

COUNCIL COMMUNICATION

	Number:	21-561	Meeting:	December 20, 2021
	Agenda Item:	50	Roll Call:	21-1934
	Submitted by:	Matthew A. Anderson, Deputy City Manager		

AGENDA HEADING:

Resolution approving the sale of the former Central Fire Station No. 1 property located at 900 Mulberry Street, for the Des Moines Social Club to a partnership of local owners, comprised of Todd Millang, Tyler Dingel, and Paul Rottenberg.

SYNOPSIS:

The property located at 900 Mulberry Street and commonly known as Central Fire Station No. 1, was purchased from the City of Des Moines by the Des Moines Social Club in 2013 for a total of \$600,000. The Des Moines Social Club used the building for programs that supported the arts, non-profits, and included retail and restaurant uses. The Des Moines Social Club invested over \$6,900,000 in historic renovations to the facility that surpassed their fund-raising total of \$4,300,000 and causing constant pressure on their operating funds. The property is being acquired by a partnership of local investors with other real estate and business holdings in downtown Des Moines. As part of the agreement, Section 82 of the Purchase Installment Contract, the City of Des Moines must provide written approval to authorize the sale of the building to a new entity.

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

- On October 22, 2012, the City Council approved an installment purchase contract with the Des Moines Social Club to purchase city owned real estate located at 900 Mulberry Street, commonly known as Central Fire Station No. 1, for the headquarters of the Des Moines Social Club, office space for non-profit entities that promote the arts and cultural activities in the community, theater, retail, and restaurant uses. The agreed to sale price of \$600,000 would be paid to the City of Des Moines in three (3) equal installments of \$200,000. This requirement was satisfied in 2013.
- The Des Moines Social Club worked with the State Historic Preservation office to approve over \$6,900,000 in historic renovations to the property. Their capital campaign was able to raise \$4,300,000, leaving a gap of over \$2,600,000 needed for the renovations and placing the Social Club in a situation where funding was always stretched to cover any costs of operation.
- On March 8, 2013, the City of Des Moines approved an Agreement for Payment in Lieu of Taxes (PILOT). The agreement states starting July 1, 2014, the owner of the property shall pay to the City of Des Moines a payment of in lieu of taxes in the amount of \$10,000 each fiscal year. This amount shall be paid in two (2) equal installments of \$5,000 each on or before

October 1 and April 1 of each fiscal year. The obligation to pay the payments in lieu of taxes shall run with the land and shall be binding upon the present owners, its heirs, successors, and assigns.

- The City of Des Moines agreed to waive approximately \$15,000 of PILOT payments in exchange for DMSC removing the lattice tower from the courtyard area of the site. The tower has not been removed and any PILOT payments due to the City will be paid at the time of closing.
- The Real Estate Purchase Installment Contract states that all requirements for identified uses of space within the Firehouse Building and the Shop Building shall terminate on December 31, 2023. The requirement for PILOT shall also expire on December 31, 2023. To facilitate the sale of the property to the Millang team and place the property fully on the tax rolls for the first time in its history, it is requested that the City terminate and release all obligations under the contract.
- In April of 2021, DMSC Building placed the property on the market for sale. There were three (3) offers that came in with Abbott Properties being selected highest bidder. However, after due diligence, Abbott Properties decided to pass on the property and the transition board relisted the property and selected the Millang team's offer of \$2.3 million.
- The Purchase Installment Contract allows for the City to receive 50% of any net proceeds upon sale of the building. Because the amount invested by DMSC exceeds the fair-market-value sale price, the net proceeds as defined by the Contract is \$0. However, it is anticipated that there will be remaining funds at closing after all outstanding debts have been repaid. To foster DMSC's original arts-related mission, the Firehouse Board of Directors intend to place any excess proceeds with organizations that support the arts in the Des Moines area.
- The Des Moines based investment partnership, headed by Todd Millang, has a portfolio of properties and businesses in the downtown area of Des Moines that include historic properties that have been renovated for new uses and include restaurants, which the partnership owns, including Malo, RoCA and Johnny's Hall of Fame on Court Avenue. The ownership team has over 40 years in commercial real estate and over 35 years of restaurant experience.
- The partnership is working with a design team to redesign the existing vacant space and to market those spaces to commercial tenants. Work on the interior spaces will begin in spring of 2022.

PREVIOUS COUNCIL ACTION(S):

Date: September 13, 2021

Roll Call Number: [21-1422](#)

Action: [Releasing](#) terms, covenants and restrictions of Development Agreement and releasing PILOT Agreement Obligations for Old Central Fire Station No. 1 property – 900 Mulberry Street. ([Council Communication No. 21-395](#)) Moved by Mandelbaum to adopt. During the due diligence period, Abbott Properties is requested to meet with interested parties from adjacent residential properties to discuss the proposed redevelopment and operations plan for the property. Topics will include, but are not limited to hours of operation, security, lighting, and parking. Motion Carried 6-1. Absent: Westergaard.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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