

OFFICE OF THE CITY MANAGER  
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 96-259  
JUNE 17, 1996 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
HOUGHTON PROPERTIES' REDEVELOPMENT PROPOSAL	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR

**SYNOPSIS —**

Houghton Properties previously submitted a developer-initiated proposal to redevelop Disposition Parcel No. 20B/Guthrie Avenue Business Park (south of Guthrie Avenue between vacated Dixon Court and E. 18th Street - 2101 Dixon Street). The redeveloper is proposing to construct 54,400 sq. ft. of flex space in two buildings (Stage I - 32,400 sq. ft. and Stage II - 22,000 sq. ft.) on the approximate 3.7-acre parcel.

On the June 17, 1996, Council agenda are four roll calls that request Council to:

1. Execute the Agreement to Purchase Land for Private Redevelopment;
2. Approve the redeveloper's evidence of financing and final design plans;
3. Authorize the execution and delivery of the Special Warranty Deed for a portion of Disposition Parcel No. 20B; and
4. Execute a License Agreement to conduct grading and site preparation work.

**FISCAL IMPACT —**

Sale proceeds of \$180,000 for Disposition Parcel No. 20B will be deposited into the Guthrie Avenue Business Park Account. The property will be sold in two stages. Stage I will be sold immediately for \$118,850. Stage II will be sold for \$61,150 as soon as the City acquires clear title to the property. No real estate commission will be paid because no real estate broker has been retained by Houghton Properties to secure acceptance of the redevelopment proposal.

**RECOMMENDATION —**

Approve the four roll calls regarding Houghton Properties' redevelopment proposal for Disposition Parcel No. 20B/Guthrie Avenue Business Park.

**BACKGROUND —**

On May 6, 1996, by Roll Call No. 96-1686, the City Council accepted the redevelopment proposal submitted by Houghton Properties, subject to receipt of any competing proposals. Houghton Properties proposes to construct 54,400 sq. ft. of flex space in two buildings (Stage I - 32,400 sq. ft. and Stage II - 22,000 sq. ft.) on approximately 3.7 acres south of Guthrie Avenue between vacated Dixon Court and E. 18th Street in the Guthrie Avenue Business Park. This project will complete redevelopment of the entryway into the business park.

Houghton Properties is an Iowa partnership that was organized in December 1995. The company is involved in the development of commercial and industrial flex space. Jonathan Houghton is the President of Houghton Properties. There are three owners of the company. Mr. Houghton's children,

Hiram, Tiffany and Jaclyn Houghton of 9922 Tanglewood, Urbandale, Iowa, each own one-third of the business.

The proposed development will allow Houghton Properties to lease space to Des Moines businesses that would like to expand in Des Moines or businesses that intend to relocate to the area. This project will be Houghton Properties' first flex space development in the City of Des Moines.

#### Urban Renewal Agreement

The offering period was authorized by Council with competing proposals to be received by the Urban Renewal Board at their June 11, 1996, meeting which was subsequently rescheduled to June 12, 1996. No competing proposals were received. The redeveloper has provided the information required to proceed with execution of the urban renewal agreement and conveyance of the property.

#### Evidence of Financing

The urban renewal agreement requires that the developer provide sufficient evidence of financing to purchase the disposition parcel and construct the proposed improvements. There will be two stages of development. The estimated cost of land acquisition is \$180,000, and site preparation and building construction is \$1.3 million for a total project cost of approximately \$1.5 million. Stage I of the development is estimated to cost \$860,000.

Houghton Properties has submitted a letter of commitment dated June 7, 1996 from Mercantile Bank of Des Moines, Iowa which states it will provide \$540,000 of the Stage I project costs including construction and permanent financing. Houghton Properties has provided a letter of commitment dated June 7, 1996 that states it will contribute \$320,000 in Stage I equity as the balance of funds necessary to complete the project.

On June 12, 1996, the Urban Renewal Board unanimously recommended that the evidence of financing as submitted by Houghton Properties for the Stage I project be approved.

#### Final Design Plans

Houghton Properties has submitted final design plans for approval by the City, including a lighting and signage plan. The design plans comply with the conditions of the project as approved by the City Council on May 6, 1996. On June 12, 1996, the Urban Renewal Board unanimously recommended that the final design plans be approved, provided that the maximum use of metal will be limited as shown on the proposed alternate west elevation, the use of metal and/or glass on the alternate west elevation will be symmetrical, and that metal panels no more than a total of 25 feet wide will be used between the glass storefronts on the alternate west elevation.

#### Special Warranty Deed

The urban renewal agreement requires that evidence of financing and final design plans be submitted and approved prior to conveyance of the disposition parcel by special warranty deed. The City has title to a majority of the 3.7-acre parcel to be conveyed to Houghton Properties. Although the City is in possession of the north one-third of the parcel, the prior owner is appealing the price that the condemnation panel awarded in October 1995. September 23, 1996 is the court date for the jury to hear the appeal. It is anticipated that title to the north one-third of Disposition Parcel No. 20B will be transferred to the developer on or before October 1, 1996. As a result, the City will convey the disposition parcel in two stages. The redeveloper has met all requirements and is requesting conveyance of the property.

License Agreement

In order to control costs and develop the project effectively, Houghton Properties is requesting authorization to conduct grading and site preparation work prior to the City conveying title to all of Disposition Parcel No. 20B. The License Agreement will stipulate the developer conduct the work at its sole cost and risk of obtaining title to the property.