



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

98-121

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

AGENDA:

APRIL 6, 1998

SYNOPSIS –

SUBJECT:

DEVELOPER-
INITIATED
PROPOSAL– PARCEL
11A GUTHRIE
AVENUE BUSINESS
PARK

JJFPBI, L.C. has submitted a developer-initiated proposal to redevelop Disposition Parcel No. 11A in the Guthrie Avenue Business Park, located south of Thompson Avenue west of Dixon Street (2100 Dixon Street). The redeveloper is proposing to construct a 29,040 sq. ft. office/distribution facility on the approximate 1.3 acre parcel. Ellen Walkowiak with the City’ s Office of Economic Development is coordinating the City activities relative to this project.

TYPE:

On the April 6, 1998, Council agenda are four roll calls that request Council to:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

1. Open and close the public hearing and execute the Agreement to Purchase Land for Private Redevelopment;

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

2. Approve the redeveloper’ s evidence of financing and design plans;

3. Authorize execution and delivery of the Special Warranty Deed for Disposition Parcel No. 11A; and

4. Approve a Minimum Assessment Agreement for the land and building improvements.

FISCAL IMPACT –

Sale proceeds of \$38,850 for Disposition Parcel No. 11A will be deposited into the Guthrie Avenue Business Park Account. This price was previously approved by the City Council in an urban renewal contract executed with the redeveloper in 1993. No real estate commission will be paid because no real estate broker has been retained by JJFPBI, L.C. to secure acceptance of the redevelopment proposal.

RECOMMENDATION –

Approval of four roll calls regarding the redevelopment proposal for Disposition Parcel No. 11A/Guthrie Avenue Business Park.

BACKGROUND –

Developer-Initiated Proposal

On March 23, 1998, by Roll Call No. 98-868, the City Council accepted JJFPBI, L.C.'s developer-initiated proposal for redevelopment of Disposition Parcel No. 11A in the Guthrie Avenue Business Park (2100 Dixon Street) and set April 6, 1998 as the date of public hearing to consider comments prior to entering into an urban renewal contract. Construction is proposed to start in April, 1998 and be completed by October, 1998. This project will be located north of Houghton Properties' new 61,200 sq. ft. building, which will be completed in Fall 1998.

Previously, on April 5, 1993, by Roll Call No. 93-1309, the City Council approved an urban renewal contract with JJF Partners to develop a 21,515 sq. ft. office/distribution facility on the 2.5-acre Disposition Parcel No. 12 located directly north of Disposition Parcel No. 11A. This was the first new development in the Guthrie Avenue Business Park. At that time, Council also extended to JJF Partners a right to purchase Disposition Parcel No. 11A if it notified the City within three years of the date of the 1993 contract that it intended to develop the 1.3-acre parcel. JJF Partners provided written notice in January, 1996, but the City was unable to acquire all property interests immediately. The City has completed all activities for redevelopment and is ready to sell the property.

Since 1996, the redeveloper has revised its development plans. Initially they proposed to construct 14,400 sq. ft. on the 1.3-acre parcel. They have doubled the size of the building to 29,040 sq. ft. The redeveloper is planning to construct the north 20 feet of the building on land JJF Partners owns and develop shared driveway access with Houghton Properties to the south of the structure. This design will allow the developer to maximize the size of the building on Disposition Parcel No. 11A, reduce paving costs, and promote efficiency in

accommodating traffic. The proposed development represents about 48 percent lot coverage. This is the maximum density that the parcel can accommodate.

On March 23, 1998, by Roll Call No. 98-867, the City Council approved the assignment of JJF Partners' interests regarding the right to purchase Disposition Parcel No. 11A to JJFPBI, L.C.

JJFPBI, L.C. is an Iowa limited liability company that was organized in November, 1997. JJF Partners and PBI Properties, both of Cedar Rapids, Iowa, maintain a 50 percent ownership interest in JJFPBI, L.C. Jim Hoke, Jim Schmitt, and Frank Hurtt own 60 percent, 20 percent, and 20 percent, respectively of JJF Partners. Russ Kool and Fred Timko own 51 percent and 49 percent of PBI Properties. In 1992, JJF Partners was organized to construct a 21,515 sq. ft. office/distribution facility at 1751 Guthrie Avenue and leased it to Van Meter Industrial Inc. and Point Builders Inc. In 1990, PBI Properties was formed to construct and lease buildings to commercial and industrial clients. Jim Schmitt, a shareholder of JJF Partners, is the President of Van Meter Industrial Inc. and Fred Timko, a shareholder of PBI Properties, is the President of Point Builders Inc. Van Meter is an electrical products distributor and Point Builders is a construction contractor.

