



COUNCIL COMMUNICATION

TO: Mayor and Council

FROM: Dan Poremba

DEPARTMENT: Community Development

DATE: April 19, 2021

SUBJECT: Consideration of a motion to approve the First Amendment of the Preliminary Development Agreement with SKB pertaining to the Redevelopment of Portions of Englewood CityCenter.

DESCRIPTION:

Extending the Pre-Development Agreement due to the overall impacts of the pandemic on the commercial real estate market and the need to obtain approval of the DDA debt authorization as a condition of SKB moving forward with the Master Development Agreement.

RECOMMENDATION:

In accordance with the recommendation from the Board of the Englewood Environmental Foundation (EEF) approved by motion at the April 9, 2021 EEF Board Meeting, staff recommends that the City Council approve by motion the execution of a First Amendment to the June 1, 2020 Predevelopment Agreement (PDA) between the city/EEF and SKB of Portland, Oregon (also known as Scanlan Kemper Bard). If approved, the city and EEF will each be a party to the PDA First Amendment with SKB.

PREVIOUS COUNCIL ACTION:

On February 18, 2020, City Council approved by motion an Exclusive Negotiation Agreement (ENA) between the city/EEF and SKB. The city and EEF were each a party to the ENA which reflected the selection of SKB as the city's preferred master developer for the redevelopment of the "City Property" at Englewood CityCenter. This is the property owned or controlled by the city and EEF as shown in blue on the attached site plan.

On June 1, 2020 City Council approved by motion the Preliminary Development Agreement (PDA) between the city/EEF and SKB. The Council's approval of the PDA again followed the EEF Board's approval by motion of the PDA as well as a recommendation to Council to approve the PDA.

SUMMARY:

The PDA is the second of three anticipated agreements between the city/EEF and SKB. The first was the Exclusive Negotiating Agreement (ENA) and the third anticipated agreement is the Master Development Agreement (MDA). Following two initial 30-day extensions, the PDA was set to expire on January 27, 2021 but, as allowed by its terms, the agreement was extended by the mutual affirmation of both parties to allow additional time for the negotiation and formal approval of the amendment which extends the term of the amended PDA to November 15, 2021. The term may be further extended in the event that at the expiration date the parties are still negotiating the elements of the Master Development Agreement in good faith.

Since June of 2020, Community Development staff and SKB representatives have been working through the predevelopment and planning tasks outlined in the PDA. The need to amend and extend the PDA was necessitated largely by the unprecedented negative impacts of the COVID-19 pandemic on the real estate and financial markets.

In addition, the mixed results from the November 3, 2020 Downtown Development Authority (DDA) election delayed the potential financing of the public improvements that will be key to the redevelopment of CityCenter. Ballot Question C on the DDA ballot measure, which failed to pass by nine votes, would have authorized, subject to subsequent specific City Council approval, the issuance of DDA tax increment financed bonds which would have provided the option to finance anticipated public improvements in the CityCenter area to facilitate the needed redevelopment. Other public improvements in the South Broadway and Medical District sub-areas would have also been qualified for DDA bond financing. The PDA Amendment contemplates the DDA debt authorization question being placed back on the ballot for consideration by the DDA's qualified electors in November of 2021. This step will be subject to City Council approval.

Background. The city initiated exploration of the redevelopment of the City Property following the August 2018 foreclosure of the adjacent three-square block former Weingarten Realty property, shown in red on the attached site plan. This led to the implementation of a year-long, multi-step master developer procurement process culminating in the selection of SKB as Englewood's preferred master developer partner for redevelopment of the City Property. Council's considerations regarding CityCenter redevelopment included the following key points:

- CityCenter currently presents a dated and fading image and the need for redevelopment has been documented in multiple city-sponsored planning studies, and in two recent independent studies of the Urban Land Institute,
- Englewood has a timely opportunity to guide the redevelopment of CityCenter to re-establish it as Englewood's "central place" with a viable and sustainable future,
- Redevelopment can significantly improve CityCenter's mix of uses, activity levels, walkability, financial sustainability, property values and contribution to city revenues.

Two of the specific factors that supported Englewood's selection of SKB for the master developer role on the City Property included the following:

- SKB's specific experience partnering with municipalities on complex, mixed-use and transit-oriented development (TOD) projects, including redevelopments, and
- Due to SKB's continuing interest in also acquiring the former Weingarten property, the selection of SKB preserved the possibility that the City Property and former Weingarten property could be combined under common ownership, a favorable scenario for the city.

