



THE
CITY of PELLA
STAFF MEMO TO COUNCIL

ITEM NO: G-3

SUBJECT: Resolution Approving and Authorizing Execution of a Partial Assignment and Assumption of an Agreement for Private Development from RDP Holdings, LLC to Pella Entertainment Group, LLC

DATE: December 7, 2021

BACKGROUND:

This resolution approves and authorizes execution of a partial assignment and assumption of an agreement for private development from RDP Holdings, LLC to Pella Entertainment Group, LLC. Specifically, this partial assignment is for Lot 1 of the Prairie Ridge commercial development, the location of the Smash Park venue. After discussing this item during the November 16, 2021 Policy and Planning meeting, Council directed staff to place this item on a future agenda for formal consideration.

As background on this request, in September of this year, the City Council approved a development agreement with RDP Holdings for the Prairie Ridge commercial development. Under the terms of the agreement, RDP Holdings can assign its rights and obligations under the agreement subject to City Council approval, which cannot be unreasonably withheld. The reason RDP Holdings is requesting this assignment is because the Pella Entertainment Group will be the entity building and operating the Smash Park. Therefore, the purpose of this request is to align the development agreement between the entity operating the Smash Park and the City of Pella, which will be providing incentives for this venue. It is also important to note, staff believes this assignment will not increase the City's risk under the development agreement as RDP Holdings would still be obligated in the event of a default for the entire development. Listed below is a summary of the proposed assignment.

Prairie Ridge Commercial Development

As previously stated, the Prairie Ridge commercial development includes the Smash Park recreation center. This facility is intended to be a regional entertainment center with a variety of recreational amenities and activities including pickleball courts, sand volleyball, outdoor turf games, a restaurant, an indoor/outdoor bar and patio area, meeting rooms, and an area dedicated for miniature golf. This building, which is approximately 22,000 square feet in size, is tentatively scheduled to open in the summer of 2022. In addition, RDP Holdings is obligated to construct a fast-casual restaurant within the Prairie Ridge commercial development by December 2024. Furthermore, RDP Holdings is required to construct on-site public infrastructure improvements within the development including a 600 linear foot commercial roadway and an extension of the City's sanitary sewer system. The estimated cost of this public infrastructure is \$1,157,000.

Comprehensive Plan

The City's Comprehensive Plan identified a shortage of restaurants and drinking establishments in the community. The Comprehensive Plan identified this area as a 'service gap' where the local demand exceeds the retail supply. In addition, the Comprehensive Plan identified the development's location as an economic development opportunity for commercial development. Therefore, staff believes the proposed Smash Park recreation center and fast-casual restaurant align strongly with the Comprehensive Plan. In addition, staff believes it will help address the shortage of eating and drinking establishments in Pella.

Proposed Assignment for Lot 1

As previously stated, the proposed assignment is for Lot 1 of the Prairie Ridge commercial development agreement. Specifically, RDP Holdings would assign all of their rights and obligations for Lot 1 to Pella Entertainment Group which will own and operate the Smash Park regional entertainment venue. However, it is important to note that both Pella Entertainment Group and RDP Holdings would still have obligations in the event of a default to the City of Pella. Specifically, both entities would be responsible for making any potential shortfall payments for Lot 1 as required under Section 8.1 (c) of the original development agreement. The shortfall provision is intended to provide security to the City of Pella by ensuring tax increment revenues generated from the development are adequate to cover the City's debt service costs for the development. For this reason, staff believes this assignment does not increase the City's level of risk under our existing development agreement with RDP Holdings.

Development Agreement Responsibilities

If Council were to approve this assignment, listed below is a summary of the major responsibilities of each of the parties:

RDP Holdings Responsibilities

- Construct all on-site public infrastructure according to City standards.
- Dedicate on-site public infrastructure to the City of Pella upon completion.
- Sign a minimum tax assessment of \$5.0 million with a 2% annual increase for Smash Park.
- Construct a fast-casual restaurant by December of 2024.
- Sign a minimum tax assessment of \$2.0 million with a 2% annual increase for the restaurant.

Pella Entertainment Group Responsibilities

- Construct the Smash Park facility in accordance with the development agreement by December of 2022.
- Comply with the development's minimum tax assessment of \$5.0 million with an annual 2% increase for Smash Park.
- Operate Smash Park in accordance with the requirements of the City's development agreement.

