



ECONOMIC DEVELOPMENT AUTHORITY

AGENDA SECTION	BUSINESS ITEMS
MEETING DATE	5-3-2021

ITEM:	Approve Preliminary Development Agreement with Alatus, LLC for the Redevelopment of 4300 Central Avenue NE	
DEPARTMENT:	Community Development	BY/DATE: Aaron Chirpich – 4/28/2021

BACKGROUND:

The revitalization and/or redevelopment of the site located at 4300 Central Avenue NE has long been a priority of the City. 4300 Central Avenue is currently owned by Hy-Vee, Inc., and the site contains a partially occupied 140,000 square foot multi-tenant retail center. The site was acquired by Hy-Vee in 2016 and Hy-Vee secured site plan approvals in the same year to rehabilitate the vacant portion of the retail center into a 95,000 square foot grocery store.

Due to factors unknown to the City, Hy-Vee has decided not to follow through with their plans for a new grocery store on the site and they intend to sell the property. In January of 2021, staff was contacted by Alatus LLC to discuss the City's interest in a potential partnership to redevelop the site. Staff expressed support for the idea of redeveloping the site and encouraged Alatus to negotiate with Hy-Vee to reach favorable terms for the purchase of the property. Subsequently, Alatus was able to secure a purchase agreement for the property, and create preliminary redevelopment plans for the site. The current Alatus concept plans include the following base elements:

- 400-600 multifamily on the east end of the site along Central Avenue.
- 20,000-40,000 square feet of retail/commercial space beneath the multifamily housing.
- Grocery store in the retail/commercial space.
- Underground parking.
- Sustainable design elements, including solar and high efficiency heating and cooling systems.
- Substantial public open space, parkland with sustainable design elements.
- Single-family housing on the west side of the site to be built on the current City owned storm water pond (Jackson Pond).

During an executive session on February 1, 2021, the EDA discussed the preliminary Alatus vision for the site and debated acquisition strategies for the property. It was determined by the EDA that the preferred route would be to have Alatus to acquire the site rather than the EDA. Following this determination, the EDA explored potential public funding options available to the EDA to assist Alatus with the financing necessary to acquire the site. Two primary options were presented by staff; financing with internal funds, and borrowing through the issuance of general obligation tax increment financing (TIF) bonds. Both options would require the establishment of a new TIF district for the proposed project. Following discussion on the two options, the EDA directed staff to move forward with the borrowing option and take the steps necessary to create the new TIF district and issue the TIF bonds to fund the acquisition. Under this scenario, the City would issue the debt necessary for Alatus to purchase the property directly from Hy-Vee with the City acting as interim lender to start the project. Alatus would then pay off the City's loan when the project is ready to close with permanent financing. Under the current project schedule, Alatus will close on the purchase of the property in July of 2021.

and seek land use approvals in late 2021 or early 2022, with an expected groundbreaking in the spring of 2022 for the first phase of the project.

Since the February 1, EDA meeting, staff has worked with the EDA's redevelopment council and Alatus to create a preliminary development agreement that is ready for approval by the EDA. A full copy of the agreement is attached to this report. The primary components of the agreement are as follows:

- Alatus is designated as the sole developer partner for the site during the term of the agreement.
- The agreement termination date is October 31, 2021.
- The concept plans and core elements of the project are established.
- The EDA agrees to explore the use of tax increment financing and TIF bonds to support the project.
- Alatus will reimburse the EDA for predevelopment planning costs incurred, including consultant costs for establishment of the new TIF district.

SUMMARY:

Ultimately, it is the goal of staff to work as quickly as possible towards a final redevelopment agreement that will allow for the acquisition of the property by Alatus. Due to the complex nature of this project, that goal will take several months to realize. The objective of the preliminary development agreement is to formalize a working relationship and negotiation framework with Alatus. The agreement assures Alatus and the EDA that both parties are committed to working through the due diligence process to achieve a mutually beneficial outcome.

RECOMMENDED MOTION(S):
MOTION: Move to waive the reading of Resolution 2021-06, there being ample copies available to the public. MOTION: Move to adopt Resolution 2021-06, a Resolution approving preliminary development agreement between the Columbia Heights Economic Development Authority and Alatus LLC.

ATTACHMENT(S):

1. Resolution 2021-06
2. Predevelopment Agreement