ANALYSIS:

In addition to the negative impacts of the COVID-19 pandemic, other reasons for the City of Englewood to amend and extend the PDA with SKB include the following:

- 1) If SKB does not ultimately execute the Master Development Agreement (MDA), other private sector development partners that might potentially replace SKB would also require the rezoning entitlements and public finance tools (both of which are a central focus of the PDA tasks over the balance of 2021),
- 2) The SKB team understands the CityCenter property well and has established a good relationship with LNR, the special servicer that controls the former Weingarten property, which has led to a preliminary agreement pertaining to the sale of four specific LNR-controlled parcels to SKB,
- 3) In general, extension of the PDA will provide SKB the best opportunity to be successful in its partnership redevelopment efforts with the city, and
- 4) Extension of the PDA will keep the city and EEF in the best possible position to protect CityCenter property interests.

FINANCIAL IMPLICATIONS:

Collaborating with SKB during the extension of the PDA will require that certain anticipated professional consultants' fees be funded from the approved 2021 Community Development Department professional services budget. As previously approved by the EEF Board and City Council, EEF is funding special counsel legal fees (up to \$150,000 in 2021).

These predevelopment expenditures support the city's efforts to protect and enhance property values, property taxes and sales taxes within and adjacent to CityCenter. These expenditures are anticipated to enable Englewood to generate new net revenues from its CityCenter property interests as redevelopment takes place in the coming years.

CONNECTION TO STRATEGIC PLAN:

The local economy outcome area of the strategic plan includes the goal: Redevelop and densify CityCenter. Enactment of the First Amendment to the PDA will enable the pursuit of this goal to continue.

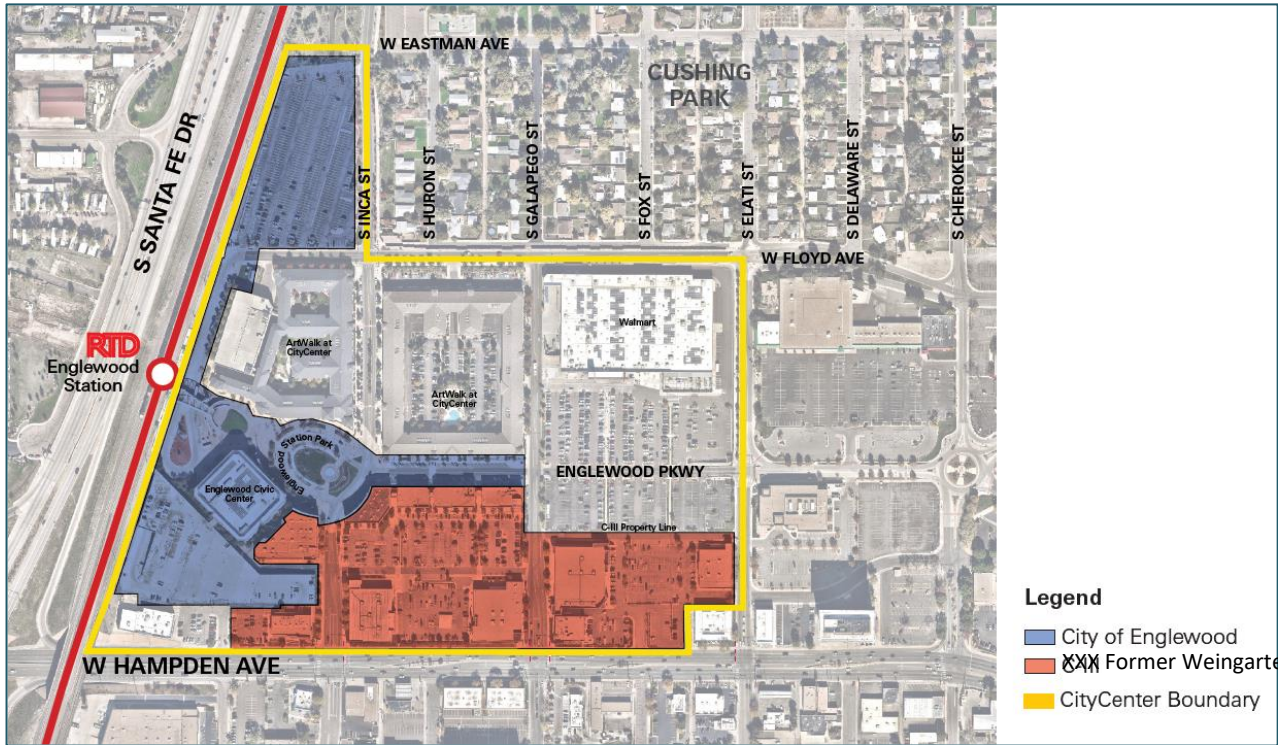
CONCLUSION:

Subject to approval by the City Council, the First Amendment to the PDA will continue to guide the process of formulating a mutually acceptable redevelopment plan and negotiating the definitive Master Development Agreement (MDA) between the city/EEF and SKB. Subject to EEF Board and City Council approval, the MDA would then govern the parties' long-term public/private partnership relationship. It is expected that the MDA could be completed by year-end 2021. However, there could be some ongoing COVID-19 related real estate and financial market impacts that may extend the final consideration of the MDA to 2022.

