

# City Council Agenda Memo

**From:** Mike Struck, Community Development Director

**Council Meeting:** October 27, 2020

**Subject:** Armory Development Agreement

**Person(s) Responsible:** Mike Struck, Community Development Director

**Summary:**

Action to approve a development agreement between the City of Brookings and Linchpin Corporation for the redevelopment of the Armory and construction of a hotel and parking ramp. Linchpin Corporation was selected by the City Council as the preferred development team in November 2019 after completing the Request for Proposals.

**Background:**

Over the course of five years, city staff, City Council, Brookings Historic Preservation Commission, State Historical Preservation Office, and a task force have made recommendations and reports on the Armory. Additionally, Request for Proposals were received in 2016 for repurposing the site, and green space alternatives were developed.

At the City Council's 2018 Strategic Goal Session, the determination of the Works Progress Administration (WPA) Armory building was listed as a priority. The City Council determined more accurate cost estimates were needed on building demolition and rehabilitation of the existing structure. Banner was hired to conduct a building evaluation and provide updated cost estimates.

Upon completion of the Banner Evaluation Report, another attempt ensued to see if there was interest from the private sector for an adaptive reuse/redevelopment of the Armory. A letter of interest was issued by the City on January 29, 2019. Four responses were received from the private sector. A Request for Qualifications was issued on June 25, 2019 and four responses were received. All four responders were invited to proceed to the Request for Proposal phase and two development teams submitted responses to the RFP.

The Armory Review Team, consisting of city staff and members of the Brookings Historic Preservation Commission, interviewed the teams on October 31 and November 1, 2019. On November 26, 2019, the City Council approved moving forward with Linchpin Corporation on a development agreement.

Linchpin Corp. submitted a concept whereby the exterior Armory structure would be restored and the interior modifications would consist of office/commercial space, meeting space, and restaurant and lounge. The boutique hotel will consist of 60-70 rooms above a two level parking garage with 90 parking stalls. The proposal is a two phase construction project with the Armory renovations occurring in phase I carrying a renovation cost of \$3.36 million. Phase II consists of the hotel and parking garage with an estimated cost of \$12.3 million. The total cost of the project would be approximately \$15.7 million.

**Item Details:**

The City and Linchpin Corporation have been working on a development agreement throughout 2020 as part of the negotiation process. The development agreement recognizes a three phase approach to the project:

Phase I:	Due Diligence Period
Phase II:	Armory Renovations/Construction
Phase III:	Hotel and Parking Ramp Construction

The key components of the City's obligation in the development agreement are as follows:

- Responsible for the costs of repairing the roof of the Armory. (TIF eligible expense).
- Waiving of the disposal costs at the landfill associated with the hazardous materials abatement and remediation.
- Creation of two Tax Increment Financing (TIF) Districts, one for Phase II and one for Phase III.
- Creation of Business Improvement District #2 on the hotel.
- Approval of alcohol license(s) upon completed application.
- Transfer of the property for \$0.00.
- Use of the west parking lot and south side of 3<sup>rd</sup> Street parking for construction staging.

**Legal Consideration:**

City Attorney Steve Britzman and Jim Wiederrich, attorney with Woods, Fuller, Shultz \* & Smith have worked with the attorney representing Linchpin Corporation on the development agreement and have provided review and edits throughout the process.

**Strategic Plan Consideration:**

The Armory adaptive reuse is consistent with Goal 1 under Existing/New Amenities of the City Council Strategic Plan.

**Financial Consideration:**

The City will front the costs of the Armory roof repairs (estimated at \$130,000) and be reimbursed through tax increment.

**Options and Recommendation:**

The City Council has the following options:

1. Approve as presented
2. Approve with amendment(s)
3. Deny
4. Move the item to a work session
5. Do nothing

Staff recommends approval of the development agreement as presented.

**Supporting Documentation:**

Memo

Resolution

Development Agreement

Map

TIF Guidelines

Preliminary Floorplan