



COMMUNITY & ECONOMIC DEVELOPMENT OFFICE

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To: City Council

From: Samantha Dunn, Asst. Director of Community Works, CEDO
Brian Pine, Director, Community & Economic Development Office
Jeffrey Glassberg, Development Consultant, Renaissance Development Company

Date: March 11, 2024

Subject: Memorial Block Pre-Development Agreement

Request

This memorandum requests that the Burlington City Council adopt the attached resolution which authorizes the Mayor to execute the Pre-Development Agreement for the Memorial Block. This Pre-Development Agreement sets a schedule for the due diligence required to determine the feasibility and deal structure for a comprehensive redevelopment of this important part of our downtown. This agreement and the work that will result from its adoption will set the foundation for future agreements.

Background

Memorial Auditorium was built in 1927 as a World War I Memorial and Public Assembly Space. Since that time, Memorial Auditorium has hosted public performances, private functions, athletic events, farmers' markets, exhibits, a day care, and a teen center. In 1988, Memorial Auditorium was listed on the National Register of Historic Places as a contributing building with the Main Street - College Street Historic District - many in Burlington and the surrounding area have a favorite memory linked to this building. While the building served many important uses, the City struggled to maintain the capital requirements to preserve the historic structure. The building was shut down at the end of 2016, when it was no longer safe to occupy as the City faced more pressing demands on the constrained capital improvement budget.

Memorial Auditorium sits on the corner of Main Street and South Union Street, a city block (also bounded by College Street and South Winooski) including a total of 3.81 acres of land – 77% of which is owned by the City and almost half of which is occupied by surface parking.

Over the past three decades, the City has simultaneously struggled to keep up with the growing maintenance needs of Memorial Auditorium and explored a series of potential plans for redevelopment of the building and the entire block. The City has previously engaged in RFPs for Memorial and a strong public process, but those earnest and robust efforts did not come to fruition in a project that could move forward. The timeline below summarizes the City's efforts since the 1990s with respect to both Memorial and the municipal parking lot:

1990s City began to struggle to keep up with repairs on the building; 1994 Memorial bond vote failed; 1993 bond for a public safety building for the municipal parking lot failed to garner required two-thirds majority for GO bond approval.

2013 PlanBTV Downtown provides vision for redevelopment of underutilized sites

2013 YMCA explored adaptive reuse of Memorial Auditorium; balance of block slated for Mixed-Use w/ Student Housing

2016 UVM Arena with Hotel on “Gateway Block”

2016 Memorial Auditorium closed to protect public safety

2018 robust public process by CEDO leading to Adaptive Re-use plans for Memorial Auditorium as a “Community Hub”; 2019: RFP to find a private operator for Memorial Community Hub

2021 Bond vote that included Memorial renovations failed

2021 Gateway Block considered but rejected as the site of a new Burlington High School

2022 Successful bond brings \$1MM to Memorial Stabilization & Exploration of future uses

2022 Voters approve \$165MM in bonding for new BHS

2022 RFP for Redevelopment through Public/Private Partnership

2023 Selected Proposal (Babaroosa) withdraws for financial feasibility reasons

2023 City facilitates strategic visioning exercise with adjacent property owners for Gateway Block Redevelopment

Barriers to the success of previous efforts have included: failed bond votes for investment into Memorial Auditorium; the ravine sewer running diagonally across the Main Street/South Winooski parking lot; lack of control over the three privately held parcels in the middle of the block; and the financial infeasibility of the investment required to repair and renovate Memorial Auditorium as a stand-alone development.

Exploration of Public/Private Partnership

Redevelopment of this block is necessary to chart the direction for key capital activities in the downtown, activate underutilized properties, address the City’s chronic housing shortage and replace blight and potential liability with a range of public benefits.

In the summer of 2023, two local developers – Eric Farrell and Joe Larkin – gained site control of the three privately held parcels in the middle of the block and approached the Administration with a proposal to explore a partnership with the City on a redevelopment that would meet many of the City’s goals, and the goals identified through the public process that CEDO undertook in 2018. The Administration brought this proposal to the City Council in the fall of 2023, outlining this opportunity for partnership with a local, experienced development and management team, with a proven track record of performance in Burlington, including under Development Agreement(s) with the City, site control of a portion of the block, a vision that aligns with key City goals and comes from a love for Burlington and a long record of securing major project financing.

In November of 2023, the City Council passed, pursuant to public consideration, a resolution supporting further exploration for this opportunity, and authorizing the Mayor to sign a Letter of Intent (LOI) to explore the feasibility of entering into a development agreement to provide the framework for comprehensive redevelopment of the block. The LOI was edited to incorporate City Councilor comments and executed on November 9, 2023.

