Council Communication

Department: Community Development	Resolution No.: 19 -	City Council: October 7, 2019

Subject/Title

Resolution selecting Knudson Companies as the preferred developer for approximately 8.5 acres of City-owned land at South 34th Street and 1st Avenue and to enter into a purchase, sale, and development agreement.

Background/ Discussion

Background

Starting in 2012, the City began acquiring property in the west end, specifically between West Broadway and 2nd Avenue from 28th Street to 35th Street. Demolition of structures and site grading have occurred and developers have expressed interest in redeveloping some of the property. Because the property is located in the West Broadway Urban Renewal Area, the process for land disposition is dictated by urban renewal law. It is in the best interest of the City to request proposals for the redevelopment of the sites through a RFP process, beginning with the property located between 32nd and 34th Streets from West Broadway to 2nd Avenue. The minimum development requirements, competitive criteria and procedures for disposition were approved by City Council on August 26, 2019.

As part of the disposition of property, state statutes require the city ensure a reasonable competitive bidding procedure and 30 days to respond. This also includes providing notice by publication in a newspaper having a general circulation to the community 30 days prior to the execution of a contract involving the transfer of property. The RFP was published August 29, 2019 and proposals were due September 30, 2019.

Developers were required to submit proposals that demonstrate their capacity to satisfy the requirements of the RFP including:

1. Application

2. Project Summary – A brief written description of the project.

3. Project Plans – A scaled plot plan of the proposed development. The plot plan should illustrate the location of structures, parking areas, ingress and egress, open or landscape areas, etc. The developer must also submit additional information such as elevation drawings, photos of similar projects, typical floor plans, etc.

4. Developer Experience – Provide a listing of previous projects completed, especially with regard to projects that are relevant to the proposed development.

5. Project Timeline – A timeline for the project design, bidding, construction and occupancy.

6. Financial Summary – Developer must provide a proposed cost and source of funding for the project, including a 10-year project proforma. Developer must also outline expected funding sources and projected date all financing will be secured.

7. Project Contingencies – Indicate any special assistance needed to implement the project, such as financial assistance, state or federal applications, or other public participation.

Each proposal was reviewed by staff of the Community Development Department and was scored using the following criteria, which was detailed in the RFP ensuring developers knew how they would be evaluated.

1. Design, Aesthetics and Quality of Construction Materials and Landscaping (40%): As the first redevelopment project along the corridor, the quality of design and materials is essential. A combination of durable materials and transparency with an urban appearance must be utilized. The residential building facades shall be constructed with architectural details such as color changes, material changes, minor wall offsets, height variations, wall setbacks, accent lines and upper floor step back to articulate building elevations. Residential building facades that are blank and/or void of architectural detailing shall not be permitted. An exception to these standards may be granted by the Community Development Director for those areas of a building facade that are not visible from a public/private street, or a residential use, and shall be identified prior to development plan approval. A list of materials and visual renderings of the site layout, units and exterior design must be provided as a part of this submittal. Building materials for the commercial and residential project components shall be complementary in nature and compatible in appearance.

2. Developer's Experience and Capacity (30%): The makeup/description of the developer's project team. The preferred developer will have significant experience in the construction of urban-style, multi-family complexes (representative examples were provided). The names of individuals involved and the roles they will perform must be listed. Provide a description of the qualifications and experience of the specific individuals who will be involved in the work described in this RFP, including staff and other professionals.

3. Number of Units Proposed and Unit Sizes (15%): Preference will be given to developers who maximize the number of units. Provide a target resident type (senior, family, etc.) if applicable. Proposals will also be scored on the length of time it will take to construct and occupy the project.

4. Funding Sources (15%): Preference will be given to Developers not utilizing either 4% or 9% Low Income Housing Tax Credits (LIHTC). No income restrictions are applicable to the property. Preference will be given to developers who propose projects with 80% or more market rate housing. A list of proposed funding sources and when the funds are expected to be awarded/confirmed is required.

A website was developed for the 1st Avenue electronic content making material more accessible and easier to find. Adopted plans, presentations, zoning codes, development opportunities, media coverage and other information related to the project area were posted. The RFP and resulting Q & A was also posted. Additionally, a regional and metropolitan list of developers (approximately 50 total) were directly mailed the RFP at the beginning of the process and were emailed several updates and reminders throughout the open RFP process.

An appraisal was conducted on the property in January of 2019 and the value was estimated at $1,870,000.

