

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

99-091

SYNOPSIS -

AGENDA:

MARCH 15, 1999

SUBJECT:

PRELIMINARY
APPROVAL FOR A
CITY LOAN IN THE
AMOUNT OF
\$275,000 TO
INTELLISUITES OF
DES MOINES, L. L.
C. (SADDLERY
BUILDING, 309
COURT AVENUE)

In June 1996, City Council preliminarily approved a \$200,000 loan as part of the proposed renovation of the Saddlery Building (309 Court Avenue). Since the bank financing commitment is now in place, and project costs have increased somewhat, the Council is being asked to reconsider its original commitment. Michael Ryan and Bruce Gates of the Office of Economic Development have been the City contacts with this development.

IntelliSuites of Des Moines, LLC (IntelliSuites DSM), owned by Randy Africano of Peoria, Illinois, has acquired the property known as the Saddlery Building. IntelliSuites DSM plans to finish the renovation of this landmark property and operate an executive suite business, which will also be known as IntelliSuites of Des Moines. The executive suite will be developed on floors two and three. Floor four will be developed for either executive suite or conventional office space, depending on the lease-up of floors two and three.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

An executive suite is a collection of offices where tenants share common business facilities, manpower, technology, and equipment to reduce their operating overhead. In an executive suite, lease rates per net square foot may be higher than conventional office space, but capital outlay and overhead are virtually eliminated. Furthermore, tenants have access to enhanced technology that could not otherwise be cost-justified by their individual businesses. The day-to-day administrative duties are handled by the suite operator.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

The executive suite industry is an emerging sector of commerce not only in the United States, but also throughout the world. The industry provides shared tenant service (STS) office space for business and industry. IntelliSuites DSM will be modeled after the company's two successful executive suite operations in Peoria, Illinois, the company's current headquarters.

IntelliSuites DSM is seeking capitalization assistance from the City in the form of a \$275,000 low interest loan and funds totaling \$1,729,000 provided by the project's lead lender, First Bank of St. Louis. The capital raised will be used to purchase professional consulting services and office technology equipment, and perform extensive renovations and site improvements to the property. The lead lender will also purchase the existing first mortgage on the property. To date, a total of \$1,055,000 has been invested in the property by the owner in the form of a down payment and construction proceeds used for the completed renovation of floors one and five. These floors are presently leased to the Court Avenue Brewing Company (Floor 1), Court Avenue Networks (Floor 5), and J. A. Reno and Associates (Floor 5).

FISCAL IMPACT -

This loan will be initially funded from the Economic Development Enterprise Account. The loan will have a ten-year term at 3 percent interest. Principal and interest will be deferred for one year. The loan will be collateralized by a subordinate mortgage and personal guaranty from Mr. Africano. Tax increment financing (TIF) funds will eventually be used to repay the Economic Development Enterprise Account.

RECOMMENDATION -

Approve the resolution giving preliminary approval to the \$275,000 City loan.

BACKGROUND -

The company's plans call for the development of the structure as a multi-use facility, which includes retail food service, an executive suite, and conventional office space. The building will be equipped with a host of common amenities that will be available to all tenants of the property.

Although mostly cosmetic in nature, current plans call for a complete rework of the interior of the structure from the skywalk entrance through the building lobby. In order to improve the accessibility to the Court Avenue Business District, part of the front of the building internal space will be

demolished to make room for a new two-story atrium and stairway that will allow skywalk users direct access to the street level without having to use the elevators or the emergency fire stair. Sky "walkers" will wind around the beautiful, copper-clad brew tanks separated by a glass panel system as they make their way to street level.

The first floor of the structure and a portion of the basement have already been leased to KC Hopps Ltd. of Kansas City, Missouri, to house a microbrewery and upscale restaurant operation, Court Avenue Brewing Company. A small portion of the second floor, near the entrance of the skywalk, will be leased to a gourmet coffee shop operator yet to be named. The facility will offer high-end coffees and desserts and a small eating area. The balance of the second floor will be occupied by IntelliSuites DSM, an executive suite to be modeled after the company's locations in Peoria, another venture of the principal.

IntelliSuites of Des Moines, will be a state-of-the-art executive office suite that will house between 40 and 70 offices designed to cater to the professional sole-practitioner as well as the Fortune 1000 client. The upscale offices will be equipped with a local area network that will allow the tenants direct access to a CD-ROM law library and the Internet. The suite will provide upscale physical facilities including a multi-media conference/board room, a video deposition room for the legal professional, an on-site health facility, a multi-functional digital phone system, and a host of office automation systems including scanners, optical character recognition systems, computer workstations, high-speed document processing systems, laser facsimile, and printing systems, just to name a few.

At the heart of the operation will be a corps of highly trained office professionals that will provide a myriad of "a la carte" services for the tenant as well as contract work for nonresident clients. IntelliSuites of Des Moines personnel professionals will offer clerical, secretarial, administrative, bookkeeping, and software specific services on a fee-for-services basis. The facility will also offer a host of service amenities from dry-cleaning to courier services to increase the value-added benefit to the tenants.

Development for IntelliSuites of Des Moines will start initially with the development of 41 executive offices on the second and third floors of the building. Once an occupancy rate of 70

percent of this space has been achieved, the internal stairway between the second and third floors will be extended to the fourth floor and additional suites will be developed. In the unlikely event the demand for executive offices is less than anticipated, the fourth floor may be leased as conventional office space.

About 50 percent of the fifth floor is currently leased to Court Avenue Networks, an Internet service provider (ISP) based in Des Moines, and J. A. Reno and Associates, an insurance broker who has been a tenant of the property for the past five years. The balance of the floor will be available for conventional office space.

Some of the amenities that will be developed as part of IntelliSuites of Des Moines will be available to conventional lease tenants on an a la carte basis. These common amenities will add value and efficiency to conventional tenant space. The Microsoft NT Ethernet computer network, the conference rooms and multi-media room, the digital telephone system answering services, reception services, as well as the corporate health facility will all be made available to conventional lease tenants on a fee-for-service basis.

The property also includes one large lot on the west side of the building and an adjacent half lot on the east side of the building. The west lot is currently used as a parking lot. The east lot is leased for the next 15 years as patio space to a nightclub located adjacent to the building.

The parking lot will be developed as multi-use facility to provide parking as well as act as an area for civic functions on weekends. An agreement has already been executed with the Des Moines Farmers Market to provide additional street vendor space in the parking area currently occupied by IntelliSuites of Des Moines tenants on weekdays.

The parking lot is separated from the building by an alleyway. At present, the appropriate paperwork has been filed with the City of Des Moines to vacate the alleyway, take possession of the land, and develop the space as an outdoor eating area for Court Avenue Brewing Company which has right of first refusal for the area. The vacation of the alleyway is considered to be an integral part of the exterior upgrades and is imperative in order for the development of the parking lot to occur.

Finally, the exterior building trim and façade will receive fresh coats of paint and will be detailed out in period finishes. Anti-roosting wire will be added above the window lentils to eliminate the present pigeon roosting problem.

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