

**CITY COUNCIL
COMMUNICATION:**

03-342

AGENDA:

JULY 18, 2003

SUBJECT:

PAPPAJOHN HIGHER
EDUCATION CENTER
(1212 GRAND AVENUE)

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

ITEM 4 A&B

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

SYNOPSIS —

On the July 18, 2003 Council agenda are two roll calls relating to the John and Mary Pappajohn Higher Education Center to be located at 1212 Grand Avenue for Council approval:

- Amendment to the urban renewal contract to accommodate design changes; *and*
- Approval of evidence of financing with a mortgage, revised conceptual development plans, lease, and execution of special warranty deed to convey the City property to the John and Mary Pappajohn Higher Education Foundation.

The John and Mary Pappajohn Higher Education Foundation (c/o Equity Dynamic, 666 Walnut Street, Suite 2116, Des Moines) is a charitable, non-profit corporation with John Pappajohn as its President.

FISCAL IMPACT —

The City will convey the property in "as-is" condition. If the property no longer operates as a 'higher education learning center,' it will revert back to the City.

The City will not be responsible for operations or maintenance of the building. However, installation and maintenance of the surrounding Gateway Park improvements will be done by the City.

RECOMMENDATION —

Approval.

BACKGROUND —

On December 2, 2002, the Council approved the urban renewal contract for the sale of property known as Disposition Parcel 01-04A and 01-4B/Metro Center Urban Renewal Area that is located at the SW corner of 12th Street and Grand Avenue. The contract required various items—such as a lease commitment for the space, approved design plans, and evidence of financing—to be approved by the Council before the special warranty deed for the property would be approved by the Council.

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Lease Commitment

A five-year initial lease with two five-year options to renew between the Pappajohn Higher Education Foundation and Higher Education Center Collaborative, that will be responsible for operating the programs in the building, has been executed; this lease meets the urban renewal contract requirements.

The Collaborative is composed of the presidents of Iowa State University, University of Iowa, Drake University, Des Moines Area Community College, Simpson College, Grandview College, and University of Northern Iowa.

Evidence of Financing

The John and Mary Pappajohn Higher Education Foundation has provided evidence of its construction and end financing for the \$7.5 million project.

The construction financing will be provided by a \$6.5 million loan from Commercial Federal Bank (5500 Westown Parkway, Suite 120, West Des Moines) with the remaining \$1 million from the John and Mary Pappajohn Higher Education Foundation. The 5-7 year loan will be retired with payments from the following sources:

Individual and Foundation Contributions	\$2.475 million
Corporations	\$1.570 million
Polk County/VISION Iowa	\$1.5 million
Personal guarantee (Pappajohn)	<u>\$2.0 million</u>
	\$7.545 million

The urban renewal contract for this project states the developer cannot engage in any transaction that will impose an encumbrance, mortgage, or lien upon the property except for the purpose of obtaining financing to the extent necessary for construction and subject to written approval of the City. The developer has indicated a short-term mortgage, not to exceed six years, is required. The roll call approving the evidence of financing indicates the City will allow for this mortgage.

Design

City Council previously approved the design concept plans, submitted by Herbert Lewis Kruse Blunck, project architects, which met the required minimum development requirements in November 2002 after favorable review and comment by the former Urban Renewal Board. As part of the urban renewal process, the minimum development requirements, including a 42,000 sq.ft. building with a 600 person teaching capacity be built with nine classrooms, were incorporated in the land sales contract.

The unanticipated poor soil conditions made the construction of a basement level very difficult. The original project budget of \$7 million for construction, furnishings, fixtures, and equipment is now \$7.5 million. In order for this project to continue, Pappajohn Higher Education Center is requesting these requirements be amended to decrease the required size of the structure to 33,000 sq.ft. (from the previously required 42,000 sq.ft.), reduce the nine

classrooms to seven classrooms, and lower the teaching capacity to 550 persons (from the previously required 600 persons).

All of the other minimum development standards for this project continue to be met with these amended design plans. The Urban Design Review Board recommended approval of the revised plans at its July 15, 2003 meeting.