



**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**02-127**

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

**AGENDA:**

MARCH 18, 2002

**SYNOPSIS -**

**SUBJECT:**

**PURCHASE AND  
SALE OF PROPERTY  
FOR VINE STREET  
LOFTS**

On the March 18, 2002 Council agenda are three roll calls regarding the Vine Street Lofts housing project. The first roll call approves the purchase of property for the Vine Street Lofts project from Neighborhood Improvement Corporation ("NIC") (700 Locust, Fred Weitz, President) utilizing HOME funds. The second roll call is to open and close the public hearing to authorize the sale of the same property together with the intervening vacated alley rights-of-way to Vine Street Limited Partnership, a Minnesota limited partnership (George Sherman, Sherman and Associates, 233 Park Avenue South, #201, Minneapolis, Minnesota; and Michael Lander, Lander Group, 3346 Hennepin Avenue, Minneapolis, Minnesota). The third roll call is to open and close the public hearing to authorize the exchange of a City-owned vacated alley to NIC in exchange for land owned by NIC needed for the improvement of Vine Street and an east/west alley adjoining the Vine Street Lofts project.

**TYPE:**

**RESOLUTION  
ORDINANCE  
RECEIVE/FILE**

**FISCAL IMPACT -**

**SUBMITTED BY:**

**RICHARD CLARK  
DEPUTY CITY  
MANAGER**

The City will utilize \$950,000 in State of Iowa and City HOME funds to purchase the property from the NIC. HOME funds are federal funds that must be used by the recipient for affordable housing projects. No City funds will be utilized for the purchase of the property.

The property will be sold to Vine Street Limited Partnership for \$10. Due to the restrictive covenants that are required by the HOME Program, the value of the property is reduced to a minimal value. These restrictions include limiting the use of the property to residential and requiring that 40 percent of the units be reserved for affordable housing.

**RECOMMENDATION -**

**1. Approve the purchase agreement with NIC to purchase the property for Vine Street Lofts project for \$950,000.**

**2. Open and close the hearing to authorize the sale of the property for the Vine Street Lofts project to Vine Street Limited Partnership for \$10.**

**3. Open and close the hearing to authorize the exchange of a vacated City alley to NIC for land needed to improve Vine Street and a remaining east/west alley adjoining the Vine Street Lofts project.**

**BACKGROUND -**

On June 4, 2001, the Council gave preliminary approval to use Tax Increment Financing (TIF) assistance for a proposed housing project at 1st and Vine Streets. Due to financing requirements, Vine Street Limited Partnership has requested that the City acquire real estate currently owned by NIC and located at 1st and Vine Streets with proceeds from a HOME Program grant. The City will reconvey the real estate to the Vine Street Limited Partnership encumbered by the HOME Program covenants and lien requirements. The property will be used for the construction of the rental component of the proposed housing project.

The City's approved consolidated plan contemplates the use of HOME funds for the Vine Street Lofts project. The City HOME funds will be combined with State HOME funds to purchase the real estate. Due to HOME regulations, the City will be required to repay the HOME funds to the U.S. Department of Housing and Urban Development (HUD) if the property is not completed.

In order to minimize the risk to the City, a mortgage will be placed against the property in an amount equal to the total HOME funds until the first mortgage financing is in place. The first mortgage will be guaranteed by HUD. An important component of this guarantee is a commitment by HUD to complete the complex should the developer be unable to complete the project.

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