Since that time, with the help of real estate development consultant, Jeffrey Glassberg, the City has been working closely with Eric Farrell and Joe Larkin to gain consensus on key terms and direction to advance the public interest. CEDO also presented the redevelopment concept at the Ward 1, Ward 2/3, Ward 5 and Ward 6 NPA Meetings (CEDO received no response from Ward 4/7 and Ward 8 to our request). Public feedback from these sessions generally supported taking a comprehensive approach

(looking at the whole block) and recognized that there is an urgent need to expand our housing stock and address the future of Memorial Auditorium. There was also support for maintaining the veterans' memorial plaques on site and for a generous amount of civic space, including space for youth programming.

Proposed Next Steps / Pre-Development Agreement

The City is now proposing to enter into a Pre-Development Agreement that will set the foundation for future agreements. The proposed Agreement sets a schedule for the due diligence required to determine the feasibility and deal structure for a comprehensive redevelopment of this important part of our downtown. The Pre-Development Agreement outlines processes and a timeline for completing physical, financial and programmatic due diligence that, if determined feasible, will lead to the development of a set of binding agreements for implementation of the redevelopment project. In this agreement, the area being considered for redevelopment is referred to as the "Memorial Block," as an homage to the landmark building that anchors its southeast corner (see ortho photo map of the subject area appended to the Council's authorizing resolution).

At this time, the Parties anticipate that the project will include a mix of housing, hotel, and commercial uses, both indoor and outdoor civic space and below grade public parking to serve the block and surrounding area. The new development is expected to include all of the parcels that have frontage on Main Street as well as the Central Fire Station and surface parking lots between the library and the church. It is anticipated that the City will maintain ownership of its land underlying the development and that the improvements will revert back to the City in the future.

The work being proposed under the pre-development agreement includes:

- Physical Due Diligence – including further evaluation of the feasibility of preserving and re-purposing portions of the Memorial Auditorium, including the memorial plaques in the lobby area;
- Programmatic Due Diligence – including the development of a detailed program of uses and conceptual plans, market feasibility assessment, regulatory feasibility assessment, preliminary budget, and appraisals;
- Developer Due Diligence – confirmation of capacity to implement the development plan;
- Central Fire Station Relocation Feasibility – including the exploration of a new public safety facility which is intended to meet the near- and long-term public safety needs of the City. CEDO will be working closely with the Fire Department and other departments to ensure the public safety needs of the first responders and the community are incorporated. The City will be responsible for identifying a location and providing specifications for the new facility. It is anticipated that the Developer will finance the construction of the new facility and the City will make lease payments until such time that the City has the capacity to bond for its purchase.
- Further Agreements & Implementing Documents - if the City and Developer determine the project is feasible at the end of the due diligence period, the Parties will negotiate a Development Agreement detailing reciprocal commitments and then a ground lease, or other implementing documents, to convey the right of development to the Developer and to dictate what the City will receive in return. The City development team acknowledges the Council's stated objective to retain ownership of the existing public property that is included in the redevelopment area, and will endeavor to ensure continued public ownership of the same.

- Public Engagement - as indicated in the LOI, there is a commitment to include the public in the process of re-envisioning this area. The role for public input will inform the priorities for the new civic spaces to be incorporated into the redevelopment. We also anticipate making regular updates to City Council as we move through the Due Diligence period. As the project progresses past due diligence, the Developer will commit to a design process that engages public participation and solicits public feedback.

This agreement grants the Developer a period of nine months to conduct due diligence and present the City with a proposal. This agreement is a binding commitment on the City’s part to give the Developer the requisite time to investigate the property and propose a project that is responsive to the City’s needs and wishes and is desirable and financially feasible. While the City is obligated to act in good faith under this agreement, the City is not obligated to accept the Developer’s proposal or to proceed beyond the due diligence phase.

Proposed Timeline

March 2024	Execution of Pre-Development Agreement
July 2024	Determination of developer capacity
October 2024	Determination of Central Fire Station relocation feasibility
December 2024	Determination of viability of the project
June 2025	Development Agreement and Implementing Documents
November 2026	Construction start

Conclusion

The PDA is essentially an agreement for the parties to work diligently and exclusively in pursuit of a mutually beneficial arrangement to advance the greatest public good with these municipal assets. As stated in the opening paragraph of this memo, this Pre-Development Agreement creates a schedule for the due diligence required by both parties to determine the feasibility and financial, legal and operating structure for a comprehensive redevelopment of this important part of our downtown. This agreement and the work that will result from its adoption will lay the foundation for future agreements needed to bring this concept to fruition.

Attachments

- Memorial Block Pre-Development Agreement
- Memorial Block Pre-Development Resolution
- Gateway Block Redevelopment Presentation to CC (found at this link [2024_02_26](#))
- November 6, 2023 City Council Resolution: “Support for the Redevelopment of the Gateway Block Through Further Due Diligence of a Public-Private Partnership”
- Letter of Intent executed November 9, 2023