3 of the attached Redevelopment Agreement (RDA)). The proposed 15-year reimbursement includes 100% of the TIF increment for the first 3 years (2024, 2025, & 2026) to get financially stabilized, and then 50% of the TIF increment for 12 years. After the 15-year reimbursement the developer would receive no additional incentive. The project is estimated to generate \$7.3 million in property tax increment over the 15-year reimbursement period, of which the City and Developer will equally share. The Redeveloper is expected to receive \$3.6 million of a total of \$23.4 million in TIF eligible cost reimbursement, or approximately 15.4% of the eligible redevelopment costs. In addition to property tax, the new commercial spaces of over 12,000 sf are expected to generate new sales tax revenue for the City.

Generally, redevelopment projects in TIF districts are presented with a 50% reimbursement of incremental property taxes over 10 years but can request more if they can demonstrate a need to close a financial gap. City staff reviewed the project financials and agree the requested level of incentive meets the "but for clause" and is warranted to fill a financing gap.

NEIGHBORHOOD CONCERNS: Redevelopment of buildings in the Warehouse District is a widely held community goal.

IMPACT IF APPROVED: The Redevelopment Agreement will be approved, and the project will proceed subject to other financing.

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

ALTERNATIVES: Council could direct staff to adjust the terms of the Redevelopment Agreement.

EEO CERTIFICATION NUMBER: Not applicable.

WHICH OF THE GOALS IDENTIFIED IN THE COUNCIL'S 2014 - 2029 STRATEGIC PLAN DOES THIS RECOMMENDATION ADVANCE?

1. Vibrant Downtown: Riverfront/ Central Business District/ Warehouse District

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

1. Reinvest in neighborhoods.

DEPARTMENT: City Manager's Office