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|  <p style="text-align: center;">Council Communication Office of the City Manager</p> | Date: June 23, 2014 |
| | Agenda Item No. 39 Roll Call No. <u>14-0967</u> Communication No. <u>14-317</u> Submitted by: Matthew A. Anderson, Assistant City Manager |

AGENDA HEADING:

Amendment of Development Agreement and related documents to provide for transfer of ownership entity for redevelopment and consent to amendment of condominium documents for 900 Cherry Street, Des Moines Social Club (DMSC).

SYNOPSIS:

The DMSC (Zachary Mannheimer, Executive Director, 900 Cherry Street, Des Moines, IA) is requesting the transfer of the ownership entity for the former central fire station property from the DMSC to a new entity known as DMSC Building (Justin Lossner, President and Secretary) as required by the federal New Markets Tax Credits program which is providing additional project financing. The ownership change will require amendment of the Development Agreement between the City and the DMSC and related documents including the agreement for payment in lieu of taxes. This change will not impact DMSC’s operations since it will remain as master tenant in charge of all operational aspects of the property.

DMSC is also requesting consent from the City to an amendment to the condominium declaration documents.

These items are recommended for approval.

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

New Markets Tax Credit

In December 2012, DMSC purchased the former central fire station property at 900 Mulberry Street from the City to reuse the property as an arts incubator providing a wide range of arts, cultural, and educational events. Financing for the construction and related items included corporate and individual donations and a bank loan for the project totaling about \$4 million dollars in addition to state and federal historic tax credits totaling about \$1.7 million.

Since that time, over \$2 million from the federal New Market Tax Credit program has been obtained which will allow all loans to be repaid and allow DMSC to become debt-free by 2021. To be able to use the credits, federal regulations require a new ownership entity for tax purposes. The new ownership entity – DMSC Building – has been created as a 501 (c)(2) wholly-owned non-profit real estate holding company of DMSC. Various documents relating to the sale of the property now need to be amended to reflect the new ownership. The proposed amendments are appropriate and allow for the necessary property transactions related to obtaining the New Market Tax Credits for DMSC.

The use of the New Markets Tax Credits in this project represents a change in the five (5) year business plan presented to the City when DMSC undertook purchase of the property. Staff believes the use of these credits to assist in completing the project in the manner envisioned by the Council as a high quality, historical renovation of the property appropriate.

Condominium Documents

The owners have created a horizontal property regime to create six (6) commercial condominium units which was previously approved by the City as part of the Development Agreement. The lenders are requiring an amendment to the condominium documents to clarify that an owners association is not needed at the present time since all condo units will continue to be owned by the same entity after closing. City consent is recommended for the proposed amendment to the condominium documents.

PREVIOUS COUNCIL ACTION(S):

Date: July 29, 2013

Roll Call Number: [13-1204](#)

Action: [First](#) Amendment to Real Estate Purchase Installment Contract – Sale of Land for Private Development with Des Moines Social Club for Development of old Fire Station No. 1, 900 Mulberry Street to clarify requirements for use of space in the buildings. ([Council Communication No. 13-390](#)) Moved by Coleman to adopt. Motion Carried 7-0.

Date: December 17, 2012

Roll Call Number: [12-1944](#)

Action: [Conceptual](#) Development Plan for the restoration and renovation of Central Fire Station No. 1 by Des Moines Social Club. ([Council Communication No. 12-615](#)) Moved by Hensley to adopt; refer to the City Manager to set up a meeting with the Des Moines Social Club to discuss landmark designation options. Motion Carried 7-0.

Date: December 3, 2012

Roll Call Number: [12-1875](#), [12-1876](#), [12-1877](#) and [12-1878](#)

Action: Items regarding the rezoning of 900 Mulberry Street (existing Central Fire Station):

- (A) [Amend](#) the Des Moines 2020 Community Character Land Use Plan future land use designation from Downtown Support Commercial to Downtown: Retail/Office Core/Core Fringe. Moved by Hensley to adopt and to approve the proposed amendment. Motion Carried 7-0.
- (B) [Hearing](#) on rezoning of the property from “C3-A” (Central Business District Support Commercial) to allow use as the Des Moines Social Club with theater, restaurant and nightclub assembly venues. Moved by Hensley to adopt and approve the rezoning, subject to final passage of the rezoning ordinance. Motion Carried 7-0.
- (C) [First](#) consideration of the ordinance above. Moved by Hensley that this ordinance be considered and given first vote for passage. Motion Carried 7-0.

- (D) [Final](#) consideration of ordinance above (waiver requested by City Manager), requires 6 votes. Moved by Hensley that the rule requiring that an ordinance be considered and voted on for passage at two Council meetings to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#15,149](#). Motion Carried 7-0.

Date: December 3, 2012

Roll Call Number: [12-1872](#), [12-1873](#), and [12-1874](#)

Action: [On](#) vacation of alley right-of-way, Central Fire Station No. 1 at 900 Mulberry Street. Moved by Hensley to adopt. Motion Carried 7-0.

- (A) [First](#) consideration of ordinance above. Moved by Hensley that this ordinance be considered and given first vote for passage. Motion Carried 7-0.
- (B) [Final](#) consideration of ordinance above (waiver requested by Legal Department), requires six votes. Moved by Hensley that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#15,148](#). Motion Carried 7-0.

Date: October 22, 2012

Roll Call Number: [12-1643](#) and [12-1644](#)

Action: [On](#) sale by installment contract of City-owned property in the vicinity of 900 Mulberry Street (Central Fire Station No. 1) to Des Moines Social Club, \$600,000. ([Council Communication No. 12-552](#)) Moved by Hensley to adopt. Motion Carried 7-0.

- (A) [Communication](#) from Des Moines Social Club. Moved by Mahaffey to receive and file. Motion Carried 7-0.

Date: October 8, 2012

Roll Call Number: [12-1588](#) and [12-1589](#)

Action: Items regarding property in the vicinity of 900 Mulberry Street (Central Fire Station No. 1):

- (A) [Directing](#) the Community Development Department and Plan and Zoning Commission to consider rezoning. Moved by Hensley to adopt. Motion Carried 7-0.
- (B) [Setting](#) date of hearing on sale by installment contract of City-owned property to Des Moines Social Club, \$600,000, (10-22-12). ([Council Communication No. 12-540](#)). Moved by Hensley to adopt; refer to City Manager to set up a meeting with the Des Moines Social Club Board of Directors prior to the hearing. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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