



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-216

SYNOPSIS -

AGENDA:

MAY 15, 2000

SUBJECT:

DMDC PROPERTY
TO THE CITY FOR
THE WESTERN
GATEWAY PROJECT

The City and the Des Moines Development Corporation (DMDC) have jointly participated in efforts to redevelop the downtown area known as the Gateway Project. DMDC has acquired a number of properties in the Western Gateway. On October 25, 1999, the City Council approved and accepted the City's acquisition of seven properties from DMDC by Roll Call No. 99-3336. DMDC is now prepared to transfer two additional properties located at 1200 and 1206 Grand Avenue to the City.

FISCAL IMPACT -

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

The City will pay \$216,879 (\$19.50 per square foot multiplied by 11,122 square feet) to DMDC for the conveyance of the two properties. The City will also reimburse DMDC for the cost of demolition and asbestos removal. The total demolition and abatement cost is \$192,621. The acquisition and reimbursement funds are available from the proceeds of the Tax Increment Financing (TIF) backed general obligation bonds issued for this project. The amount is included in the budget 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 two 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 amount 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 in excess of \$4 million to acquire land for the Western Gateway Project. Seven DMDC-acquired properties have been transferred to the City. This resolution approves the conveyance to the City of two additional properties. The properties located at 1200 Grand and 1206 Grand were improved with commercial office buildings but are now vacant land.

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 condition as determined in a valuation study by staff or the total of costs expended by DMDC to acquire and manage the two properties. As noted above, the actual cost of demolition and asbestos removal will be paid by the City. 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, legal services, taxes, and other acquisition expenses.

To date, DMDC has expended a total of \$647,055.80 for the subject properties.

	<u>1206 Grand</u>	<u>1200 Grand</u>
Purchase	\$134,271.00	\$284,821.00
Acquisition Misc.	\$8,630.50	\$4,225.73
Demolition/Asbestos	\$71,926.00	\$120,695.00
Operating Expenses	\$12,486.57	\$10,000.00
TOTAL	\$227,314.07	\$419,741.73

The total sales price of \$216,879 represents the current market value for the properties, which is less than the total acquisition and management costs to DMDC for the two properties. The Contribution Credit to be allocated to DMDC as a result of this transaction will be equal to DMDC's total investment (\$647,055.80) less the purchase price (\$216,879) and less the demolition and asbestos abatement reimbursement (\$192,621) plus related costs incurred prior to and at closing. The total

Contribution Credit will be \$237,555.80 plus miscellaneous costs incurred prior to and at closing.

A purchase agreement for the total sale price of \$216,879 and demolition and asbestos removal in the amount of \$192,621 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 be completed in accordance with the purchase agreement, subject to final review by the Legal Department.