



AGENDA ITEM EXECUTIVE SUMMARY

Title: Update on the Status of the 1st Street Redevelopment PUD Phase III Project

Presenter: Rita Tungare/Chris Minick/Mark Koenen

Please check appropriate box:

<input checked="" type="checkbox"/>	Government Operations 10-21-13		Government Services
<input type="checkbox"/>	Planning & Development		City Council
<input type="checkbox"/>	Public Hearing		

Estimated Cost:	\$ NA	Budgeted:	YES	<input checked="" type="checkbox"/>	NO	
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If NO, please explain how item will be funded:

Executive Summary:
At the August 19, 2013 Council meeting a resolution granting an eighth extension to begin construction following recording of the PUD final plat for the 1st Street Redevelopment PUD Phase III was approved. This was a 90-day extension to November 19, 2013. The purpose for the presentation is to update the Committee on Phase III status and discussions that the City has hosted to date.

See attached memo.

Attachments: *(please list)*
Memo dated October 16, 2013.

Recommendation / Suggested Action *(briefly explain):*
Update on the status of the 1st Street Redevelopment PUD Phase III Project and consideration from City Council of a vote at the November 18, 2013 meeting to extend the subject development beyond November 19, 2013.

For office use only: Agenda Item Number: 7a



Staff Memo

TO: Chairman Bill Turner
And Members of the Government Operations Committee

FROM: Rita Tungare, Chris Minick, Mark Koenen

CC: Mayor Rogina

RE: Progress on First Street Phase 3

DATE: October 16, 2013

BACKGROUND

On August 12, 2013, First Street LLC, developers of the First Street Redevelopment Project, presented a conceptual new building program for the Phase 3 property, which is all of the land located along the riverfront between Main and Illinois Street. The Committee provided some preliminary feedback on the building footprints and program that were provided, specifically, that there was a preference for the three building option vs. the four building option (see attachments A & B). Further, Committee comments were favorable.

On August 19, 2013, the City Council granted a 90 day extension for the developer to begin construction within Phase 3, extending the deadline to November 19, 2013. The intent of the 90 day extension was for the developer to continue work on the project and demonstrate progress to support a future extension request.

DISCUSSIONS ON THE PLANS SINCE P&D PRESENTATION

Following the extension, staff began detailed discussions with the developer about the concept.

Shortly after the Committee discussion, the developer met with technical staff to begin discussions of engineering issues related to the project. Specifically, the developer was looking for direction on the following:

- Whether or not the City would consider allowing a portion of the public parking deck to be located below grade, specifically in relation to the need to provide a drainage/sump system for the deck and possible conflicts with an existing storm sewer line that crosses the property. (Having the deck partially below grade would also open up the possibility of creating access to parking located below buildings 1 and 2, the buildings proposed as upper level rental).
- Whether there was clear direction to proceed with the 3 building plan instead of the 4 building plan to begin engineering the site. Staff agreed there was consensus from the Committee on Aug. 12, however, this information was not presented in the context of the impact the project would have on the First Street TIF.

These questions prompted discussion at a staff level regarding the following:

- The configuration of the parking deck was discussed by the development review team, and it was determined the concept was acceptable; however there were questions about whether the layout was ideal, given the issues encountered with the parking spaces at the dead ends in the existing First Street parking deck.
- Staff prepared an analysis of the approved parking count from 2008 vs. the proposed plan, based upon the proposed uses and square footage and the parking requirements of the Zoning Ordinance. Based on this analysis, it was determined that additional parking was necessary and suggested parking be added under Buildings 1 and 2 to provide a comparable level of parking compared to the 2008 plan.
- Based on data from the developer, a rough TIF analysis was completed. The results of this analysis demonstrated that as proposed, over the remaining years that the TIF is active, the proposed Phase 3 development would not generate sufficient TIF increment. (This information is discussed further in the Financial Analysis section of the memo.)

