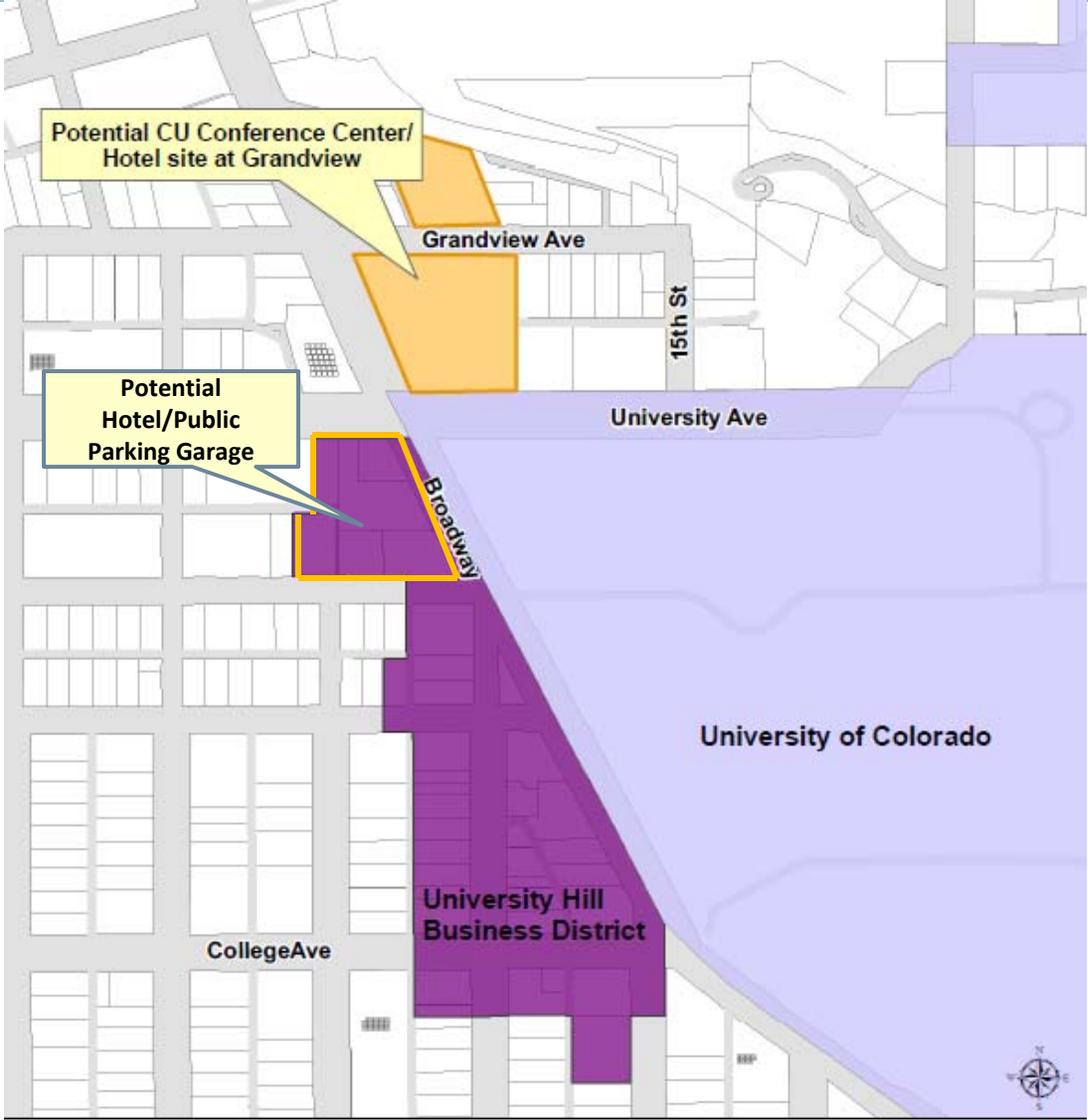


# University Hill Project Sites



UNIVERSITY HILL HOTEL/PUBLIC PARKING GARAGE  
LETTER OF INTENT

September 6, 2016

City Council Presentation

# Purpose



1. Respond to Council requests for additional information on the proposed public-private partnership
2. Present a 'Letter of Intent' for Council consideration