The proposed development will allow JJFPBI, L.C. to facilitate the expansion of Point Builders, attract a new engineering firm to Des Moines, and provide additional flex space in the eastern part of the city. Approximately 40 percent of the 29,040 sq. ft. building is contracted for lease. Point Builders will occupy 5,000 sq. ft. and Automated System Controls, an engineering design company, will lease approximately 7,000 sq. ft. JJFPBI, L.C. intends to market the remaining 17,000 sq. ft. in Spring/Summer 1998. The developer's target markets are Des Moines businesses that would like to expand in Des Moines and/or businesses that plan to relocate to the area. This project demonstrates continued investor confidence that Van Meter Industrial and Point Builders have in the Guthrie Avenue Business Park and in Des Moines.

Point Builders and Automated Systems Controls will employ a total of 35 people immediately upon building occupancy. Both companies will pay their employees, excluding supervisory personnel, an average hourly wage of \$20/hour including benefits. Additional jobs will be developed at the site after the

building is fully leased.

Urban Renewal Agreement

On March 17, 1998, the Urban Renewal Board reviewed JJFPBI, L.C.' s proposal to redevelop Disposition Parcel No. 11A/Guthrie Avenue Business Park and unanimously recommended its approval. At this time, a competitive offering period is not required because the right to purchase this land was extended contractually to the redeveloper in 1993 under competitive procedures. The redeveloper has provided the information required to proceed with execution of the urban renewal agreement and conveyance of the property.

Good Faith Deposit and 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 total project cost is approximately \$833,850. The estimated cost of land acquisition is \$38,850 and site preparation and building construction is \$795,000 (approximately \$27/sq. ft.) excluding tenant finish.

The City has retained on account a good faith deposit of \$4,000 that was deposited in 1993 to secure the right to purchase Disposition Parcel No. 11A. A cashier' s check from Firstar Bank for \$5,715 was submitted as the balance due regarding the good faith deposit. The good faith deposit represents 25 percent of the offered purchase price.

The redeveloper has submitted evidence of financing in the form of a letter of commitment dated March 9, 1998, from Firstar Bank which will finance 80 percent of the appraised value of the project estimated at \$667,000. JJFPBI, L.C. has also provided a letter of commitment dated March 4, 1998, that states the balance of funds needed to complete the project, which are estimated at \$167,000, will be provided through equity in JJF Partners and PBI Properties, each of which has a 50 percent ownership interest in the redeveloper. Based on review of JJFPBI, L.C.' s balance sheet, JJF Partners' balance sheet and income and capital accounts statements, and PBI Properties' balance sheet and income and expense statement dated December 31, 1997, there should be sufficient resources to provide the equity needed to complete the project.

On March 17, 1998, the Urban Renewal Board unanimously recommended that the redeveloper' s proposal, including evidence of financing, be approved.

Design Plans

JJFPBI, L.C. has submitted design plans for approval by the City, including a lighting and signage plan. On March 17, 1998, the Urban Renewal Board unanimously recommended that the design plans be accepted. The design plans comply with the conditions of the project approved by the City Council on March 23, 1998.

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.

Minimum Assessment Agreement

Under the terms of the urban renewal agreement, JJFPBI, L.C. has agreed to enter into a Minimum Assessment Agreement with the City at the time the property is conveyed. The redeveloper is proposing to expend \$795,000 to construct the 29,040 sq. ft. building and install parking, loading, and landscaping improvements. This amount does not include tenant finish. According to the County Assessor, it is estimated that the assessed value of the land and improvements will be somewhat higher than \$868,500 depending on the quality and extent of tenant finish. JJFPBI, L.C. and the County Assessor have executed the \$868,500 Minimum Assessment Agreement.