

Meeting Agendas/Info

CITY COUNCIL
COMMUNICATION:

ITEM _____

OFFICE OF THE CITY MANAGER CITY OF DES MOINES, IOWA

01-279

SYNOPSIS -

AGENDA:

MAY 24, 2001

SUBJECT:

CITY PURCHASE OF
NEIGHBORHOOD
IMPROVEMENT
CORPORATION
(NIC) PROPERTY
FOR THE WESTERN
GATEWAY PROJECT

On April 19, 1999, by Roll Call No. 99-1190, the City and the Des Moines Development Corporation (DMDC) agreed to jointly participate in efforts to redevelop the downtown area known as the Gateway Project. In the time period since the execution of the Memorandum of Understanding (MOU) for the Gateway Project, the DMDC reorganized and became a part of the Greater Des Moines Partnership (Michael Blouin, President and CEO).

Neighborhood Improvement Corporation (NIC), on behalf of DMDC and the Greater Des Moines Partnership, has acquired a number of properties in the Western Gateway. NIC is located at 700 Locust Street, Suite 100, Des Moines, Iowa. The president of NIC is Fred Weitz.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

On October 25, 1999, the City Council approved and accepted the City's acquisition of seven properties from DMDC by Council Resolution 99-3336. On May 15, 2000, the City Council approved and accepted the City's acquisition of two additional properties from NIC. NIC is now prepared to transfer additional properties located at 1421 Locust and $\frac{3}{4}$ of the block between Grand and Locust, 11th to 12th Streets (1116-1122 Grand, 415-417 - 12th, 1115 Locust, 1101-1107 Locust) to the City. The properties located between 11th and 12th Streets are collectively known as the American Investment Company (AIC) Properties.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

FISCAL IMPACT -

The City will pay \$160,000 (\$18.79 per square foot multiplied by 8,517 square feet) to NIC for the conveyance of 1421 Locust. The City will also reimburse NIC for the cost of demolition and asbestos removal. The total demolition and abatement cost is \$45,714.

The City will pay \$1,600,000 for the $\frac{3}{4}$ block between Grand and Locust, 11th to 12th Streets. The City will also reimburse NIC for the cost of demolition and asbestos removal. The total demolition and

abatement cost is \$169,703.20.

The acquisition cost is \$1,760,000. The reimbursement for demolition and asbestos removal is \$215,417.20. The total cost of this transaction is \$1,975,417.20.

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.

RECOMMENDATION -

Approval of the Resolution to approve a purchase agreement and the conveyance of title to the City for the subject 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. Nine DMDC/NIC-acquired properties have been transferred to the City. This resolution approves the conveyance to the City of two additional properties. The properties located at 1421 Locust and $\frac{3}{4}$ of the block between Grand and Locust, 11th to 12th Streets (1116-1122 Grand, 415-417 - 12th, 1115 Locust, 1101-1107 Locust) were improved with commercial office buildings but are now vacant land.

The basis of the agreement with DMDC is for the City to pay to DMDC/NIC 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/NIC 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/NIC for each property that is in excess of the amount paid to DMDC/NIC by the City will

be considered to be a Contribution Credit to the \$4 million commitment by DMDC/NIC. These additional costs may be for commissions, appraisals, legal services, taxes, and other acquisition expenses.

To date, NIC has expended a total of \$2,320,295.10 for the subject properties.

	<u>1421 Locust</u>	<u>AIC Properties</u>
Purchase	\$495,000.00	\$1,500,095.00
Acquisition Misc.	\$15,233.58	\$15,274.96
Taxes	\$9,790.67	\$32,224.67
Demolition/Asbestos	\$45,714.00	\$169,703.20
Interest	\$11,257.67	\$95,099.91
Operating Expenses	\$15.80	\$9,631.26
Rental Income	(\$59,030.62)	(\$19,715.00)
TOTAL	\$517,981.10	\$1,802,314.00

The total sales price of \$1,760,000 represents the current market value for the properties, which is less than the total acquisition and management costs to NIC for the two properties. The Contribution Credit to be allocated to NIC as a result of this transaction will be equal to the NIC's total investment (\$2,320,295.10) less the purchase price (\$1,760,000) and less the demolition and asbestos abatement reimbursement (\$215,417.20) plus related costs incurred prior to and at closing. The total Contribution Credit will be \$344,877.90 plus miscellaneous costs incurred prior to and at closing.

A purchase agreement for the total sale price of \$1,760,000 and demolition and asbestos removal in the amount of \$215,417.20 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.