# Overview



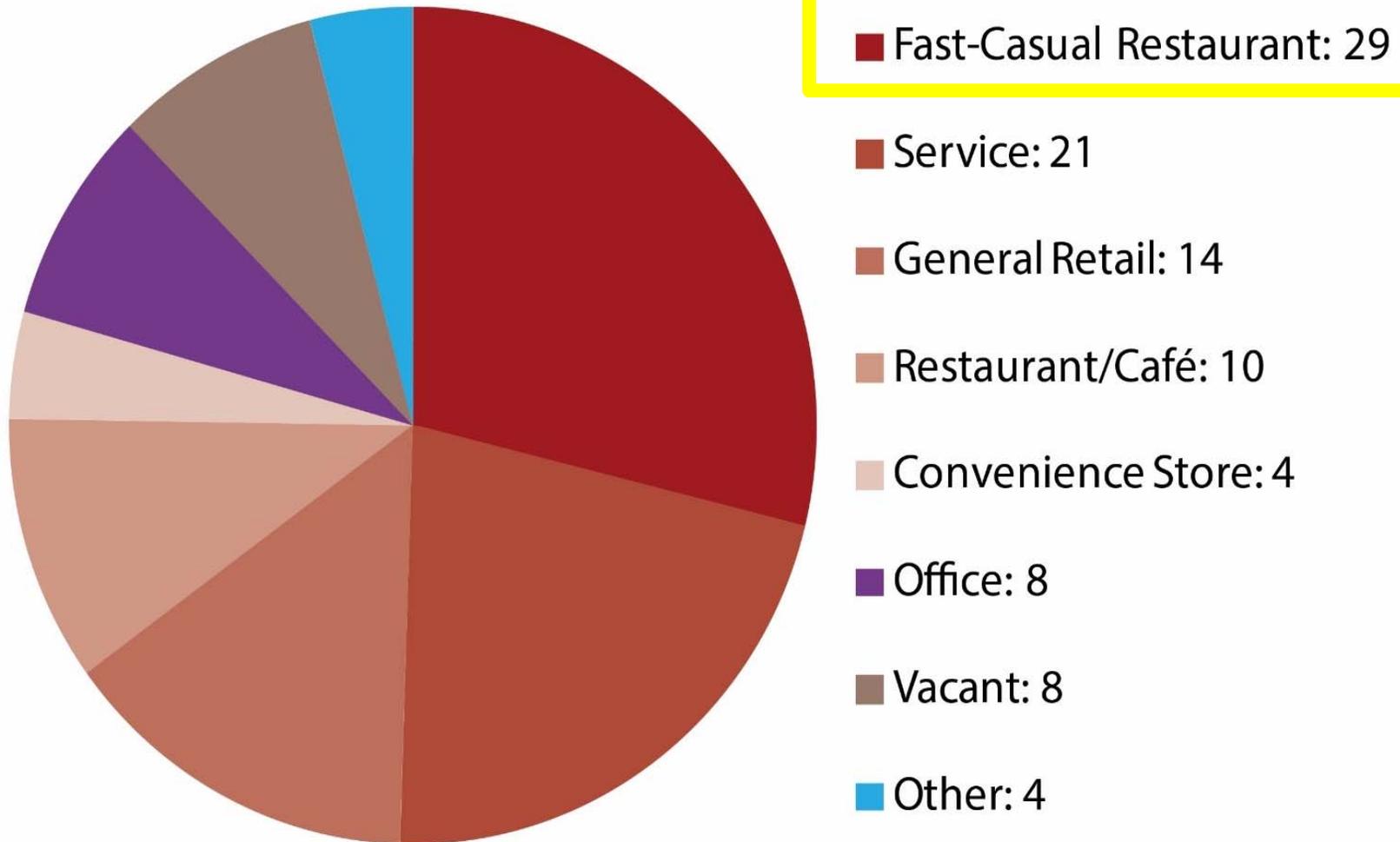
- Hill Reinvestment Strategy - Council Goals
- Proposed Public-Private Partnership & Letter of Intent
- **Response to Previous Council Questions**
- Approximate Project Timeline & Next Steps
- Staff Recommendation

