



City Manager's Report
Submitted by Robert D. Moore, Director of Economic Development
Item Number: 19-79
February 26, 2019

Title: Approving MOU with AHP Development, LLC (City Hall project)

Issue:

- **Adoption of a resolution electing to proceed with negotiations with AHP Development, LLC regarding the potential construction of new City Hall, Parking Garage and public safety facilities, and the redevelopment of vacated properties.**

Background:

- In May 2018, AHP Development, LLC (a subsidiary of Armada Hoffler Properties, Inc.) presented the City with an unsolicited proposal for the construction of new City Hall, parking garage and public safety facilities, and the subsequent redevelopment of vacated properties.
- The City received the proposal in accordance with the Virginia Public Private Education and Infrastructure Act of 2001, as amended ("PPEA").
- As required by the PPEA, the City gave public notice of the receipt of the proposal and invited competing proposals.
- One additional proposal was received and subsequently withdrawn.
- By Resolution R-18-33 adopted on November 27, 2018, City Council directed City staff to analyze the Armada proposal.
- Based on City staff's preliminary analysis, the proposal is worthy of further discussion to determine whether the parties can reach agreement on terms for a binding Development Agreement.
- The City and AHP Development, LLC have prepared a draft Memorandum of Understanding to demonstrate their mutual intent to proceed with efforts to negotiate a Development Agreement.

Discussion:

- In 2018 the City unveiled the Crawford Gateway Revitalization Project, with the goal of revitalizing the area surrounding Crawford Street from the Roundabout to the Elizabeth River.
- The Gateway Project contemplates the removal of City offices such as City Hall and public safety offices from the waterfront area.
- The Armada proposal would further the goals of the Gateway Project by demolishing the existing County Street garage, extending Middle Street, and building a new City Hall and parking garage on both sides of the extended Middle Street.
- Public safety facilities could be relocated to a portion of the Willett Hall property.
- Finally, properties vacated by the City such as 801 Water Street and 801 Crawford Street could be redeveloped with new private uses.
- At this stage, the proposal remains flexible so that other City properties (such as the Virginia Sports Hall of Fame building) could supplement or replace the properties currently included in the project.

- The PPEA requires that a public hearing be held to permit members of the public to provide comment on PPEA proposals. The Armada proposal has been posted on the City website and the public hearing will be held at the February 26, 2019 City Council meeting. In addition, a copy of the proposal is available for public review in the Purchasing Office at City Hall. At the public hearing, members of the public will also be able to comment on the potential conveyance of City property in furtherance of the project (however, no City property will be conveyed unless and until City Council has approved a detailed and binding Development Agreement).
- At the February 26, 2019 meeting City Council will consider adoption of a Resolution approving execution of the Memorandum of Understanding and formally electing to proceed with Development Agreement negotiations.
- Any final proposed Development Agreement will be subject to approval by City Council at a subsequent Council meeting.

Financial Impact:

- None at this time.

Recommended Action:

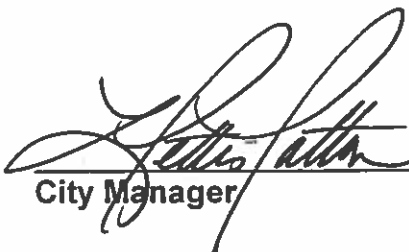
- Adoption of the resolution.

Next Steps Following Council Action:

- City staff and AHP Development, LLC will enter into negotiations on a proposed Development Agreement.

Attachments:

- Resolution
- Memorandum of Understanding



City Manager

EXHIBIT A

MEMORANDUM OF UNDERSTANDING CITY FACILITIES RELOCATION

This document dated _____, 2019 is a Memorandum of Understanding by and between the City of Portsmouth, Virginia (the "City") and AHP Development, LLC, a Virginia limited liability company and subsidiary of Armada Hoffer Properties, Inc., a Maryland corporation ("Armada").

