



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-165

SYNOPSIS -

AGENDA:

APRIL 17, 2000

On the April 17, 2000, Council agenda is a resolution approving several items relating to the Arlington/Hallett Apartment Project in the Western Gateway Area (1301-05 Locust Street). If approved:

SUBJECT:

ARLINGTON/HALLETT
PROJECT IN WESTERN
GATEWAY

1. Metropolitan Holdings, L.C. becomes the City's assignee as per Section 5G-Memorandum of Understanding (MOU) between the City and Des Moines Development Corporation (DMDC). By this action, the City Council authorizes the transfer of the Arlington/Hallett Apartment property to Metropolitan Holdings, L.C. (Leslie Gearhart and Jodi Beavers, 1815 - 6th Avenue, Des Moines, IA, 50314).
2. The Council approves contribution credits to DMDC in the approximate amount of \$640,000 for disbursements made by DMDC in connection with the purchase, preservation, maintenance and operation of the Arlington/Hallett Apartments. The procedures, outlined in Section 5B-MOU, shall be followed in calculating and crediting the specific amount of contribution credits. Council directs staff to calculate the exact contribution credits and to apply this amount to the Western Gateway Project.
3. The Council approves the assignment of the Purchase Agreement between DMDC Property Corporation and Metropolitan Holdings, L.C. to the City of Des Moines upon the transfer of the Arlington/Hallett Apartments to Metropolitan Holdings, L.C. The City will, upon this transfer, assume the responsibilities of the Seller (DMDC Property Corporation) as outlined in the Purchase Agreement and the Assignment of Purchase Agreement.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

ERIC A. ANDERSON
CITY MANAGER

FISCAL IMPACT -

DMDC will receive approximately \$640,000 in contribution credits as outlined in the MOU between the City and DMDC.

RECOMMENDATION -

Approval.

BACKGROUND -

On December 20, 1999, by Council Communication No. 99-567, the City Manager presented "Concept A" for the Western Gateway to the City Council. The City Manager recommended the adoption of "Concept A", including the retention and renovation of the Arlington and Hallett Apartments.

Metropolitan Holdings, L.C, has completed a pro-forma, secured project funding and negotiated a development contract with DMDC. The major points of this contract are as follows:

1. The purchase agreement places certain restrictions upon the sale of the property. These restrictions are as follows:

- Certain uses normally allowed in C-1 zoning districts will be excluded on this site.
- The number of income-restricted units to 26 or less.
- No on-site parking will be allowed.
- The air conditioners cannot be visible from the exterior of the buildings.

2. The Buyer will submit construction status reports to the City Manager of the City of Des Moines and to the Seller on January 1, April 1, July 1, and October 1 of each year.

3. If the Buyer does not complete the rehabilitation of the property as outlined in the renderings and specifications by September 1, 2002, the Seller may elect to have the title to the Real Estate revert back to the City of Des Moines.

4. In the event that the Buyer sells the property following the closing and this sale results in proceeds to the Buyer in excess of \$1,900,000, plus 5% per annum, then the excess shall be divided equally between the buyer and the Seller (up to \$540,000).

5. The Seller retains the right of first refusal.

6. The City Council may allow the Buyer's tenants to temporarily park their motor vehicles at 15th Street and Grand Avenue. The Buyer agrees that this temporary parking will not extend beyond two years from the date of closing. The cost to the City of basic repair for the parking area is \$15,100. The City costs will be reimbursed with tenant parking fees. The City is obligated to assist Metropolitan Holdings in the identification of parking outside of the Gateway to replace the temporary parking.

The construction cost for the rehabilitation of the Arlington/Hallett is \$1,928,613. The rehabilitation cost per square foot for the two structures is \$43. The project will be funded with Polk County Housing Trust Fund monies, a National Trust for Historic Preservation Bridge Loan, a construction loan funded through a consortium of local lenders, and HOME funds. Federal Historic Tax Credits and State Enterprise Zone Credits will supply equity upon completion of the project. This property will qualify for 10-year 100% tax abatement.

This project will provide 52 efficiency, one-bedroom and two-bedroom units. The Arlington contains 13 units per floor, with nine efficiency units at 400 square feet, three units at 375 square feet and one one-bedroom unit at 416 square feet. The Hallett contains four units per floor and has one basement unit. There are nine one-bedroom units with 650 to 850 square feet and four two-bedroom units with 750 to 850 square feet. The units will be targeted to entry-level workers and young professionals working in the downtown. The first floor of the Arlington will be used for a commercial and/or retail use. All rehabilitation will comply with the Secretary of the Interior's Standards.

The rehabilitation of the two buildings will include new roofs, updating electrical services, and adding circuits to all units. The plumbing systems will also be replaced. Interior

renovation will be extensive, including wall and ceiling repair, new flooring or repair of the hardwood, window repair, and kitchen refurbishing. Upon completion, the units will meet local codes.

Metropolitan Holdings has completed the rehabilitation of 80 rental units and currently own and manage 77 rental units. The rehabilitation of the 36-unit, 20,000 square foot Ayrshire Apartments at 1815 - 6th Avenue is Metropolitan Holdings' largest project to date. This renovation project took two years to complete and cost \$18/square foot cost. The Ayrshire is on the National Register of Historic Places and Historic Tax Credits were utilized.

In a related matter, the Gateway Steering Committee, at their regular meeting on March 29, 2000, approved a work program outline for the preparation of the Western Gateway use program and concept design. This work has already begun and should be completed late summer or fall of this year.