# Hill Reinvestment: Council Framework

1. The Arts
2. Innovation
3. Multi-modal Access
4. Stakeholder Partnerships
5. Health and Safety
6. Code Enforcement
7. **Business/Residential Diversity**



# Moratorium Finding: Lack of Business Diversity



Source: Hill Moratorium Report (2015)

Slide 5

# Moratorium Finding: Lack of Residential Diversity



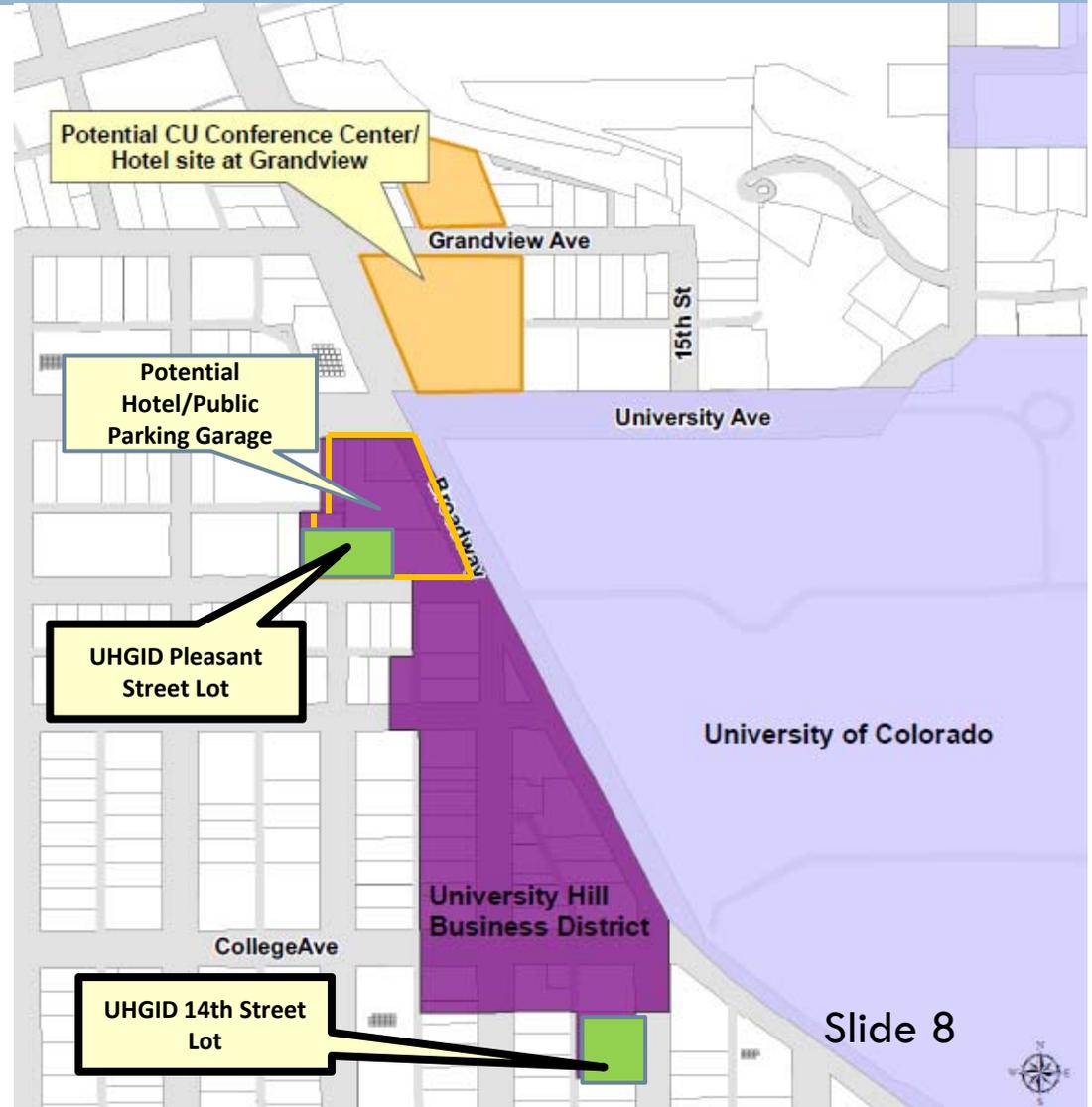
# Moratorium: Recommendations



- Address the need for additional parking to attract new commercial uses and reduce the barrier to achieving year-round economic vitality;
