

Memo

To: Members of the City Council
Sharon Hanson, City Administrator, City of Marshall
Annette Storm, Director of Administrative Services, City of Marshall

From: Mikaela Huot, Director

Date: January 24, 2020

Subject: Block 11 Redevelopment: Status Update with APX Construction Group, LLC

The City previously issued a Request for Proposals (RFP) dated December 21, 2018 for the purchase and redevelopment of certain real property located in the downtown area described as Lots 1 through 5 and 15 through 20, Block 11, Lyon County. In response to the RFP, APX Construction Group, LLC submitted a proposal to acquire the Property for construction of the mixed-use commercial/residential development and was preliminarily selected by the City to enter a period of exclusive negotiation related to such proposal. In October 2019 the City of Marshall entered into a preliminary development agreement with APX Construction Group, LLC for the proposed redevelopment of the City's Block 11 project site (see attached map) that will include of a new development consisting of approximately 56 residential units, approximately 33,400 square feet of commercial space with underground parking.

The developer's preliminary estimates for redevelopment of the project site indicated a need for public financial participation from the City to offset a portion of the costs associated with the proposed development, and that the redevelopment would not occur without such public financial participation, and that public financial participation is anticipated in the form of tax increment financing ("TIF"). The City Council entered into the Agreement for a period of 90 days to provide the developer with an exclusive period of negotiation and give an opportunity to negotiate the terms of a purchase and development agreement for the property and any City financial participation.

It was the intent that during the 90-day term of the Agreement that the City and developer determine that if the following conditions can be fulfilled to the satisfaction of the City and developer that the parties may proceed in an attempt to formulate a mutually-satisfactory Purchase Agreement:

- (a) developer demonstrates the feasibility of the development at a design and density that meets or exceeds current zoning guidelines or is otherwise acceptable to the City;

- (b) the developer provides preliminary documentation regarding the economic feasibility of the development as the City may reasonably wish to receive during the term of this Agreement;
- (c) the completion of all undertakings required by this Agreement in a satisfactory and timely manner; and
- (d) the satisfaction of such other reasonable and customary conditions as are determined to be appropriate by either party.

The Agreement outlined the action items both the City and developer agreed to undertake pursuant to the proposed redevelopment project to provide a reasonable level of certainty of both parties to proceed to the next stages of negotiation. Due diligence review related to the financial feasibility, market analysis, and environmental review. If both parties have satisfied their obligations under the Agreement and have each determined that they desire to move forward with the project, the City shall prepare a draft Purchase Agreement for negotiation between the parties. There are no binding requirements for either party to approve a Purchase Agreement.

The Preliminary Development Agreement expired on January 14, 2020. As a result of the steps taken to-date as described within the Agreement, there have been no red flags discovered that would cause either the City or developer to stop the process and not proceed to the next level. As a result, if the City and developer are still interested in proceeding with the redevelopment process, next steps to be considered include the City agreeing to proceed with the process for establishment of a Tax Increment Financing (Redevelopment) District for the proposed project. The attached calendar provides the estimated timing for this process with a public hearing anticipated in April. Also included within the time frame will be negotiation of a Purchase Agreement and Contract for Private Development. There will be certain requirements of the developer for performance of the redevelopment project to ensure the City is protected should development not occur as expected.

As additional details and information regarding the project become available throughout the process, we will be providing updates to City staff and Council.

Thank you for the opportunity to be of assistance to the City of Marshall. Please contact me at 651-223-3036 or mikaela.huot@bakertilly.com with any questions or to discuss.