Subsequently, staff met with the developer on a number of occasions to discuss these issues:

- The proposed parking deck, including the layout/configuration, the need for public vs. private parking, the developer's obligation to provide 99 public spaces (defined in the Redevelopment Agreement), and the number of spaces needed to support the Phase 3 development. Staff recommended the developer consider a one-way aisle around the parking deck, which would eliminate any dead ends.
- The developer's obligation under the Redevelopment Agreement (RDA) to provide a construction escrow for all of Phase 3 at the time the City conveys property to the developer. Staff inquired with the developer about financing, and the developer indicated that the buildings would need to be individually financed as each is constructed, which differs from current RDA. Staff also inquired about whether the financing had actually been secured from the financial institution referenced in the meetings, Sterling Bank. The developer provided documentation that they are in discussions with Sterling Bank, but the financing is not yet secured (see Attachment C).
- The impact of the 3 vs. 4 building plan on the TIF projections. Staff discussed with the developer whether the buildings could be enlarged in any way. The developer indicated that Buildings 1 and 2 cannot be enlarged based on needing to keep construction costs down, but Building 3, the condo building, could be enlarged with a slightly longer footprint and possibly a 5th floor.

REVISED PLAN SUBMITTED ON OCT. 14

On Oct. 14, the developer submitted a revised plan (Attachment D) showing the following:

- A revised parking deck layout showing an option of a one-way aisle design and parking located underneath Buildings 1 and 2.
- A revised building program showing Building 3 with a larger footprint and a 5th floor added.

The revised site plan is under review by staff.

MARKET ANALYSIS

The City has engaged Tracy Cross and Associates to conduct a market study of the Phase 3 proposal. Specifically, the City is looking for an assessment of the following:

- Marketability of the residential units in the project.
- The absorption rate of the residential units as compared to the developer's proposed timeline.
- Recommendations to enhance absorption/economic return (including addressing the need for dedicated private parking for the rental apartments).

Preliminary findings of the market analysis should be provided to staff in November.

FINANCIAL ANALYSIS

Staff performed a financial analysis of the proposed development with both the 3 and 4 building scenarios. The analysis compared the revenue generation potential of each of the options proposed with the existing debt service obligations for the First Street TIF. The site design as proposed will not close the existing gap between the anticipated incremental revenue and the existing debt service payments necessary through 2038 under either scenario. However, both the 3 building and 4 building scenarios narrow that gap considerably, with the 4 building scenario generating more incremental revenue and minimizing the financial impact to a greater extent.

Based on the results of the initial analysis and subsequent discussions with the developer to expand the footprint of building 3 slightly and to add a fifth floor to the structure, staff has also analyzed the impacts of this modified 3 building approach. The financial impact of the modified 3 building approach is marginally less beneficial to the City as compared to the financial impact of the original 4 building scenario as the developer originally proposed.

Construction of the modified 3 building alternative in the short term would allow for significant incremental revenue generation in the short and midrange term of the project until expiration of the TIF district in 2027. This revenue generation would allow for a large portion of the existing debt to be called before its maturity date, thereby significantly lowering interest costs and significantly reducing the amount of time that the debt is outstanding. Calling the bonds early has a multiplier effect because future debt service costs are reduced because of the initial bond call. The resulting reduction in debt costs generates an even larger surplus in the following year which then allows for more bonds to be called in the next year lowering future debt costs even further and the cycle repeats until the TIF district expires.

Intuitively, a more densely constructed site would generate additional incremental revenue and further close the financial gap. However, the developer has advised that marketability, absorption, and cost of a more intense site plan are of concern and are not practical for the site given existing conditions. Additional incremental revenue generation may be possible from construction of additional phases of the development as proposed in the original plan.

Staff will continue to modify and refine the financial analysis as discussions with the developer progress. The initial analyses were intended to be "range of magnitude" analyses and several variables will need to be defined as we progress through the process.