- Promote a diversity of commercial uses to the district to attract more year-round customers; and
- Catalyze additional investments, including but not limited to the potential CU conference center/hotel.

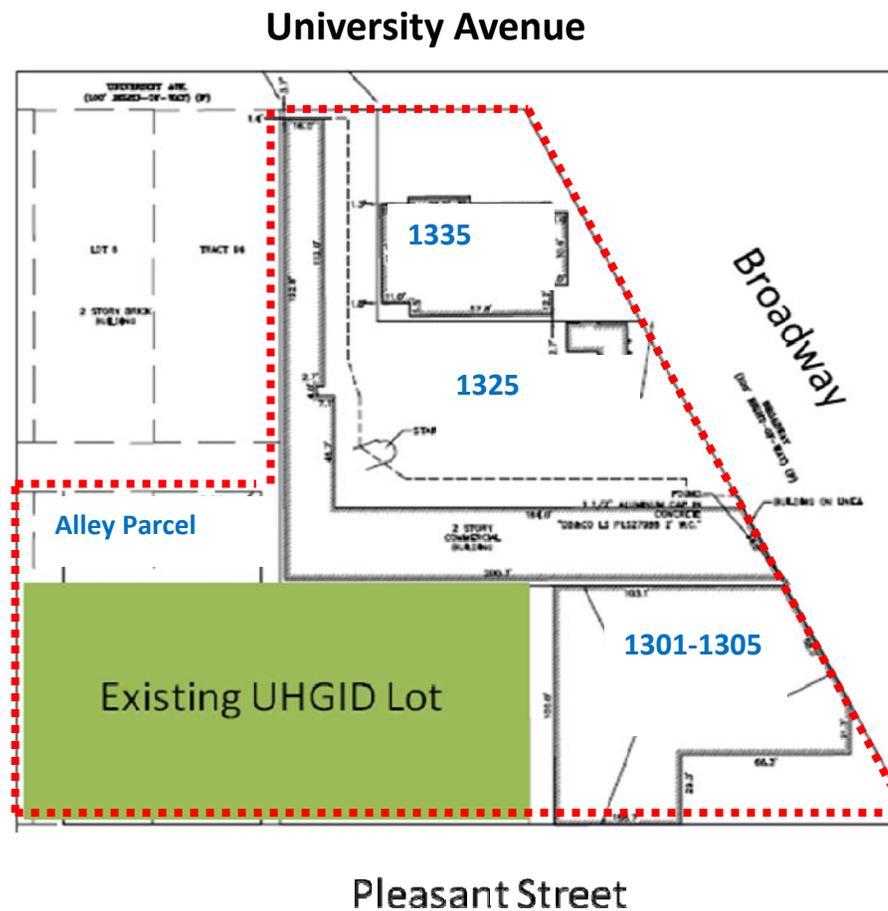
# UHGID Limitations & Opportunities

- Council created the University Hill General Improvement District (UHGID) in the 1970s in response to a property owner petition
- Extra tax (“mill levy”) to fund district improvements
- Funded purchase of two public parking lots at north and south ends of district
- Opportunities to encourage ‘catalyst’ investments
- **Generated \$33,200 in 2014**



