



# City of Grand Island

Tuesday, November 12, 2002

Speical Mtg/Council Session

## Item H3

### **Receiving Recommendation from the Community Redevelopment Authority Relative to Redevelopment of Former City Hall**

*Last spring, the City Council requested assistance from the CRA with redevelopment efforts of the former City Hall and, as a result, the CRA marketed and solicited proposals from interested developers. Two entities expressed an interest in the redevelopment project and both were interviewed by the Former City Hall Redevelopment Selection Committee.*

*Councilmembers Murray and Hornady, as well as Marlan Ferguson, City Administrator, and Cindy Johnson, Community Projects Director, served on the Redevelopment Selection Committee. After the interviews, the Selection Committee forwarded both proposals to the CRA and, at the same time, requested additional information from both entities as a next step in the selection process and that this additional information had been received.*

*The CRA reviewed both proposals and have forwarded the proposal submitted by ProCon to the City Council for consideration.*

*Procon is a partnership of Rick Johnson, K.C. Hehnke, and Russ Giesenhagen of Grand Island. Although Procon is a new partnership, the principals are well versed in the construction field in Grand Island and central Nebraska, with over 60 years of combined experience. The group has a experience in historic property renovation, including the Yancey Hotel, Francis Villas and the York State Bank in York. Procon proposes to redevelop the former City Hall into an office complex. Their proposal is to purchase the building for \$1,001. Project costs are anticipated to be \$1,940,000. Financing sources are as follows:*

*Principal Investment \$1,280,000*

*City \$275,000 (investment of what would otherwise be expended for demolition if building not redeveloped)*

*CRA Façade Development Program \$150,000 (over 3 years)*

*Tax Increment Financing \$232,800 (estimated)*

*Procon proposes to immediately begin redevelopment of the property, with an emphasis on the exterior this winter. This could occur as soon as the asbestos is removed from the property. Procon is also requesting that the CRA act as an intermediary in order to facilitate leasing with other government agencies. Procon has determined there is sufficient parking in the proximate area to serve their proposed needs.*

*Bruce Schreiner, representing ProCon, stressed to the CRA that the ProCon offer was not contingent upon acquisition of other properties or other funding sources, the redevelopment*

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*could collectively be accomplished by the community, and the proposal allowed for a fairly rapid schedule for redevelopment of the property.*

*The Community Redevelopment Authority was unanimous in its support of the proposal by ProCon (Authority member Barry Sandstrom abstained from the vote). The CRA committed \$150,000 in façade development funds over three years with the understanding that the developers would be pursuing tax increment finance assistance also. CRA Chair John Brownell will be presenting the recommendation to the City Council and available to answer questions.*

**Staff Contact: Cindy Johnson**



**SCHROEDER  
&  
SCHREINER,  
P.C.**

CERTIFIED

PUBLIC

ACCOUNTANTS

November 5, 2002

Cindy Johnson  
Community Redevelopment Authority  
100 E. 1<sup>st</sup> Street  
Grand Island, NE 68801

**Via Facsimile Then Mail**

RE: Procon Development Company, LLC (Procon) Amended Proposal  
to the Grand Island Community Redevelopment Authority (CRA)  
Dated October 30, 2002

Cindy:

Based upon today's CRA meeting decision to limit the CRA grant funding for façade redevelopment to \$50,000 per year or \$150,000 total in lieu of the \$100,000 per year or \$300,000 total requested in item number 3. of the referenced proposal, I have conferred with the Procon principals regarding solutions.

The principals have decided they will increase their at-risk invested capital to make up this \$150,000 shortfall, provided all other terms of the amended proposal are in fact met by the CRA and City of Grand Island.

Sincerely,

SCHROEDER & SCHREINER, P.C.

Bruce E. Schreiner, CPA

rh\02

c: Procon

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# PROCON DEVELOPMENT COMPANY, LLC (Procon)

## Amended Proposal to the Grand Island Community Redevelopment Authority (CRA) For the acquisition of Old City Hall, 208 N. Pine Street October 31, 2002

Procon herewith amends its original proposal submitted in June, 2002, for the acquisition and redevelopment of the Old City Hall Building for office lease space purposes.

Principals of Procon are Mr. Russ Giesenhagen, Mr. Rick Johnson, and Mr. K.C. Hehnke. All are successful businessmen who reside in our community, and who are willing to risk significant capital for this redevelopment project to better our community for everyone. They possess the expertise, networking, perseverance, financial wherewithal, and most importantly, integrity, necessary to perform on this commitment.

These principals are willing to collectively put at risk a substantial financial commitment exceeding \$1 million to redevelop the property upon acquisition.

Important points regarding this amendment deserving absolute clarity:

- Procon is no longer making its acquisition contingent upon satisfactory lease agreements being in place. Procon has attempted to lease the property contingent upon acquisition, but without ownership, it is simply not possible to complete such lease agreements. Potential tenants want to know Procon **owns** the building. Procon believes that after acquisition, it will be successful in leasing the redeveloped property with competitive rents in the specific area necessary to create adequate economics, provided all of the financial contributions by others than Procon as detailed in this amended proposal occur. Such contributions of capital by others interested in the property's redevelopment effectively "stops the gap" between economic non-feasibility and feasibility.

