

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-437

SYNOPSIS -

AGENDA:

SEPTEMBER 25, 2000

On the September 25, 2000 Council agenda is a resolution accepting an offer to sell property from System Property Development Inc. to the City for the surface parking lot at 312 Court Avenue and 119 - 4th Street which is directly west of the Spaghetti Works restaurant.

SUBJECT:

PROPERTY
PURCHASE-COURT
AVENUE
ENTERTAINMENT
CENTER SITE

The Council previously authorized purchase of the System Property Development Inc. property (Roll Call No. 99-1186 on April 19, 1999) for the Court Ave entertainment center.

FISCAL IMPACT -

TYPE:

At the time the Court Avenue project was approved by Council, a project budget of \$6.1 million (provided by \$3.1 bond proceeds from tax increment funds (TIF) and \$3 million in land sale proceeds) was approved. The TIF bonds have been issued. The project's expenditures are:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD A. CLARK
DEPUTY CITY
MANAGER

<u>Estimated Costs</u>	
Property acquisition and relocation	(\$5 million)
<u>Public parking lot construction</u>	<u>(\$1.1 million)</u>
<i>Total Costs</i>	<i>(\$6.1 million)</i>
<u>Revenues</u>	
Development Site Sale	(\$3 million)
<u>General Obligation Bonds</u>	<u>(\$3.1million as TIF backup)</u>

<i>Total Revenues</i>	<i>\$6.1 million</i>
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As of the end of August 2000, almost all of the bond proceeds had been expended with about \$1.7 million spent for land acquisition and relocation (primarily for the Norwest drive-up bank) and about \$1 million encumbered for the public parking lot construction.

The purchase price of the System Parking property would be funded with the remaining \$450,000 in unexpended bond funds and \$500,000 from the Fiscal Year 2000/01 Metro Center TIF budget. We are recommending reallocation of \$250,000 from the Saddlery Building project, which is no longer requesting City assistance, and \$250,000 from the available carryover project funds.

RECOMMENDATION -

Approve the purchase.

BACKGROUND -

The property's appraisal, dated November 15, 1998, set fair market value at \$912,000; based on the almost two-year time passage since the appraisal, the 3 percent increase in price is reasonable.

The System Parking Inc. property is assessed as follows:

312 Court Avenue	17,636 sq. ft.	\$339,000
<u>119 - 4th Street and 118 3rd Street</u>	<u>18,786 sq. ft.</u>	<u>\$218,400</u>
	36,422 sq. ft.	\$557,400

City Council approved making purchase offers for the various properties comprising the development site in April 1999. These offers were contingent on several conditions, including the entertainment center developer obtaining major tenants for the project. Council has since approved purchase of the Norwest drive-up bank property, one of the properties designated for acquisition.

We continue to receive assurances from Steiner + Associates that the project leasing is going well despite some uncertainty surrounding the beer and liquor permit for Gameworks, one of the major project tenants. As the leasing and other developer activities proceed toward purchasing the land and construction of the project, it will also be necessary for the City and the developer to work on revisions of the developer agreement.

The purchase of the System Parking property at this time is a prudent decision for Council to make. Systems Property is a voluntary seller at this time which may not be the case in the future. Steiner has made extremely good progress with tenant leases and it is desirable to proceed with this voluntary acquisition. With this transaction, the City will provide additional temporary parking in a high demand location. In addition, the property purchase:

- has a cash flow that provides revenue for the purchase price;
- gives the City stronger environmental protection than is provided in a condemnation transaction;
- assists in setting the upper price range for the other acquisitions in the area; *and*
- is of sufficient size that it could be offered for redevelopment, if necessary, in the future.

As noted previously, the property provides a \$10,000+ monthly cash flow from the parking revenues. It is the intent to continue operation of this property as a for-profit parking lot until it is sold to the developer. The City's Property Management Division will obtain a parking lot operator and execute a month-to-month operations contract. The net revenues will be deposited into the Court Avenue account.