# Proposed Public-Private Partnership

- Five separate parcels combined
- 250 space underground parking garage
- 150 hotel rooms
- 30,000 SF retail/dining
- 5,000 SF meeting/event space



# Previous Discussions

- December 8, 2015: Council reviewed the P3 proposal, including UHGID's need for the city to partner, and directed staff to return with a cost estimate and financing mechanism.
- April 19, 2016: Council reviewed a preliminary cost estimate and recommended financing and repayment mechanisms. Additional information was requested from staff to demonstrate the potential community benefit, the project's cumulative city investment, and risk versus reward.
- May 19, 2016: UHCAMC voted unanimously to recommend that the UHGID Pleasant Street surface lot be disposed of into the public-private partnership.

# Letter of Intent: Partner Responsibilities

- Developer/ Hotel Operator
  - ▣ Form Planned Community, transferring to UHGID fee ownership in all subsurface units, including Trust Ground Lease
  - ▣ Ground leases for non-UHGID parcels
  - ▣ Purchase alley parcel and convey to UHGID
  - ▣ Construct hotel and related landscaping
  - ▣ Environmental remediation
  - ▣ Contribution to foundation cost
  - ▣ Lease 80 parking spaces for guaranteed city revenue

# Letter of Intent: Partner Responsibilities

## □ UHGID

- ▣ Contribute Pleasant Street 68-space surface lot
- ▣ Contribute site portion of GID mill levy revenues to garage financing repayment
- ▣ Operate and maintain new underground public parking garage

## □ City

- ▣ Finance and construct underground garage and streetscape improvements
- ▣ Contribute site portion of unrestricted general fund revenues
- ▣ Convey garage to UHGID at end of financing repayment period

# Letter of Intent: Cost Estimate

Total Public/Private project cost: \$83M

- Public Investment:
  - UHGID contributes land to the P3
  - City builds owns and operates the parking garage
  - Total # spaces: 247
  - Estimated City investment for the public parking garage: \$18 to \$20M
  
- Private Investment:
  - Hotel and Retail

# Letter of Intent: Garage Financing

## Proposed for consideration:

- Taxable COPs – parking garage as collateral plus other city assets to bring up to amount of issue
  - Staff still analyzing potential of part tax-exempt
  - General Fund would issue COPs
    - GF would own and operate the garage
  - 30 years maximum maturity
    - Less, if interest rates are lower at time of issue
  - Proceeds used to build the garage

# Letter of Intent: Financing Repayment Mechanism

## Revenue Proposed to be Used to Pay COP Debt Service – “Internal TIF”

### □ Lease Payments:

- Combination of non-dedicated and non-restricted revenues generated by the site
- General fund only:
  - Net of garage revenues less expenditures
  - UHGID property tax for the site
  - Property tax revenues from all buildings built on site
  - All Sales and Use Taxes from all buildings built on site
  - All accommodations tax until cashflows are positive for three years

# Response to Council Questions

At the April 19, 2016 meeting, Council asked that staff return with additional information on the following:

- 1. What would be cumulative investment by the city in the proposed project under the three scenarios?**
- 2. How can the city's best interests be protected?**
- 3. Is the proposed public-private partnership a good investment for the city?**

# Question 1: Cumulative City Investment

Case	Year projected positive cash flow will occur	Cumulative cash flow breakeven point	Cumulative cash flow at end of 30-year COP repayment period
Best	Year 6	Year 15	\$14.3M
Mid	Year 14	Year 27	\$3.3M
Worst	Year 24	Year 42	(\$6.4M)

