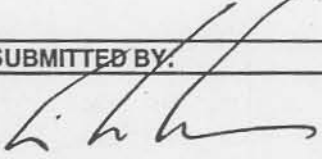


**OFFICE OF THE CITY MANAGER
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-059
FEBRUARY 5, 1996 AGENDA**

SUBJECT:	TYPE:	PREPARED BY:	SUBMITTED BY:
YOUNKERS WAREHOUSE DEVELOPMENT PROJECT	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR	 ERIC A. ANDERSON CITY MANAGER

SYNOPSIS —

On the February 5, 1996, Council agenda is a roll call to designate Water Tower Development Corporation as the preferred developer and to authorize the execution of the Agreement for Sale of Land for Private Development for the purchase and rehabilitation of the Younkens Warehouse property.

Under the proposal, the City would be paid \$450,000 for the property. Iowa Appraisal and Research has reviewed the proposal and has determined that the amount offered is more than reasonable based on the uses proposed. The proposal calls for 70-90 residential condominium units with about 5,500 square feet of commercial space on the ground floor.

The proposed financing for the project is in the form of \$1 million in equity supplied to Water Tower Development Corporation in the form of a profit participation loan from Mr. Larry Mizel of Denver, Colorado, with construction financing in an amount of \$7-9 million from Bankers Trust. Total project costs are estimated to be approximately \$12.8 million. Construction of the project is expected to commence in March 1996 with a completion date scheduled for September 1996.

The developer has agreed to enter into a Minimum Assessment Agreement establishing a minimum assessed value of \$8 million for the project. Of the \$8 million, \$800,000 will be allocated to commercial uses, and \$7.2 million will be allocated to residential uses. Residential improvements are eligible for five-year, 100 percent tax abatement plus an additional five-year declining schedule on the value added by the improvements because the project is located within an urban renewal area. Commercial uses must utilize the three-year, 100 percent tax abatement schedule on the value added by the improvements.

FISCAL IMPACT —

The City will receive \$450,000 for the sale of the property which is \$28,000 less than the City's purchase price in 1993, which was funded through tax increment financing.

Total consolidated property tax revenue generated by the project over 15 years has been estimated at \$1,917,000 taking into account the affects of tax abatement and assuming the current millage rate and an assessed value of \$8 million. A residential rollback was also assumed.

The assessed value of the property prior to the 1993 flood and the City's purchase was \$494,100. Utilizing this assessed value and the current millage rate, approximately \$317,000 of consolidated

property tax revenue would have been generated over the 15-year period. Therefore, the net increase in consolidated property tax revenue after 15 years is estimated to be \$1.6 million.

RECOMMENDATION —

Approval of Water Tower Development Corporation as the City's preferred developer for the purchase and rehabilitation of the Younkers Warehouse property and approval and authorization to execute the Agreement for Sale of Land for Private Development for Disposition Parcel No. 6/Riverpoint Capitol-Center Development Area Urban Renewal Project.

BACKGROUND —

The City initiated the competitive urban renewal offering for the purchase and rehabilitation of the Younkers Warehouse property on December 22, 1995. Only one proposal from Water Tower Development Corporation was received at a joint meeting of the Urban Renewal Board and the Architectural Advisory Committee on January 23, 1996.

The proposal submitted by Mark A. Kline, President, Water Tower Development Corporation, calls for the rehabilitation of the Younkers Warehouse building for approximately 79-90 residential condominium loft units with approximately 5,500 square feet of commercial space at the east end of the ground floor. The basement level will be converted to provide inside parking.

The Tone building is proposed to be retained, if it does not become necessary to demolish the structure to provide space for additional required parking. If retained, the Tone building is proposed to be rehabilitated to provide eight two-level townhouse units along SW 2nd Street and Market Street with utilization of the remaining space for a community facility to serve the residents. The eight two-level units have the potential for first-level retail/service uses.

The proposal also leaves open the potential for the construction of a two-level parking structure (similar to the one at 100 Court Avenue) on the northeast quadrant of the property, if economically feasible. The parking structure could contain street level retail/service space to serve the residents of the area.

Members of the development team as outlined in the proposal include Mark A. Kline, President, Water Tower Development Corporation as developer; Kirk Blunck, Herbert Lewis Kruse Blunck as project architect; Joe Simmons, Bluesky Studios, Denver, as consultant architect; Graham Construction as general contractor; and Iowa Realty for marketing.

The Architectural Advisory Committee reviewed the proposal at its meeting of January 30, 1996 and found that the proposal met the Minimum Development Requirements and recommended its acceptance by the City. The Urban Renewal Board, at its meeting of January 31, 1996, reviewed the proposal and found that the proposal met the Minimum Development Requirements and recommended its acceptance by the City.

City staff has evaluated the proposal and determined that it has met the submission requirements and Minimum Development Requirements.

In accordance with the agreement, the developer has 60 days from its execution to submit to the City final evidence of financing and final construction plans for Council approval. After Council approval of the final evidence of financing and final construction plans, the property will be conveyed to the developer.