

 <p>Council Communication Office of the City Manager</p>	Date: February 23, 2015 Agenda Item No. 29 Roll Call No. <u>15-0314</u> Communication No. <u>15-089</u> Submitted by: Matthew A. Anderson, Assistant City Manager
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AGENDA HEADING

Approving Amended and Restated Development Agreement with Randolph Apartments LLP, represented by George Sherman, Officer, for the Renovation of the Hotel Randolph and the Adjacent Buildings at 4th Street and Court Avenue.

SYNOPSIS

The developer, Randolph Apartments LLC (George Sherman, President of George Sherman and Associates, 233 Park Avenue, Suite 201, Minneapolis, MN) proposed redevelopment of the Hotel Randolph and its adjacent buildings for a mixed use project that will create 55 residential units and about 7,700-square-feet of first floor commercial space in 2013. The developer has been significantly delayed in starting the project by the great uncertainty in the federal historic tax credit market due to several court and IRS rulings. The market for purchase of these credits has improved somewhat; the developer has now obtained a buyer for these credits and is ready to proceed

It is necessary to amend the development agreement between the City and the developer for a variety of date related items such as start (immediately) and completion of the project (by March 2016). Total project costs have increased from \$17 million in 2013 to slightly over \$19 million and the developer has requested a reduced term (from 10 to nine {9} years) for payment of the City's development assistance to assist in bridging the increased costs. The amount of the assistance, \$3.4 million, will not change.

FISCAL IMPACT

Amount: \$3.4 million over a nine (9) year period based on an initial \$227,000 payment starting in early 2016 when the project is completed. Starting in July 2016, the payments will adjust annually over the remaining eight (8) years of payments; these payments are approximately equivalent to a net present value of \$2.6 million at 4.5 %. The final year's payment will be to \$192,500 due in part to the proposed accelerated payment term.

<i>Payment #</i>	<i>When paid</i>	<i>Year</i>	<i>Installment amount</i>
1	When certificate of completion issued	2016	\$227,500
2	1-Jul	2016	\$285,000
3	1-Jul	2017	\$310,000
4	1-Jul	2018	\$335,000
5	1-Jul	2019	\$360,000
	1-Jul	2020	\$385,000
7	1-Jul	2021	\$410,000
8	1-Jul	2022	\$435,000
9	1-Jul	2023	\$460,000
10	1-Jul	2024	\$192,500
			\$3,400,000

Funding Source: Metro Center Urban Renewal Area Tax Increment Financing District Revenues; an individual account for this project will be created.

ADDITIONAL INFORMATION:

Redevelopment of the Randolph Hotel “complex”, the Hotel Randolph at 202 4th Street, the Youngerman Block Building directly north of the Randolph at 201 4th Street, and the currently vacant adjacent Earle & Le Bosquet Building at 407 Court Avenue, is a much needed project at a highly visible, linchpin location that impacts many other Court Avenue area properties. It retains and greatly improves these buildings which provide a major historic component to the area. Overall, Court Avenue and the 4th Street corridor linking Walnut Street to the Science Center will receive a boost with this new investment on a large site that has deteriorated significantly over the years. The Randolph is also a new project component in the City’s application to the State’s Iowa Reinvestment Act program which allows cities to retain new sales tax revenues within reinvestment districts.

Details

The upper levels of the Randolph, Earle & Le Bosquet and the Youngerman Block Buildings will be converted from its current 88 transient/hotel rooms into 55 market-rate apartments (14 studio, 30 one-bedroom, and 11 two-bedroom units) with about 7,700-square-feet of first floor commercial space. Amenities include a common area with a 24-hour exercise room with a full range of equipment, a business center, laundry facilities, and on-site management. Major exterior components of the project will be refurbishment of the masonry and windows with interior installation of all new safety and energy code systems, including fire sprinklers. Substance Architecture (1300 Walnut Street, Des Moines, IA) is the project architect.

All of these buildings are on the National Register and will receive federal and state historic tax credits. Improvements will be done in accordance with National Register of Historic Places standards.

Tenant Relocation

The Council had identified relocation of the existing hotel customers as an important component of this project. The developer contracted with Primary Health Care (PHC) to provide case management and financial assistance for each occupant in finding replacement housing.

PHC started work on August 22, 2013 and completed it on October 24, 2013 for a cost slightly under \$270,000. Each occupant was assigned to a PHC casework and received financial assistance based on barriers such as rental application fees, damage deposit and first months' rent. Other services, such as packing and moving, were provided at no cost to the occupant. If the occupant did not want to use PHC services, a \$200 gift card was provided.

Renderings of Hotel Randolph Buildings "Complex"



Proposed renovation of the Earle & Le Bosquet and Hotel Randolph Buildings
on the north side of the 400 block of Court Avenue.



Randolph and Youngherman Building on the west side of the 200 block of 4th Street.

PREVIOUS COUNCIL ACTIONS:

Date: November 18, 2013

Roll Call Number: [13-1808](#)

Action: [Collateral](#) Assignment of Development Agreement for the redevelopment of the Randolph Hotel, Earl & Le Bosquet and Youngherman Block buildings with Randolph Apartments Limited Partnership, represented by George Sherman, President, to Cedar Rapids Bank and Trust Company as security for project financing. Moved by Coleman to adopt. Motion Carried 6-0.

Date: November 18, 2013

Roll Call Number: [13-1839](#), [13-1840](#), and [13-1841](#)

Action: [On](#) vacation of portions of the Court Avenue and 4th Street rights-of-way adjoining the Randolph Apartments at 202 4th Street and the conveyance of an easement upon such vacated rights-of-way to legalize the existing building encroachments. Moved by Hensley to adopt. Motion Carried 6-0.

(A) [First](#) consideration of ordinance above. Moved by Hensley that this ordinance be considered and given first vote for passage. Motion Carried 6-0.

(B) [Final](#) consideration of ordinance above (waiver requested by the applicant), requires six votes. Moved by Hensley that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#15,239](#). Motion Carried 6-0.

Date: April 8, 2013

Roll Call Number: [13-0612](#) and [13-0613](#)

Action: [Preliminary](#) terms of agreement with Randolph Apartments GP LLC for the redevelopment of the Hotel Randolph and the adjacent Earl & Le Bosquet and Youngerman Block buildings located at the NW corner of 4th Street and Court Avenue, 55 residential units and first floor commercial space. ([Council Communication No. 13-157](#)) Moved by Hensley to adopt. Motion Carried 7-0.

(A) [Application](#) to the Iowa Economic Development Authority for enterprise zone benefits for the Randolph Apartments GP LLC Housing Project in the Gateway Enterprise Zone. Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: August 20, 2013

Resolution Number: N/A

Action: Unanimously recommended approval of the proposed tax increment assistance package and the proposed development designs (quorum not present).

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS

Environmental remediation of asbestos and lead is underway with construction anticipated to begin in March 2015 and completion in early 2016. Construction will begin in late 2013 with the project completed in late 2014/early 2015.

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