

CITY OF MANASSAS PARK - STAFF REPORT/RECOMMENDATION

REQUESTING DEPARTMENT: *City Manager*

MEETING DATE: *June 16, 2020*

SUBJECT/TOPIC: *Economic Development Support*

BACKGROUND: If the Governing Body approves Phases III and IV of the City Center Development, successful retail recruitment becomes a realistic option as the following become realities: the requisite parking is established, the City will own retail space now to be able to control leasing to bring in businesses, and finally a space for the commercial anchor is now available. With this new reality, and especially because the City will be leasing retail space that it owns, the City will need the support for three aspects of this work:

1. Retail Recruitment Consulting
2. Retail Recruitment
3. Negotiating and Finalizing Leases and/or Property Sale Agreements

To give the City the best chance for success for our new Downtown, City Staff needs the support of an expert retail recruiter. In addition to the Downtown, the City needs support for the following items to maximize commercial tax revenue gains for the City: 1. The eventual completion of the Kent Village Square Commercial development if the City is successful in relocating Public Works; 2. The future redevelopment of the Rte. 28 Manassas Park Shopping Center; and 3. The sale of the City's Rte. 28 property to a restaurant establishment(s).

The City Manager has engaged with multiple retail recruitment firms over the last 3 years. However three key issues have prevented the City Manager from recommending contracting their services: 1. These companies charge high annual fees; 2. The fees are not tied to actual results like LOIs (Letters of Interest) and securing actual deals; and 3. Their expertise are usually with national chains solely and not with regional and "mom and pop" businesses that are our prime targets for our Downtown.

Fortunately, the City Manager has been working with a local (Prince William County based) small business named HGIS, LLC over the last year+. HGIS is in tune with local (including "mom and pop" establishments), regional, and national businesses (retailers, restaurants, and entertainment venues) and developers. They have been bringing businesses to meet with the City Manager as the City Manager prepares to move into full business capture mode upon gaining approval of Phases III and IV of the Downtown. The performance of HGIS has been so wonderful, including the securing of the movie theater chain CinemaCafe LOI and a local coffee shop LOI to partner with our future Downtown Library, that the City Manager seeks permission from the Governing Body to retain the services of HGIS over the next few years (via an Agreement) to help the City achieve our commercial development goals.

This is a much more efficient and effective solution for the City when compared to the hiring of an Economic Development Coordinator staff position. While an Economic Development Coordinator helps add staffing strength for local business initiatives, they are not as capable when it comes to actually attracting retail/restaurant/entertainment establishments to a locality and come at a much higher cost. Finally, while other firms charge high annual fees and are not open to flexible arrangements based on payments based on actual results, HGIS has agreed to a results based agreement with the City with a smaller annual fee:

Monthly Economic Development Consulting

- **Monthly Consulting support payment of \$1K-** HGIS will introduce the City Manager to businesses as part of recruitment, will recommend businesses to recruit, and will support the City manager in negotiations with businesses and developers.

Business Capture Payments:

- **LOI Bonus (\$1K)-** a bonus provided to HGIS for each letter of interest they secure for the City, specifically for anchor businesses targeted by the City Manager (per year- up to 5 Theaters or entertainment venues if theater is half sized, and 5 Grocers), City Manager targeted businesses for the City's Rte. 28 property (no more than 3 per year), and for businesses targeted by the City Manager for the City ground floor retail as part of its new City Hall (no more than 5 per year).
- **Business Capture Bonus (\$2K) for City Owned Properties or Anchors-** a bonus provided to HGIS for when a business decides to locate in the City and signs a contract. Eligible businesses include- Movie Theater (and entertainment business if theater is smaller- \$2K for each) for Phase III, Entertainment Anchor after 2024 for Phase III, a Grocer for Phase V (or another part of the City), and for retail/restaurant businesses that locate in the City Hall ground floor spaces.
- **Developer Capture Bonus (\$5K)-** a bonus provided to HGIS for when a Developer is secured to develop: Phase V when the City manager is ready to engage in this effort (unless it is an existing developer that the City Manager has already engaged with prior); Rte. 28 Shopping Center redevelopment; and Kent Village Grocer Developer or Grocer itself if they are not working with a developer, contingent on Public Works moving out of their current building.
- **Business Capture Bonus (\$1K) for Privately Owned Properties-** for properties that the City does not own but which are located in the City's Downtown or in the Rte. 28 Shopping Center when it is redeveloped, a bonus will be provided to HGIS for when HGIS brings businesses (restaurants, retailers, entertainment venues, and/or office users) to the private owner and a lease is signed.
- **2% Tenant Lease Value Payment-** a Tenant will be required by the City to pay HGIS an annual 2% fee- 2% of the value of the annual lease- if HGIS secured the lease for the City in a City owned property.

Property Acquisition Representation for Building B and Rte. 28 Parcel:

- **Building B-** Anchor Business will pay HGIS a fee equivalent to 2% of the value of the construction costs (not to include developer fees) for their portion of Building B if HGIS secured the contract with the business – i.e. HGIS brought the business to the City and helped negotiate the deal with the City and Norton Scott.
- **Rte. 28 Property-** Buyer(s) will pay HGIS a fee equivalent to 2% of the market rate for sale of our Rte 28 property if HGIS secured the contract with the buyer (brought the developer/business(es) to the City and helped negotiate the deal with the City).

Again, to give the City the best chance of success for our new Downtown, City Staff needs the support of HGIS, LLC.

FY 21 FINANCIAL IMPACT: Estimated at \$30K - \$12K per year fixed fee - \$18K estimated in bonuses for retail success	Budgeted:	YES _____ NO <u>X</u> _____
	Amount Budgeted:	\$30,000.00
	Amount Spent:	\$0
	Amount Requested:	\$30,000.00
	Budget Line Item:	100-81500-3160-00-00 Economic Professional Services

STAFF RECOMMENDATION: *That the Governing Body authorize the City Manager negotiate two separate Agreements with HGIS, LLC to cover Consulting Support in the first agreement and Retail Capture Bonuses and Lease & Purchase Percentage Fees in the other agreement; and to bring these two agreements back to the Governing Body after City Attorney review.*

CITY MANAGER APPROVAL:	 _____ Laszlo A. Palko, City Manager
CITY ATTORNEY APPROVAL: Required: _____ Not Required: _____	_____ Dean H. Crowhurst

ATTACHMENTS:

1. None