OUTSTANDING ITEMS

Staff is currently waiting for the developer to provide:

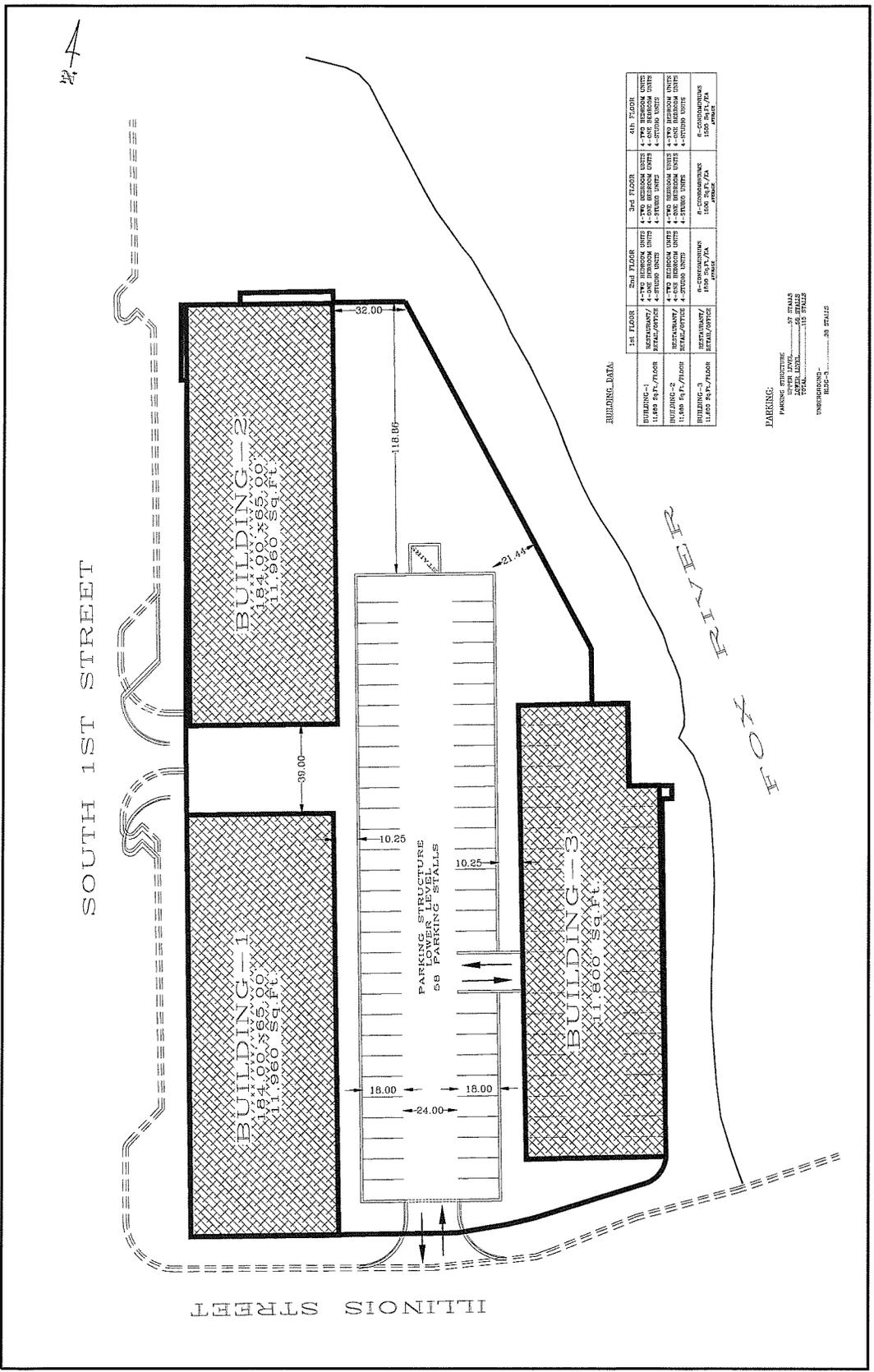
- The construction proposal for the parking deck.
- Proof of financing for the project.
- More detailed information on construction costs to be considered in the financial analysis.

RECOMMENDATION

Discussion about project status anticipating the City Council consideration of a vote at the Nov. 18, 2013 meeting to extend the subject development beyond Nov. 19, 2013.

