

OFFICE OF THE CITY MANAGER  
DES MOINES, IOWA

ITEM 81

CITY COUNCIL COMMUNICATION 97-100  
FEBRUARY 24, 1997 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
HOUGHTON PROPERTIES STAGE II PROJECT	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT A. STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR

**SYNOPSIS —**

Council previously accepted a developer-initiated proposal from Houghton Properties to redevelop Disposition Parcel No. 20B ("Property")/ Guthrie Avenue Business Park. The Redeveloper has constructed the 32,400 sq. ft. Stage I building and is requesting approval of evidence of financing and final design plans for the 22,000 sq. ft. Stage II building. Disposition Parcel No. 20B, which is approximately 3.7 acres, is located south of Guthrie Avenue between vacated Dixon Court and E. 18th Street.

**FISCAL IMPACT —**

Disposition Parcel No. 20B was to be sold in two stages. The Stage I property, which includes the south two-thirds of the parcel, has been sold for \$118,850 and proceeds have been deposited into the Guthrie Avenue Business Park Account. The Stage II property, which includes the north one-third of Disposition Parcel No. 20B, will be sold for \$61,150 as soon as the City clears 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 evidence of financing and final design plans submitted by Houghton Properties for the Stage II Project on 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 for Disposition Parcel No. 20B submitted by Houghton Properties, subject to receipt of any competing proposals. Houghton Properties proposed 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.

On June 17, 1996, by Roll Call Nos. 96-2187 through 96-2189, the City Council approved execution of the Agreement with Houghton Properties for redevelopment of the Property, final design plans for the Stage I building and site and landscaping plans for all of the Property, and the Special Warranty Deed for approximately the south two-thirds of the Property.

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. The court date for the jury to hear the

appeal has been rescheduled two times and is set for April 7, 1997. The Redeveloper may take title to the north one-third of the parcel prior to the decision on appeal if it believes the City will pay the final amount determined on appeal, thereby clearing title to the property. It is anticipated that title to the north one-third of Disposition Parcel No. 20B will be transferred to the developer by May 1997.

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 is allowing 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 is Houghton Properties' first flex space development in the City of Des Moines. The Stage I project is nearly completed. At the present time, approximately 14,400 sq. ft. of the 32,400 sq. ft. Stage I building is leased.

#### Evidence of Financing

The urban renewal agreement requires that the developer provide sufficient evidence of financing to construct the proposed improvements. The cost of the north one-third of Disposition Parcel No. 20B is \$61,150, and site preparation and Stage II building construction is \$550,000, for a total project cost of approximately \$611,000.

Houghton Properties has submitted a letter of commitment dated February 13, 1997 from Mercantile Bank of Western Iowa which states it will provide \$750,000 of the Stage II project costs including construction and permanent financing. Houghton Properties has provided a letter of commitment dated February 14, 1997 that states it will contribute \$250,000 in Stage II equity. Sufficient funds are available to complete the project.

On February 18, 1997, two members of the Urban Renewal Board met and informally recommended that the evidence of financing as submitted by Houghton Properties for the Stage II project be approved.

#### Final Design Plans

Houghton Properties has submitted Stage II 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 February 18, 1997, two members of the Urban Renewal Board met and informally recommended that the final design plans be approved.