

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

99-203

SYNOPSIS -

AGENDA:

MAY 3, 1999

On the May 3, 1999 City Council agenda is a resolution for final approval of a loan for \$275,000 and collateral loan documents with IntelliSuites of Des Moines, LLC (Randy Africano, Peoria, Illinois). The Council preliminarily approved this loan and terms at its March 15, 1999 meeting. The loan will be used by IntelliSuites in its proposed renovation of the Saddlery Building. Michael Ryan, Office of Economic Development, is the City contact for this development.

SUBJECT:

\$275,000 CITY LOAN
TO INTELLISUITES
OF DES MOINES, LLC
(SADDLERY
BUILDING, 309
COURT AVENUE)

FISCAL IMPACT -

This loan, at a ten-year term at 3 percent interest, will be funded from the Economic Development Enterprise Account. Principal and interest will be deferred for one year. The loan will be collateralized by a subordinate mortgage and personal guaranty from Mr. Africano. The Enterprise Account will be reimbursed from future tax increment financing (TIF) cash flow, if such reimbursement is consistent with Council's TIF policy and approved as part of our annual TIF askings.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

Adopt the resolution giving approval to the loan documents.

SUBMITTED BY:

RICHARD A. CLARK
DEPUTY CITY
MANAGER

BACKGROUND -

City Loan: The City's low interest loan of \$275,000 will be combined with funds totaling \$1,712,500 provided by the project's lead lender, First Bank of St. Louis, and the developer. The capital will be used to purchase professional consulting services and office technology equipment, and

perform extensive renovations and site improvements to the property.

Vertical Access from Skywalk: As part of the proposed Saddlery Building improvements, the owner is proposing to construct an exterior vertical access leading from the existing skywalk bridge to the Court Avenue street level. This vertical access was recommended by the Ad-Hoc Committee's Report on Pedestrian Access to the Court Avenue Area, which was adopted by the Council on April 5, 1999 (Roll Call No. 99-1015).

For this private vertical access to proceed, the following items will have to be acted upon by the Council within the next four to six weeks:

- The City and the owner must amend the existing Skywalk Agreement to provide for the operation and maintenance of the vertical access.
- Design review, with approval by the City Council, will be required prior to construction to assure that the vertical access and walkway to the Court Avenue sidewalk are acceptable to the City and will coordinate with the City's streetscape improvements.
- The existing lease for this vacated alley must be amended to address the placement and operation of the vertical access and the lease term.
- City staff is recommending a concurrent purchase of a small piece of surface parking lot-estimated to be less than 250 sq. ft.-located at 214 - 4th Street to add a turning radius to the existing east-west public alley sufficient for access for garbage and other service vehicles to the buildings currently served by the north-south alley.

The developer will work with the City on the access design and co-ordinate with the to-be proposed public improvements in the area. It is anticipated that staff will request the Council to authorize hiring a consultant to design and prepare construction specifications for the Court Avenue improvement as recommended by the previously-approved Report on Pedestrian Access to the Court Avenue Area. Information on the scope of services, budget, and a schedule for these activities will be brought to the Council within the next

several weeks. Funding for these improvements will be available in the TIF funded Capital Improvement Program (CIP) projects for the skywalk system.

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

To improve the accessibility to the Court Avenue area, part of the building internal space will be demolished 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.

The first floor of the structure and a portion of the basement have already been leased to KC Hopps Ltd. of Kansas City, Missouri, for a microbrewery and a restaurant, the Court Avenue Brewing Company. A small portion of the second floor near the skywalk will be leased to a gourmet coffee shop operator yet to be named. The balance of the second floor will be occupied by IntelliSuites of Des Moines, LLC, an executive suite to be modeled after the company's locations in Peoria, another business of Mr. Africano.

IntelliSuites will be a state-of-the-art executive office suite for 40-70 offices designed to cater to the professional sole-practitioner as well as the Fortune 1000 client. Tenants will have direct access to a CD-ROM law library and the Internet. The suite will also provide 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 office automation systems including scanners, optical character recognition systems, computer workstations, high-speed document processing systems, laser facsimile, and printing systems.

On-site office professionals will provide "ala carte" services such as clerical, secretarial, administrative, bookkeeping, on a fee-basis for the tenant as well as contract work for nonresident clients. The facility will also offer service amenities from dry-cleaning to courier services.

Development for IntelliSuites of Des Moines will start

initially with 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.

About half of the fifth floor is leased to Court Avenue Networks, an Internet service provider 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.