

**14. First Ward Redevelopment Project Development Agreement Amendment**

**Action:** Approve an amendment to the Economic Development Grant and Reimbursement Agreement between the City, Mecklenburg County, and Levine Properties (Developer) that:

- A.** Allows the Developer to receive the portion of the City’s grant allocated to the 10th Street Deck upon providing 400 public parking spaces adjacent to the Park in surface parking lots, and upon demonstrating that “Reasonable Good Faith Efforts” were made to provide the spaces in one or more structured parking decks.
- B.** Extends the required completion date for the 10<sup>th</sup> Street Deck from December 31, 2015 to July 1, 2016.
- C.** Adds a penalty provision reducing the future Tax Increment Grant amount associated with the 400 structured public parking spaces adjacent to the Park, as follows:
  - a.** \$350,000 if deck parking is not in place by December 31, 2022,
  - b.** an additional \$550,000 if deck parking is not in place by December 31, 2024,
  - c.** an additional \$750,000 if deck parking is not in place by December 31, 2026,
  - d.** an additional \$950,000 if deck parking is not in place by December 31, 2028,

**for a potential cumulative grant reduction of \$2,600,000.**

**Staff Resource(s):** Patrick Mumford, Neighborhood and Business Services

**Background**

- On July 27, 2009, the City Council approved an Economic Development Grant and Reimbursement Agreement (Agreement) to facilitate the First Ward Redevelopment project (Project).
- The original scope of the Project includes:
  - A mixed-use redevelopment of eight city blocks in First Ward;
  - A new 3.2 acres park owned by the County;
  - Improvements to 8th and Brevard Streets;
  - 1,335 public parking spaces, including 1,030 spaces for the general public and 305 spaces serving the UNC Charlotte Uptown campus;
  - Provisions for 10%, up to a maximum of 50 units, of rental residential units to be reserved for 20 years as workforce housing (80% to 120% area median income); and
  - Construction and dedication of a new 10th Street right-of-way.
- The Agreement includes a 10-year, 45% Tax Increment Grant with a maximum value of \$23,705,792, which is intended to reimburse the Developer for building parking decks for public parking that will serve the area.
- The Tax Increment Grant is structured as follows:

- \$16,690,910 (70%) for the construction of 935 public parking spaces to be delivered by December 31, 2015. This parking is expected to be constructed in a new above-ground parking deck at 10th Street and Brevard Street (10th Street Deck).
- \$7,014,882 (30%) for the construction of 400 public parking spaces to be delivered by December 31, 2019. This parking must be located adjacent to the new County Park in one or more above-ground parking decks (Park Deck).

## **Explanation**

### 10<sup>th</sup> Street Deck

- The payment schedule in the current Agreement reads that the City's reimbursement to the Developer for the 10<sup>th</sup> Street Deck will begin only after the Developer completes both the 10<sup>th</sup> Street Deck and the Park Deck.
- The Developer has indicated that the requirement that he build the Park Deck (which has a required completion date of December 31, 2019) in order to receive reimbursements for the 10<sup>th</sup> Street Deck prevents him from finalizing the financing commitment to begin construction of the 10th Street Deck.
- After meeting with the Developer, staff recommends an amendment to the Agreement that allows the Developer to receive the portion of the City's grant allocated to the 10th Street Deck under the following conditions:
  - The Developer completes the 10<sup>th</sup> Street Deck by July 1, 2016.
  - The Developer delivers 400 public parking spaces adjacent to the Park as either surface parking or structured parking by December 31, 2019. Interim surface parking spaces would be accommodated on existing surface lots currently controlled by Levine Properties.
  - While surface parking as a principle use is not allowed under the Uptown Mixed Use District (UMUD) zoning category, these existing lots are grandfathered and no additional surface parking spaces can be created.
  - Should the Developer provide the 400 public parking spaces in surface parking lots, the Developer must provide evidence that "Reasonable Good Faith Efforts" were made to provide the spaces in a structured parking deck(s). Reasonable Good Faith efforts would include written summaries of meetings and other supporting information regarding developers, tenants, hotel operators, and other similar real estate/construction/financial professionals regarding development opportunities that would include the provision of the 400 spaces as structured parking in one or more parking decks adjacent to the park.
  - The Developer is not entitled to receive any portion of the \$7,014,882 grant until the 400 public parking spaces have been delivered in the Park Deck.
  - The start date for the City and County reimbursement grants remains unchanged at January 1, 2020.
- The amendment will enable the Developer to satisfy his lender's financing requirements for the 10<sup>th</sup> Street Deck, while honoring the City's original intent that the Developer provides 400 public parking spaces adjacent to the new County Park.

### Extension

- In addition, the project has been delayed by extended negotiations among the City, the Developer and local utility companies with regard to the nature, scope and cost of temporary and permanent relocation of electrical and telecommunications lines that serve the Uptown grid.

- These negotiations have delayed the start of the project by approximately six months; therefore, staff recommends an extension of the delivery date for the 10<sup>th</sup> Street Deck until July 1, 2016.

Penalty Provision

- To further demonstrate intent to provide the 400 public parking spaces in a structured parking deck adjacent to the Park, the Developer has proposed that during such time the spaces remain in surface lots, the Tax Increment Grant allocated to the 400 public parking spaces near the Park will be reduced in an amount up to \$2,600,000.
- The modifications also require approval of the Mecklenburg County Board of Commissioners, which will consider this request on August 5, 2014.