

**CITY COUNCIL COMMUNICATION 98-008  
JANUARY 5, 1998 AGENDA**

**SUBJECT:**

**DEVELOPER-INITIATED PROPOSAL—  
HOUGHTON PROPERTIES/PARCEL 10A/  
GUTHRIE AVENUE BUSINESS PARK  
(1900 DIXON STREET)**

**SUBMITTED BY:**

**JAMES GRANT  
COMMUNITY DEVELOPMENT DIRECTOR**

**SYNOPSIS –**

Houghton Properties previously submitted a developer-initiated proposal to redevelop Disposition Parcel No. 10A/Guthrie Avenue Business Park (south of Thompson Avenue between vacated Dixon Court and Dixon Street - 1900 Dixon Street). The Redeveloper is proposing to construct a 61,200 sq. ft. office, distribution and light industrial flex space building on the approximate 3.3 acre parcel.

On the January 5, 1998 Council agenda are three 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; and
3. Authorize the execution and delivery of the Special Warranty Deed for Disposition Parcel No. 10A.

**FISCAL IMPACT –**

Sale proceeds of \$143,300 for Disposition Parcel No. 10A will be deposited into the Guthrie Avenue Business Park account, minus a deduction of up to \$127,000 only if Houghton Properties completes the demolition, removal, and backfill work on the property in accordance with City standards, and provides the City with satisfactory documentation of its costs and expenses. 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 three roll calls regarding the redevelopment proposal for Disposition Parcel No. 10A/Guthrie Avenue Business Park.**

## **BACKGROUND –**

### **Developer-Initiated Proposal**

On November 17, 1997, by Roll Call No. 97-3776, the City Council accepted Houghton Properties' redevelopment proposal for Disposition Parcel No. 10A/Guthrie Avenue Business Park, subject to receipt of competing proposals by December 23, 1997. No competing proposals have been received. The Redeveloper proposes to construct a 61,200 sq. ft. office, distribution and light industrial flex space building on approximately 3.3 acres located south of Thompson Avenue between vacated Dixon Court and Dixon Street (1900 Dixon Street). This project will be located approximately 260 feet south of Van Meter Industrial' s 21,515 sq. ft. office/distribution facility and west of Corporate Image' s/Library Binding Service' s 42,475 sq. ft. light manufacturing facility.

Houghton Properties is an Iowa partnership that was organized in December, 1995. 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 Drive, Urbandale, Iowa, each own one-third of the business.

Houghton Properties is involved in the development of commercial and industrial flex space. In 1997, the Redeveloper completed two flex space buildings in the Guthrie Avenue Business Park. Houghton Properties built a 32,400 sq. ft. facility at 2101 Dixon Street, and a 22,000 sq. ft. structure at 1771 Guthrie Avenue. Both flex space developments in the Guthrie Avenue Business Park are close to 80 percent occupied. In addition, the Redeveloper has completed two flex space development projects in Urbandale, Iowa. In 1992, Houghton Properties built a 40,000 sq. ft. facility at 2900 Justin Drive. In 1994, the Redeveloper constructed a 40,000 sq. ft. building at 3170 - 100th Street.

The proposed development will allow Houghton Properties to lease a larger amount of space to a single user than is readily available in the local real estate market, and provide additional flex space that is in short supply in East Des Moines. The Redeveloper' s target markets are Des Moines businesses that would like to expand in Des Moines and/or businesses that intend to relocate to the area. This project will be Houghton Properties' third flex space development in the Guthrie Avenue Business Park and in Des Moines. It demonstrates continued investor confidence in the area.

### **Urban Renewal Agreement**

The offering period authorized by Council for receipt of competing proposals has expired. The Urban Renewal Board has received no competing proposals. The Redeveloper has provided the

information required to proceed with execution of the Urban Renewal Agreement and conveyance of the property.

The Urban Renewal Agreement and a previous License Agreement allow Houghton Properties to demolish the existing Waste Transfer Station and remove a trailer from Disposition Parcel No. 10A, as well as to clear an adjacent metal building on City-owned property just south of the parcel. If the Redeveloper completes demolition, removal, and backfill work in accordance with City demolition standards and provides the City with satisfactory documentation of its costs and expenses, the City will deduct up to \$127,000 from the purchase price at closing.

Houghton Properties is requesting an approximate 50-foot wide easement on City-owned lots directly south of Disposition Parcel No. 10A to accommodate share driveway access. The easement will permit the Redeveloper to pave the north 15 feet of Lots 10 and 15 and a portion of the adjoining east half of vacated Dixon Court in Block 10 of T. E. Brown's Official Plat, and to install a 35-foot radius to facilitate truck access. As a result, Houghton Properties will be able to maximize the size of building on Disposition Parcel No. 10A.

The Urban Renewal Agreement mandates that the Redeveloper enter into a Minimum Assessment Agreement of \$1.4 million at the time the property is conveyed.

### **Evidence of Financing**

The Urban Renewal Agreement requires that the Redeveloper provide sufficient evidence of financing to purchase the disposition parcel and construct the proposed improvements. The estimated cost of land acquisition is \$143,300, and site preparation/building construction is \$1.2 million, for a total project cost of approximately \$1,343,000.

Houghton Properties has submitted evidence of financing in the form of a letter of commitment from Mercantile Bank of Western Iowa, which will provide a construction loan and up to \$1 million of permanent financing, and a letter stating that the Redeveloper will contribute \$343,300 in equity as the balance of funds necessary to complete the project.

On November 12, 1997, the Urban Renewal Board unanimously recommended that the City Council accept the evidence of financing submitted by Houghton Properties as sufficient for construction of the proposed improvements on Disposition Parcel No. 10A/Guthrie Avenue Business Park.

### **Final Design Plans**

The Redeveloper has submitted final design plans for approval by the City, including a lighting and signage plan. The design plans comply with the minimum development requirements approved by the City Council on November 17, 1997.

On December 23, 1997, the Urban Renewal Board recommended approval of the final design plans conditioned upon the Redeveloper enlarging the north and south quarter point landscaped islands along the Dixon Street elevation by removing one parking space from each area and

planting grass and an additional tree and shrubs in each location; these landscaped islands shall be 15 to 18 feet wide each, and the Redeveloper shall have the option of adding one parking space each at the north and south ends of the building if needed to replace those deleted. On December 29, 1997, Houghton Properties provided the City with written authorization to make the above-referenced landscaping change on its final design plans.

### **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 Redeveloper has met all requirements and is requesting conveyance of the property.