ATTACHMENTS

- A. Four-building site plan (presented on Aug. 12, 2013)
- B. Three-building site plan (presented on Aug. 12, 2013)
- C. Letter from Sterling Bank provided by the Developer
- D. Revised three-building site plan (submitted to staff Oct. 14, 2013)



BUILDING DATA:

1st FLOOR	2nd FLOOR	3rd FLOOR	4th FLOOR
BUILDING-1 RETAIL/OFFICE	4-TWO BEDROOM UNITS 4-STUDIO UNITS	4-TWO BEDROOM UNITS 4-STUDIO UNITS	4-TWO BEDROOM UNITS 4-STUDIO UNITS
BUILDING-2 RETAIL/OFFICE	4-TWO BEDROOM UNITS 4-STUDIO UNITS	4-TWO BEDROOM UNITS 4-STUDIO UNITS	4-TWO BEDROOM UNITS 4-STUDIO UNITS
BUILDING-3 RETAIL/OFFICE	8-CONDOMINIUMS 100 sq.ft./7A	8-CONDOMINIUMS 100 sq.ft./7A	8-CONDOMINIUMS 100 sq.ft./7A

PARKING:
 PARKING STRUCTURE: 69 STALLS
 TOTAL STALLS: 69 STALLS
 UNDEVELOPED: 38 STALLS

COUNTY ENGINEERS INC.
 1ST STREET REDEVELOPMENT, ST CHARLES
 SCALE: 1"=20'
 1500
 2022 City Lane, Brentwood, MO 63114
 (314) 241-1374

STERLING BANK

Term Sheet: First Street Development, St. Charles, IL

June 27, 2013

Lender: Sterling Bank

Borrower: TBD

Guarantors: TBD

Construction Loan

Amount: \$6,800,000 based on project cost of \$8,500,000

Rate: 4.25%

Fees: 1% Loan Fee
\$unknown Disbursing Agent

Maturity 2 year

Collateral 1st Mortgage and assignment of Rents,

Advances 75% on land acquisition

100% of development costs, provided this doesn't exceed 80% of costs or of the

Appraised Value as complete and stabilized

Costs: Borrower to pay appraisal and title insurance cost

Loan Agreement: Borrower will provide financial information as requested
Guarantors will provide annual financial statements and tax returns

