

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

99-480

SYNOPSIS -

AGENDA:

OCTOBER 25, 1999

The City and the Des Moines Development Corporation (DMDC) have jointly participated in the planning, financing, and implementation of the Gateway Project. DMDC has acquired a number of properties in the Western Gateway area and is now prepared to convey title for seven properties to the City. On October 4, 1999, the City Council approved a resolution to authorize City staff to work with DMDC to prepare the title documents necessary for the transfer to the City of seven properties in the Western Gateway Project area.

SUBJECT:

DMDC PROPERTY
TO THE CITY FOR
THE WESTERN
GATEWAY

FISCAL IMPACT -

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

The City will pay \$1,326,320 to DMDC for the conveyance of the seven properties. These funds are available from the proceeds of Tax Increment Financing (TIF) backed, General Obligation Bonds issued for this project. The amount is included in the budget for the project that was approved by the Gateway Steering Committee.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

RECOMMENDATION -

Approval of the resolution to approve a purchase agreement and the conveyance of title to the City for seven properties located in the Western Gateway Project area.

BACKGROUND -

On April 19, 1999, the City Council adopted Roll Call No. 99-1190, which approved a Memorandum of Understanding (MOU) with DMDC. This MOU provides for contributions from DMDC in the amounts of \$4 million to the Western Gateway Project and \$1 million to the Eastern Gateway Project. The MOU also provides for the transfer of properties to the

City that have been acquired for the projects by DMDC.

DMDC has expended approximately \$4 million for the Western Gateway Project and identified seven properties it considers the most appropriate to convey to the City. The properties are currently used as parking lots, sites where buildings were removed, or are sites where buildings are in the process of being removed.

City staff has completed a review of the DMDC acquisition files and their expended costs in acquiring the properties. The basis of agreement with DMDC is for the City to pay to DMDC the lesser of an amount that represents the fair market value of the property, in its current status, as determined in a valuation study by staff or the purchase price by DMDC. The acquisition costs and expenses paid by DMDC for each property that are in excess of the amount paid to DMDC by the City will be considered to be a Contribution Credit to the \$4 million commitment by DMDC. These additional costs may be for commissions, appraisals, demolition, legal services, taxes, and other acquisition expenses.

DMDC has expended thus far a total of \$2,216,798 for the subject properties. This amount includes the purchase prices and the above referenced additional costs. The total sale price to the City, \$1,326,320, represents the lower of either the actual purchase price or the current market value for all the properties. The Contribution Credit to be allocated to DMDC as a result of this transaction will be \$890,478 plus whatever related costs may occur prior to and at closing.

A purchase agreement for the total sale price of \$1,326,320 has been submitted to the City Council for approval. City staff is in the process of reviewing the acquisition files to examine title and related issues. The closing of each property transaction will then be accomplished in accordance with the purchase agreement, subject to final review by the Legal Department.