# Question 2: Protecting the City's Interests

- Due Diligence Completed
  - Environmental Counsel (Temkin, Hardt & Longenecker) represented city in Phase II environmental review and in review of environmental engineer cost estimates
  - Owner's Rep (Studio Architecture) reviewed the developer's pro forma, provided updated cost estimates and will participate in review and approval of development documents if project proceeds
  - Special Real Estate Counsel (Kutak Rock) drafted the LOI and is actively negotiating the related agreements on the city's behalf

# Additional Protections

- **Ownership Structure** – Leasehold and fee subsurface interests early in the project.
- **Financing** – Both parties will contemporaneously fund the project.
- **Pro-Rata Funding** – Both pay as construction is completed.
- **Completion guaranty** for the benefit of City / UHGID and other parties and lenders.
- **Guaranteed Maximum Price Contract** for the construction of the garage.
- City / UHGID will negotiate and manage the garage construction.
- Explicit allocation of environmental and unforeseen costs.
- Detailed allocation of costs between the parties.
- Detailed road map for next steps and future agreements.

# Question 3: Is this a good investment for the city?

## □ **Quantitative** Public Benefits

- Cumulative Cash Flow

## □ **Qualitative** Public Benefits

- Achieves Hill Reinvestment Strategy framework objectives:
  - Provides additional parking to attract new commercial uses;
  - Introduces new types of commercial uses to attract year-round customers;
  - Catalyzes additional investments, including but not limited to the potential CU conference center/hotel development
- Responds to University Hill Sketch Plan goals and principles
- Achieves 2016 priorities for the University Hill Commercial Area Management Commission (UHCAMC) and University Hill Neighborhood Association (UHNA)