Procon's redevelopment model is quite similar to the ultimate recommendation to the City of Grand Island made in the Feasibility Study produced by Hanna Keelan Associates, P.C./The Architectural Partnership, P.C. in June, 1997. However, we believe that in order to facilitate Request-for-Proposal processes in the leasing of the facility to government agencies, a qualifying leasing intermediary between Procon and government agencies may be required. We would request that the CRA agree to serve in this capacity.

- Procon is no longer making its acquisition contingent upon qualifying the property for Internal Revenue Code §47 historic rehabilitation tax credits; however, Procon may or may not yet pursue the utilization of such credits. Nonetheless, Procon wants to continue to preserve the integrity of the Old City Hall Building by keeping the key design elements, while updating the structure to present-day efficiencies.
- The creation of additional parking spaces is not required by Procon in order to serve our potential tenants. However, should the City elect to do so, Procon would support and appreciate that decision.

Procon's fundamental financial information about the project follows:

<b>Purchase Price of Building</b>		<b>\$ 1,001</b>
<b>Anticipated Construction Costs</b>		
<b>Exterior Renovation</b>		
Tuckpointing	\$ 20,000	
Window Replacement	230,000	
Façade	<u>110,000</u>	
		<b>\$ 360,000</b>
<b>Interior Renovation</b>		
General	\$960,000	
Mechanical	340,000	
Electrical	<u>180,000</u>	
		<b>\$1,480,000</b>
Subtotal	\$1,840,000	
Contingency	<u>100,000</u>	
Subtotal		<b><u>1,940,000</u></b>
<b>Total Costs of Acquisition and Redevelopment</b>		<b>\$ <u>1,941,001</u></b>

This expected cost of renovations is significantly less than the expected cost set forth to the City of Grand Island in the Feasibility Study produced by Hanna Keelan Associates, P.C./The Architectural Partnership, P.C. in June, 1997, even considering the asbestos abatement cost being eliminated in the analysis since that cost has now already been absorbed by the City of Grand Island.

Accordingly, Procon proposes to purchase the Old City Hall Building pursuant to all of the following terms:

1. Procon will pay the purchase price of \$1,001 at closing;
2. Procon believes the City of Grand Island has an absolute vested interest in seeing the property be redeveloped, and Procon invites the City to participate in key design issues during that process. Because of this special level of interest, Procon requests the City contribute \$275,000 (the third-party estimated cost of property destruction received by the City in March, 2001) to Procon, to be used in redevelopment. This \$275,000 is what the City of Grand Island would incur as cost in destroying the property; accordingly, Procon requests the same amount be invested by the City toward a renovation of the facility.

To show good faith to the City, upon closing, Procon will immediately enter a contract to redevelop the property with Mid Plains Construction Company of Grand Island in order for the City to release this payment to Procon. This provision is an integral part of the overall project economic feasibility;

3. Procon believes that without exception, the redevelopment of the Old City Hall is a priority for the CRA. Because of this, we request the CRA provide grant funding to Procon for façade redevelopment in the amount of \$100,000 at closing, plus \$100,000 as soon as possible in the current CRA fiscal year or at the beginning of the 2003-2004 CRA fiscal year, and a final \$100,000 as soon as possible in the 2003-2004 CRA fiscal year or at the beginning of the 2004-2005 CRA fiscal year. Procon understands the CRA has budgetary restrictions in the payments timing that would exist under this commitment, and so acknowledges those with this provision. Notwithstanding, Procon will complete façade redevelopment with its own funds and at its own risk while waiting for these funds to become payable. Again, this provision is an integral part of the overall project economic feasibility;
4. The CRA creates Tax Increment Financing for the benefit of Procon for redirected incremental property tax for fifteen years. The renovated property would contribute to the general tax base at the assessed value of the property after the fifteenth year. Again, this provision is an integral part of the overall project economic feasibility;
5. Procon will purchase the property "as-is", but the City must obtain licensed certification as to asbestos, lead, or other environmental contaminants having been removed from the property;
6. The CRA must agree to continuously act as a qualifying leasing intermediary between Procon (or its successor and/or assigns) and government agencies for the purpose of facilitating Request-for-Proposal processes in the leasing of the facility or parts thereof to government agencies; and,
7. Currently, the Downtown area in which this property is located has a parking variance for number of required parking stalls for such a facility. This variance must always remain available for this property, regardless of its use.

Procon believes this approach is a fairly simple, "common-sense" and responsible approach toward a utilization of the property that the community can and would embrace.

If this amended proposal is acceptable to the CRA and the City of Grand Island, Procon's attorney will immediately begin work with the City Attorney's office to complete an acquisition contract embodying the terms of this amended proposal. It remains Procon's intent to begin physical redevelopment of the property as soon as practicable, quickly evidencing a positive proactivity with the property for the public to witness.

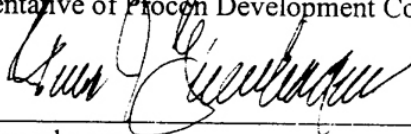
This amended offer will expire on December 31, 2002.

Respectfully Submitted,



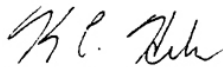
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Bruce Schreiner, CPA  
Representative of Procon Development Company, LLC



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Russ Giesenhagen  
Principal of Procon Development Company, LLC



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K. C. Hehnke  
Principal of Procon Development Company, LLC



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Rick Johnson  
Principal of Procon Development Company, LLC