City of Pella Responsibilities

Provide the developer a construction grant in the amount of \$2.0 million paid as follows:

- \$1,500,000 paid to Pella Entertainment Group within 150 days of issuing a certificate of occupancy for Smash Park.
- \$500,000 paid to RDP Holdings within 30 days of issuing a certificate of occupancy for the fast-casual restaurant.

Finally, RDP Holdings is eligible to receive tax increment rebates of up to \$2.0 million in the aggregate, but only after the City of Pella retires its debt associated with funding the construction grants as outlined above. In addition, the development agreement must be in good standing, which means the Smash Park and fast-casual restaurant are required to be operational and in compliance with the development agreement. Finally, it is important to note that these rebates are funded exclusively from tax increment revenues generated from the development.

Financial Analysis

As previously discussed by the Pella City Council, in order to fund the proposed construction grants, the City of Pella will likely need to issue a \$2.2 million urban renewal general obligation bond. The City of Pella hired its financial advisor, Michael Maloney, to analyze the tax impact from the development. In summary, Mr. Maloney analyzed two scenarios. The first scenario was the base case which includes no additional development other than the proposed Smash Park and fast-casual restaurant. The second scenario was an additional \$2.0 million of commercial development occurring in 2026. In both scenarios, the City of Pella would have a small deficit of \$41,000 to fund in fiscal year 2023-24, otherwise it appears the tax increment revenues generated from the development would cover the cost of the proposed bond issue. In addition, the projected tax increment rebates to RDP Holdings and excess TIF revenues available for future projects within the urban renewal area would be as follows:

	Projected Rebate to RDP Holdings	Unobligated TIF Revenues
Base scenario	\$1,666,576	None
Modest growth scenario	\$2,000,000	\$498,370

Summary and Staff Recommendation

As stated previously, staff believes the proposed assignment does not increase the City’s risk associated with the Prairie Ridge commercial development. In addition, the assignment has been reviewed by the City’s legal counsel. As a result, staff is recommending approval of this resolution and associated partial assignment of the development agreement.

- ATTACHMENTS: Resolution, Partial Assignment of Development Agreement
- REPORT PREPARED BY: City Administration
- REVIEWED BY: City Administrator, City Clerk
- RECOMMENDATION: Approve resolution

RESOLUTION NO. 6363RESOLUTION APPROVING AND AUTHORIZING
EXECUTION OF A PARTIAL ASSIGNMENT AND
ASSUMPTION OF AN AGREEMENT FOR PRIVATE
DEVELOPMENT FROM RDP HOLDINGS, LLC TO PELLA
ENTERTAINMENT GROUP, LLC

WHEREAS, on the 7th day of September, 2021, the City of Pella, Iowa (the "City") and RDP Holdings, LLC ("Developer") entered into an Agreement for Private Development ("Development Agreement") pursuant to which the Developer agreed to construct certain Public Improvements (as that term is defined in the Development Agreement) and prepare certain property located in the City's Prairie Ridge Commercial Urban Renewal Area (the "Development Property") for construction of certain commercial structures (the "Commercial Buildings") that would be occupied by commercial businesses, and the City agreed to provide certain incentives to the Developer in exchange for Developer's obligations under the Development Agreement; and

WHEREAS, the City has received a request from the Developer, in the form of a proposed Partial Assignment and Assumption of Development Agreement (the "Assignment") by and between the Developer and Pella Entertainment Group, LLC ("Assignee"), pursuant to which, among other things, the Developer would assign all of its rights and obligations under the Development Agreement with respect to the Lot 1 portion of the Development Property to the Assignee, and the Assignee would agree to assume those obligations of the Developer under the Development Agreement with respect to the Lot 1 portion of the Development Property, which include the obligations with respect to construction, maintenance, payment of property taxes on, and operation of the Lot 1 Commercial Building; and

WHEREAS, the Development Agreement requires the City's consent before the Developer may assign any of its rights and obligations under the Development Agreement, and the City is willing to provide such consent to the proposed Assignment, under the terms and conditions set forth in the Assignment.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PELLA, IOWA:

Section 1. That the form and content of the Assignment, the provisions of which are incorporated herein by reference, be and the same hereby are in all respects authorized, approved and confirmed, and the Mayor and the City Clerk be and they hereby are authorized, empowered and directed to execute, attest, seal and deliver the Assignment for and on behalf of the City in substantially the form and content now before this meeting, but with such changes, modifications, additions or deletions therein as shall be approved by such officers, and that from and after the execution and delivery of the Assignment, the Mayor and the City Clerk are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Assignment as executed.

PASSED AND APPROVED this 7th day of December, 2021.

Mayor

ATTEST:

City Clerk