

COUNCIL ACTION FORM

**SUBJECT: NORTH GRAND MALL REQUEST FOR PARKING LOT
IMPROVEMENTS TIME EXTENSION**

BACKGROUND:

In July 2007, the City Council approved a final plat, adaptive reuse plan, and development agreement for the Streets of North Grand. At that time, it was envisioned that the North Grand Mall area, which was subdivided into four lots, would include expanded retail space in the form of a new life-style center to the south of the current site. The development agreement created certain responsibilities for the Mall owner, one of which is to reconfigure the parking area on Lot 2 to comply with the City's minimum off-street parking standards by no later than one year from the recording of the final plat.

Because of the down turn in the economy, no progress was made towards implementing this vision. Therefore, in response to the Mall owner's request, in July 2008 the City Council granted a one-year extension to this obligation. As the economy failed to improved, the owners once again requested and received a second extension in July 2009.

This extension expires on July 18, 2010, and the Mall owner is now requesting a third extension. If the extension is not granted, the City will be able to cash in a bond that was provided as security for this obligation and hire a contractor to reconfigure the lot as required in the development agreement.

It should be emphasized that the motivation behind this extension is different from the previous requests. The Mall owner has indicated that they no longer plan to construct a life-style center as previously indicated (see attached letter). They now hope to take advantage of their existing space in order to avoid the construction of new space that would necessitate an increase in lease costs.

In order to achieve the Mall owner's new vision for this development, it appears that a new site/adaptive reuse plan must be approved by the City Council. In order to provide sufficient time to develop, process, and approve this new plan, the Mall owner is seeking another extension of the requirement to reconfigure the parking lot. An extension of six months should provide adequate time for these actions.

ALTERNATIVES:

1. The City Council can approve the request from the owners of North Grand Mall to extend the deadline for reconfiguring the parking on Lot 2 for six months. This

extension will provide time for the owners to work with City staff to prepare a new site/adaptive reuse plan for Council consideration.

2. The City Council can approve the request from the owners of North Grand Mall to extend the deadline for reconfiguring the parking on Lot 2 for some time period other than six months.
3. The City Council can deny the request from the owners of North Grand Mall to extend the deadline for reconfiguring the parking on Lot 2 for six months. Under this option, the City will be able to cash in a bond that was provided as security for this obligation and hire a contractor to reconfigure the lot as required in the approved development agreement.

MANAGER'S RECOMMENDED ACTION:

The leasing of the commercial space at North Grand Mall is critical to our community. However, given the very difficult times in the retail sector, the City Council should be patient with the owners of the property, even though their renovation/expansion plans are not proceeding as planned.

Therefore, it is the recommendation of the City Manager that the City Council approve Alternative #1 and grant the request from the owners of North Grand Mall to extend the deadline for reconfiguring the parking on Lot 2 for six months.

In the meantime, the owners have committed to work with City staff to prepare a new site/adaptive reuse plan to coincide with their latest development plan for the Mall.



July 7, 2010

City of Ames
Mayor Ann Campbell & City Council Members
515 Clark Avenue
Ames, IA 50010

RE: Request for Extension of Streets of North Grand Adaptive Reuse Plan

Dear Mayor and City Council Members:

During the past three years, we have continued to work on redeveloping the Grand Center/Sears property as envisioned in the Streets of North Grand Adaptive Reuse plan. Despite our best efforts, we have been unable to obtain the necessary tenant commitments to move forward with this project. Undoubtedly, the current state of the economy has been a major factor in this as many retailers have halted expansion plans during the past two years. Many of the proposed lifestyle retailers for the Streets project are not achieving projected sales numbers in their Des Moines stores and are consequently not considering new locations in Ames or other surrounding markets.

As retail sales have recently been on the rise, certain retail segments are experiencing cautious expansion. Retailers who are currently expanding are focused on meeting the new value expectations of consumers during these uncertain economic times. They require cost effective rental terms that often do not support the cost of new construction. This new reality necessitates a total rethinking of the Streets project and calls for a plan which is achievable in the current economy.

We believe the best course of action to successfully redevelop the Grand Center/Sears property is to reutilize much of the existing infrastructure and re-tenant the property with retailers who are in an expansion mode. Our plan must be cost effective and allow us to deliver space with the lower occupancy cost structure required to attract these retailers. New facades, storefronts and site improvements would be constructed with the end result being a property that looks new, but can be achieved at a cost less than that of new construction.

A six month extension of the current Adaptive Reuse Agreement is requested to allow us time to work with the City's planning staff and complete the new plan for reuse of the Grand Center/Sears property. While any redevelopment plan is ultimately dependent on obtaining the necessary tenant commitments, we are excited by the response we are getting from retailers for this project. Even as our plan has changed, our goal remains focused on delivering a high quality retail environment which complements the retail needs of both North Grand Mall and the City of Ames.

Sincerely,
GK DEVELOPMENT, INC.

A handwritten signature in black ink that reads 'Gregory Kveton'.

Gregory Kveton
Principal - Development