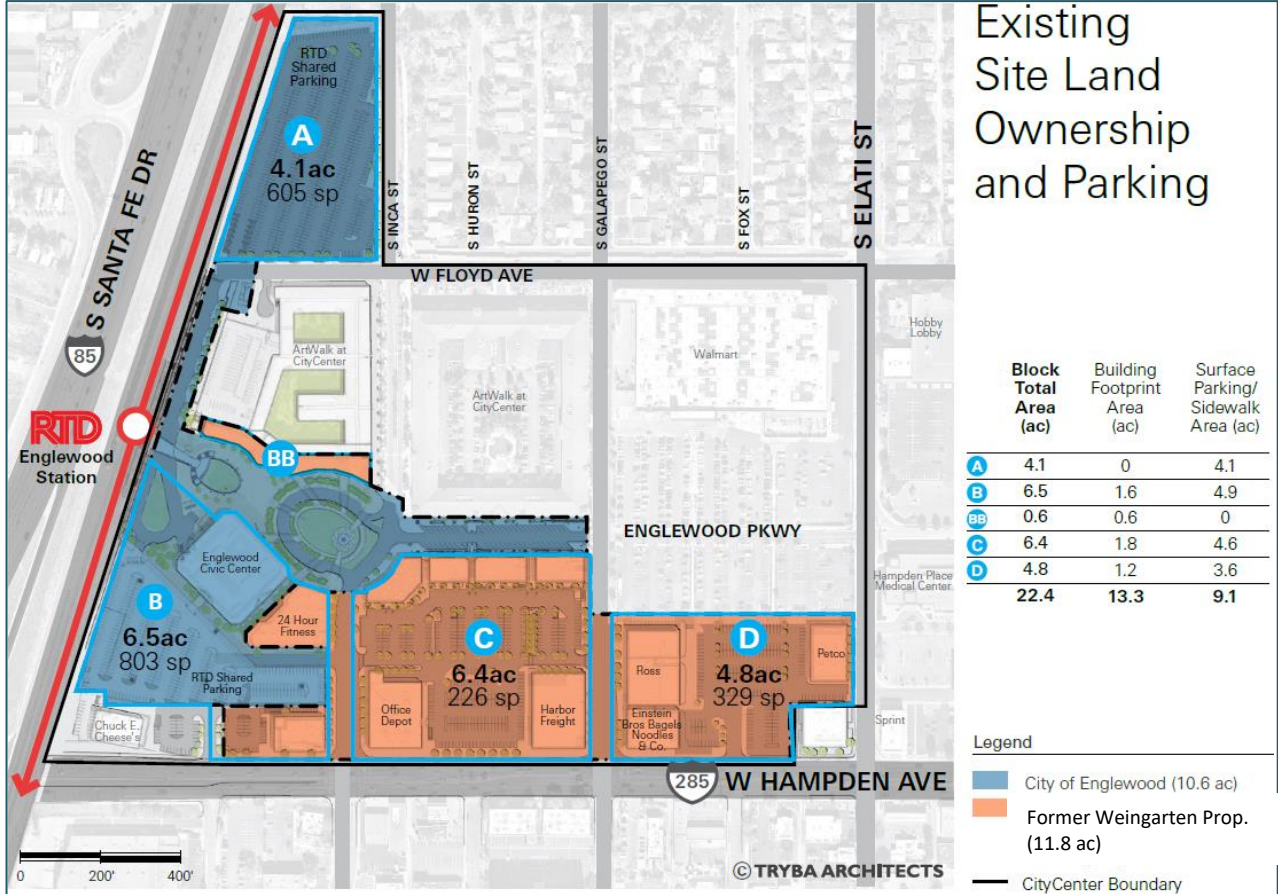
ATTACHMENTS:

CityCenter Site Plan (City Property in blue and the former Weingarten property in red)
April 9, 2021 EEF Minutes
First Amendment to Predevelopment Agreement (PDA) between the City/EEF and SKB (signed by SKB and EEF)

CityCenter Site Plan (City Property shown in blue and the former Weingarten property is shown in red)



- Legend**
- City of Englewood
 - XXX Former Weingarten Prop.
 - CityCenter Boundary



Existing Site Land Ownership and Parking

	Block Total Area (ac)	Building Footprint Area (ac)	Surface Parking/Sidewalk Area (ac)
A	4.1	0	4.1
B	6.5	1.6	4.9
BB	0.6	0.6	0
C	6.4	1.8	4.6
D	4.8	1.2	3.6
	22.4	13.3	9.1

- Legend**
- City of Englewood (10.6 ac)
 - Former Weingarten Prop. (11.8 ac)
 - CityCenter Boundary