

**CITY COUNCIL  
COMMUNICATION:**

**03-414**

**AGENDA:**

AUGUST 25, 2003

**SUBJECT:**

PURCHASE OF  
THE COLOSIMO  
PROPERTIES AT  
100 AND 101-103  
EAST 2<sup>ND</sup> STREET

**TYPE:**

**RESOLUTION**

ORDINANCE  
RECEIVE/FILE

**SUBMITTED BY:**

RICHARD CLARK  
DEPUTY CITY  
MANAGER

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

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

**SYNOPSIS —**

This project provides for the purchase of the Colosimo properties located at 100 and 101-103 East 2<sup>nd</sup> Street for future redevelopment purposes. The total land area of these parcels is approximately 1.3 acres plus there is an additional 1 acre of land from street, alley, and railroad right-of-way that could potentially be assembled with these parcels for a total of 2.3 acres.

The Police Department's Tactical Unit and the Police Credit Union are currently renting space in these properties and will need to be relocated prior to redevelopment. All leases on the property will be assigned to the City, and the City will receive all rental income starting November 1, 2003, until redevelopment occurs. Any tenant occupying the property as of November 1, 2003, will be eligible to receive relocation assistant payments at the time the City requires them to move from the property.

**FISCAL IMPACT —**

The total purchase price for the entire property is \$1,630,000 and will be paid in three equal installments starting November 1, 2003. The second and third installments will be made on November 1, 2004 and 2005. The City will also be responsible for making future relocation payments to existing tenants if they are required to relocate at an estimated amount of \$70,000. Future demolition and asbestos removal costs are estimated to be \$250,000.

Current annual rental income is \$68,000 (excluding \$22,000 per year for the Police Department lease) plus there is a recent vacancy with an estimated fair market rent of \$100,000 per year that will be marketed for lease. The rental income from the properties will offset approximately 50% – 100% of the relocation and demolition/asbestos costs, depending how long it takes for redevelopment.

Funds are available for the acquisition, relocation, and demolition of this property from the following Capital Improvement Program (CIP) account: Fund CP034; Organization ENG990000; Project BLD080.

**RECOMMENDATION —**

**Approval and acceptance of the Purchase Agreement for the property located at 100 and 101-103 East 2<sup>nd</sup> Street and authorization for payment of future relocation and demolition costs.**

**BACKGROUND —**

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For several years, the City has made attempts to purchase the property located at 101-103 East 2<sup>nd</sup> Street for the use and expansion needs of the Police Department. The property owner has been unwilling to sell this property without the purchase of his other property at 100 East 2<sup>nd</sup> Street. The purchase of both properties results in a highest and best use of the property as development and not for long-term continued use by the Police Department.

The purchase price of \$1,630,000 is equal to the City's appraised value, as adjusted for time. There are three commercial tenants who will remain in the property after November 1, 2003, and one vacancy that will be marketed for lease. The City will be the beneficiary of all rents after this date and will pay relocation benefits in the future, if the tenants are required to move by the City. If any of the tenants move by their own choice, and not by the requirement of the City, then they will not receive relocation benefits.

The Real Estate Division of the Engineering Department will be responsible for managing the property during the interim use period and until the property is required for redevelopment.

In summary, the property is being purchased at the fair market value with a rare opportunity to offset a portion or all of the acquisition, relocation, and demolition costs by maintaining the existing commercial lease agreements until the property is needed for future development.