Discussion

Three firms responded to the RFP: Lockwood Development, White Lotus Group and Knudson Companies. Below is a brief summary of each project:

The Lockwood Development proposal narrative says they will construct up to 220 residential units in two four-story buildings. However, their site plan shows 150 residential units located in two 48-unit apartment buildings and six smaller buildings. Approximately 31,000 square feet of commercial space will be constructed on the property north of 1st Avenue at the corner of West Broadway and South 34th

Street. A site plan and building rendering was submitted but detailed information on building materials was not provided. Lockwood offered $1,200,000 for the land and said if they were chosen as the developer of the project, they would provide a detailed proforma. Building materials were not specified in their proposal. Lockwood Development has partnered with Olsson Associates to provide engineering services and ASD Stanley J. How to provide architectural services.

The White Lotus Group proposal shows a five story residential apartment building with 250 units along with a single story 10,000 square foot commercial building. The residential building will have indoor covered parking on the first floor with the upper four stories containing the individual residential units. The residential component has a mixture of one, two and three bedroom units. Additionally, of the 250 units, 225 are proposed to be low income housing tax credit units renting to persons at or below 60% of the area median family income and 25 are proposed to be market rate. Rents will range from $967 up to $1,400. Building materials were not specified; however, the proposal indicated they will use "high quality, durable materials." White Lotus has offered full appraised value for the land, has not asked for any local incentives and does not have any project contingencies. Their total project investment is expected to exceed $51.3 million. The submitted site plan shows direct vehicular access to 1st Avenue which was prohibited per the RFP requirements. White Lotus has partnered with DLR Group for architectural services and E & A Consulting for engineering services.

Knudson Companies proposes a 224 apartment units and 40 townhomes, located both north and south of 1st Avenue (264 total units). They also have proposed 20,000 square feet of commercial space at the corner of West Broadway and South 34th Street. The project will be constructed in four phases with the commercial component being constructed last. All residential units are proposed to be market rate with a mixture of one and two bedroom units, studios and micro units with rents ranging from $600-$1,500 per month. The project is designed with an occupant and wellness component and incorporates all-inclusive, health-focused strategies into the project. Site amenities include rooftop entertainment patios, outdoor playgrounds, gathering spaces, outdoor plazas and arboretum. Building materials are comprised of brick, stucco, fiber cement and incorporates many Green Building Requirements. The total project investment is expected to exceed $40.7 million. Incentives requested include $3,000,000 in tax increment financing, plus a lower land acquisition price of $100,000. State law requires the land to be disposed of for fair market value and the land value consideration can be structured as a forgivable loan with project milestones being achieved by certain performance targets. Any incentive considerations will be negotiated between City staff, our urban renewal legal counsel and Knudson Companies. All recommendations will be brought to City Council for final review and approval.

The Knudson Companies proposal meets the vision and objectives of the Bluffs Tomorrow: 2030 Plan and the West Broadway Corridor Plan by:

- Maximizing the use of public and private resources by locating higher density and mixed use developments within the area, which has existing infrastructure, access to public transportation, employment, commercial/retail establishments, schools and other supportive services.
- Creating a higher density development with a minimum of 40 units per acre on the south portion of the subject property (MCR/Mixed Commercial Residential District).
- Constructing an aesthetically pleasing development that provides opportunities for human interactions on adjacent rights-of-way, limits the placement of parking lots to the sides and rears of buildings and creates additional opportunities for multiple modes of transportation (i.e. transit, automobiles and bicycles).

The full proposal shows the project plans, including a concept which meets and exceeds the minimum requirements listed in the RFP. Knudson Companies has partnered with Schemmer to design and engineer the project.

Staff reviewed the proposals and believes the Knudson Companies project fully complies with the requirements of the RFP and the development proposal achieves the City's long-range vision for 1st Avenue and the West Broadway corridors. Staff will have discussions with the selected firm regarding additional goals and design ideas. Once this is complete, contracts for the project with the firm will be brought back to City Council for approval including a purchase agreement and development agreement (including incentives) with the selected developer.

Recommendation

Staff recommends selecting Knudson Companies as the preferred developer for approximately 8.5 acres of City-owned land at South 34th Street and 1st Avenue and to enter into a purchase, sale, and development agreement.

Attachments

The submitted proposals are provided with this report.

Submitted by Brenda Carrico, Program Coordinator, Community Development Department
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