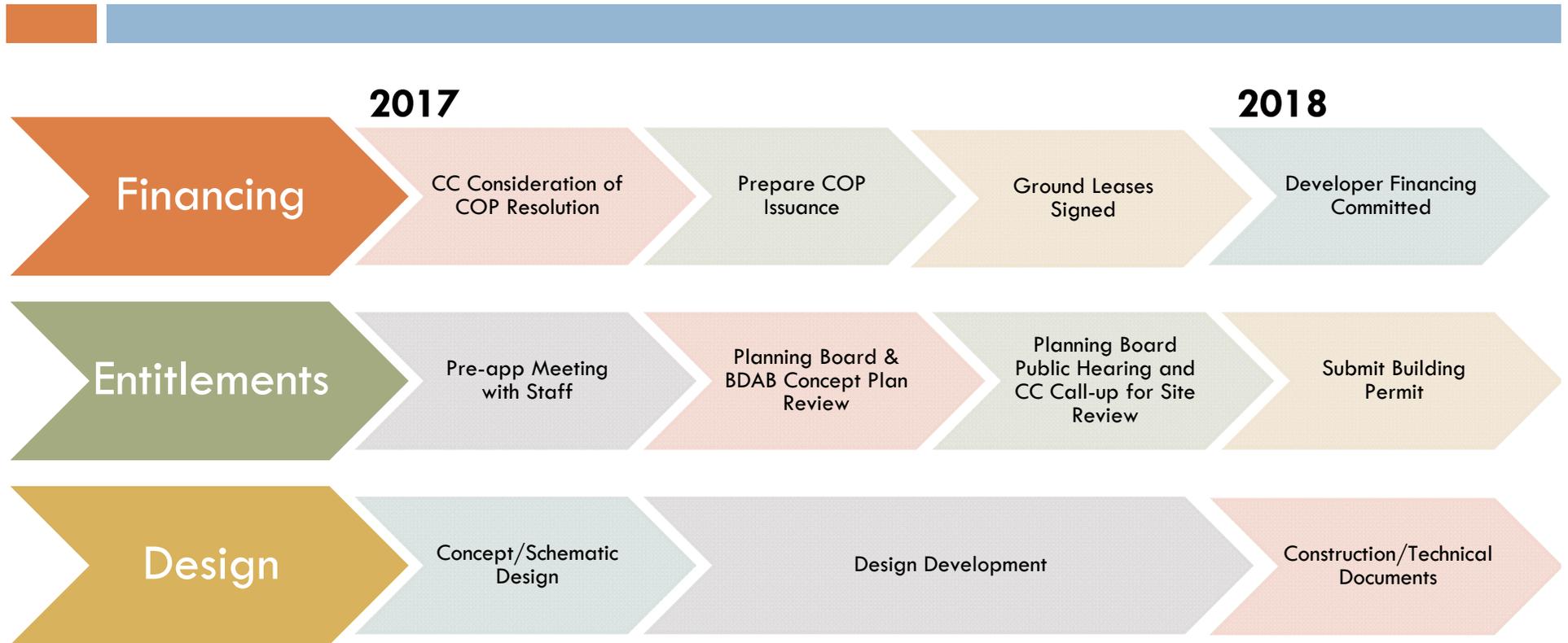
# Next Steps



If directed to proceed with executing the Letter of Intent, staff will begin to prepare and return to Council with:

- COP Resolutions
- Joint Development Agreement
- City-UHGID Cooperation Agreement
- Disposition of Pleasant Street UHGID Lot

# Approximate Project Timeline



- Q2 2018: Council Consideration of COP Financing Ordinance
- Q3 2018: Close on Sale of COPs

# Staff Recommendation



To authorize the City Manager to execute the Letter of Intent to pursue agreements related to the construction of the public parking garage, hotel and related uses located on University Hill.

# Question for Council



Does Council wish to authorize the City Manager to proceed with executing the Letter of Intent?

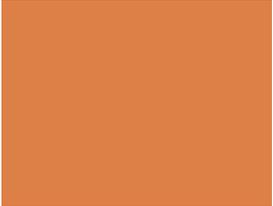
Thank you!



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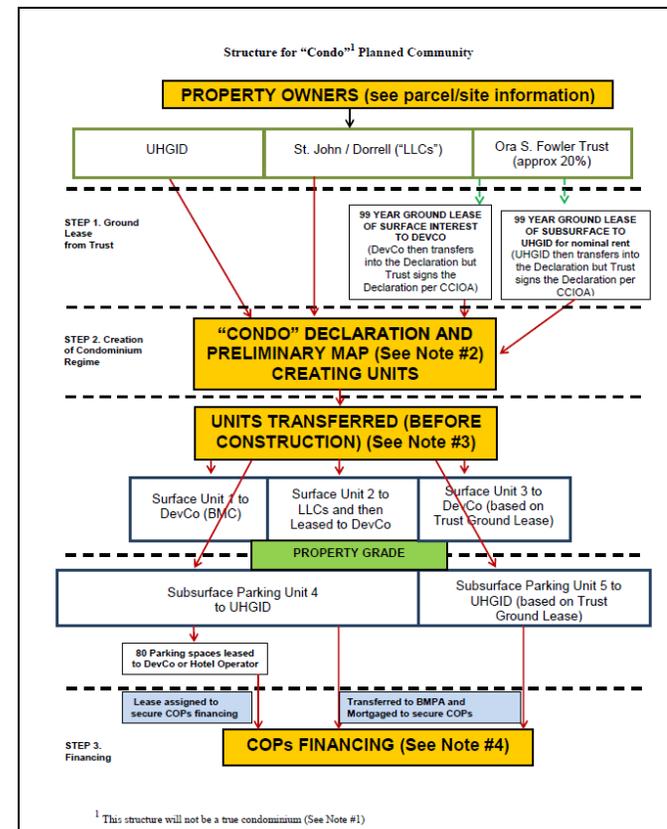
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# Additional Resources

# Ownership structure

- LOI outlines “planned community” approach to public-private ownership
- UHGID property “disposed of” into the project
- UHGID will regain ownership of larger parcel at end of 30-year COP repayment period



# Project Site: Existing Conditions