Mini-Perm

Amount: \$6,800,000

Rate: 4.75%

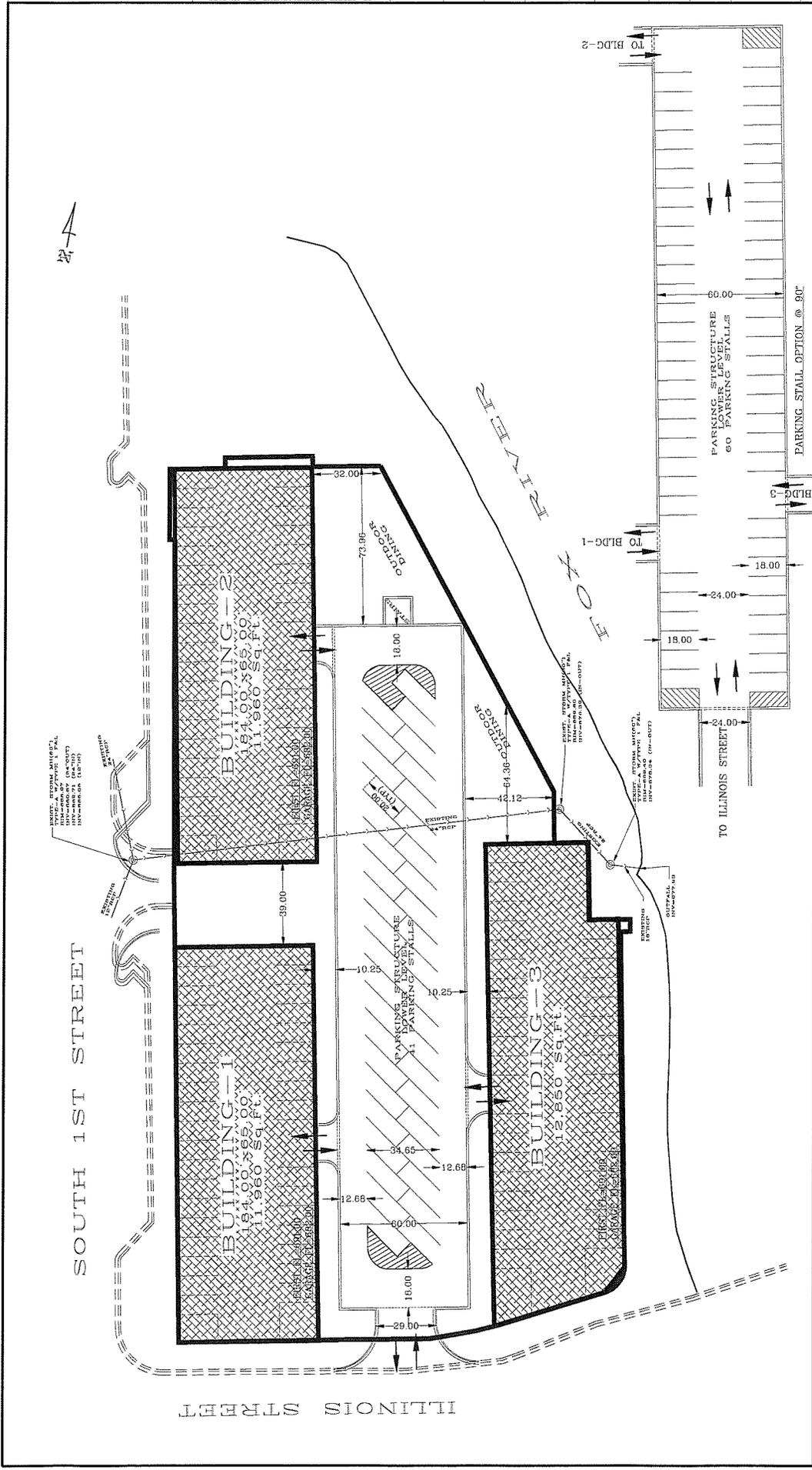
Amortization 25 years

Maturity: 3 years

Collateral: Same as above

This term sheet is not intended to include all conditions, but a general idea of the terms of the loan. This information is provided to borrower for projection purposes. Bank has not received any financial information to underwrite request. Rates are what we would offer, today.

Any questions, please call Jim Duncan, (314) 571-5610



BUILDING DATA:

Building	Floor	Area (sq ft)	Volume (cu ft)	Notes
BUILDING-1	REPAIR/RENOVATION	11,960 sq ft	11,960 cu ft	4-UNIT BROWSE UNITS
	REPAIR/RENOVATION	11,960 sq ft	11,960 cu ft	4-UNIT BROWSE UNITS
BUILDING-2	REPAIR/RENOVATION	11,960 sq ft	11,960 cu ft	4-UNIT BROWSE UNITS
	REPAIR/RENOVATION	11,960 sq ft	11,960 cu ft	4-UNIT BROWSE UNITS
BUILDING-3	REPAIR/RENOVATION	706.75 sq ft	706.75 cu ft	4-UNIT BROWSE UNITS
	REPAIR/RENOVATION	706.75 sq ft	706.75 cu ft	4-UNIT BROWSE UNITS

PARKING:

Structure	Floor	Area (sq ft)	Volume (cu ft)	Notes
PARKING STRUCTURE LOWER LEVEL	REPAIR/RENOVATION	60 stalls	60 cu ft	4-UNIT BROWSE UNITS
	REPAIR/RENOVATION	60 stalls	60 cu ft	4-UNIT BROWSE UNITS