RECITALS

- A. In May 2018 Armada presented the City with an unsolicited proposal for the construction of a new City Hall and a new Public Safety Building, and the subsequent redevelopment of 801 Crawford Street and 801 Water Street.
- B. The City received the proposal in accordance with the Virginia Public-Private Education and Infrastructure Act of 2001, as amended (the "PPEA"). As required by the PPEA, the City gave public notice of the receipt of the proposal and provided the opportunity for other interested parties to submit competing proposals. One additional proposal was received but the additional proposal was subsequently withdrawn.
- C. For decades the City has desired to relocate City Hall and public safety facilities from the waterfront area (the "Relocation Project") and to provide for the private development of the vacated waterfront properties (the "Redevelopment Project"). The relocations are a crucial component of the Crawford Gateway Revitalization Strategy.
- D. Based on the City's preliminary analysis, the proposal submitted by Armada is worthy of further discussion to determine whether the parties can reach a detailed, comprehensive and binding agreement that is mutually acceptable for the Relocation Project and/or the Redevelopment Project (the "Development Agreement").
- E. The City and Armada therefore execute this Memorandum of Understanding for the purpose of confirming their mutual intent to engage in negotiations with the goal of reaching agreement on the terms and conditions of a Development Agreement.
- F. This instrument is a Memorandum of Understanding. It states the good faith intentions of the parties on the subject matter hereof, but it does not create any legal rights or duties in any party hereto. The parties intend to negotiate in good faith a Development Agreement that is consistent with this instrument, but no party will be legally bound unless and until a Development Agreement has been approved by City Council and Armada and executed by the parties' duly authorized representatives. Each party shall be responsible for its own costs related to negotiating the Development Agreement.

INTENT OF THE PARTIES

1. Relocation Project.

- a. The Relocation Project is anticipated to include:
 - i. Demolition of the existing County Street Parking Garage and the extension of Middle Street through the area of the former garage to create connectivity.
 - ii. Construction of a new City Hall building with approximately 53,000 square feet of space on one side of Middle Street extended.
 - iii. Construction of a new Parking Garage with approximately 700 parking spaces on the opposite side of Middle Street extended.
 - iv. Construction of a new Public Safety Building on a portion of the Willett Hall property.
- b. The parties will also evaluate whether other existing City-owned properties could supplement and/or substitute for the properties referenced above, to include without limitation 206 High Street (the former Sports Hall of Fame building).
- c. The City will provide Armada with guidance regarding the City's needs and goals related to the locations, designs and other aspects of the new City Hall and Public Safety buildings and the new Parking Garage.
- d. Armada will provide the City with potential designs, schedules and cost proposals for the new facilities. The information provided will include a range of financing options for each facility, including turnkey development and long-term lease arrangements. The parties will also evaluate the possibility of third party ownership/operation of the Parking Garage.
- e. The City will receive credit for its financial and in-kind contributions to the Relocation Project, including the contribution of real property and public improvements that would normally be the responsibility of a developer. Values will be established for discrete tasks that are part of the Relocation Project (such as demolition) so that the City can determine whether to perform the tasks itself or pay for Armada to perform the tasks.

2. Redevelopment Project.

- a. The Redevelopment Project will include the development of 801 Crawford Street and 801 Water Street with high quality designs and uses acceptable to City Council and consistent with the City's desire for verticality on its waterfront. The

designs and uses must be approved by the City prior to conveyance of the properties.

- b. The purchase price for 801 Crawford Street and 801 Water Street will be fair market value (taking into account the cost of any demolition to be performed by Armada as part of the project).
3. Recitals. The Recitals are incorporated herein by reference.
4. Term. This Memorandum of Understanding shall expire on September 30, 2019 but may be extended from time to time by mutual agreement of all parties. The City Manager, with the advice and consent of City Council, is authorized to execute any such extension without formal action of Council.
5. Public Interest Finding. The authorization of this instrument by City Council pursuant to official action on _____, 2019 comprises a preliminary legislative finding that the Project, if developed in the manner set forth herein, will be in the public interest.

{SIGNATURES ON FOLLOWING PAGE}

WITNESS the following signatures:

AHP DEVELOPMENT, LLC

By: _____

Name: _____

Title: _____

CITY OF PORTSMOUTH, VIRGINIA

By: _____

Dr. L. Pettis Patton, City Manager

Approved as to form and legality:

Solomon H. Ashby, Jr., City Attorney