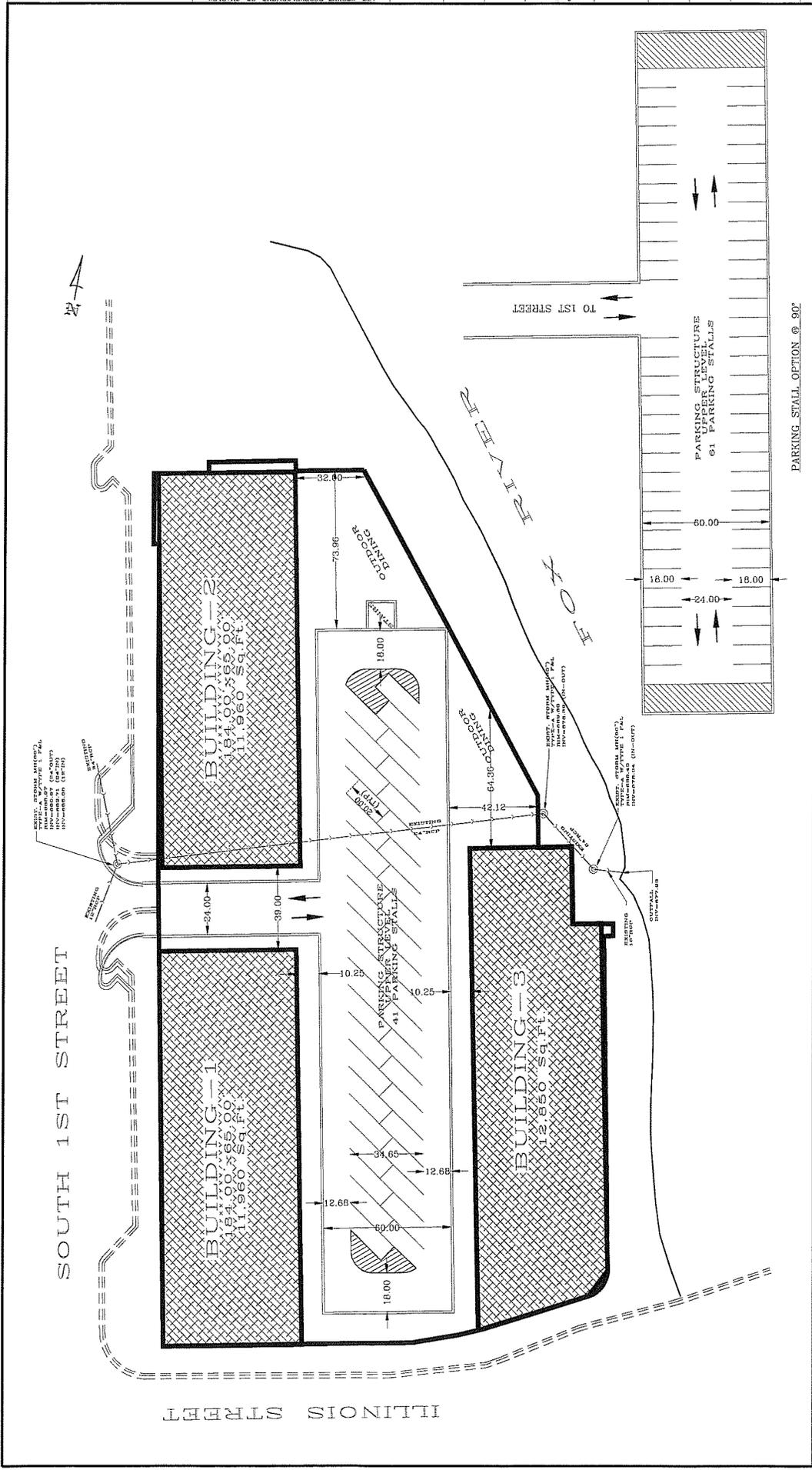
FOOTCUT:

FOOTCUT FROM MITCHELL STREET TO ILLINOIS STREET (CON-OFF)

FOOTCUT FROM MITCHELL STREET TO ILLINOIS STREET (CON-OFF)

FOOTCUT FROM MITCHELL STREET TO ILLINOIS STREET (CON-OFF)

OCTOBER 10, 2013



PARKING:

JACOBS STRUCTURE	40 STALLS
UPPER LEVEL	41 STALLS
LOWER LEVEL	61 STALLS
TOTAL	142 STALLS

HEADREGL.DWG:

BLDG. NO.	1ST FLOOR	2ND FLOOR	3RD FLOOR	4TH FLOOR	5TH FLOOR
BUILDING-1	1,000 SQ. FT./FLOOR				
BUILDING-2	1,000 SQ. FT./FLOOR				
BUILDING-3	1,000 SQ. FT./FLOOR				
TOTAL	3,000 SQ. FT./FLOOR				