CITY COUNCIL COMMUNICATION:	

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03-507

AGENDA:

OCTOBER 17, 2003

SUBJECT:

AGREEMENT WITH WILLIAM C. KNAPP REVOCABLE TRUST FOR PURCHASE OF FORMER DEWEY SHOWROOM PROPERTY

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY MANAGER

OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

ITEM____

SYNOPSIS —

On the October 17, 2003, Council agenda is a roll call to approve a Put Agreement between the City and the William C. Knapp Revocable Trust (WCKRT) concerning the former Dewey Ford Showroom site. (The "Put Agreement" allows the developer to sell—or "put"—the property to the City in the event the project does not go forward.) WCKRT has agreed to purchase the property directly from the current owner for the purpose of redevelopment with the condition that if the redevelopment project does not more forward, the City will purchase the property from WCKRT for an amount equal to the purchase price plus reasonable carrying costs.

FISCAL IMPACT —

On November 11, 2002, by Roll Call No. 02-2595, the Council established the fair market value of the former Dewey Ford Showroom site at $907,500. WCKRT has agreed to take title to the property subject to the execution of this Put Agreement. With this agreement, the City agrees to reimburse WCKRT the full purchase price and reasonable carrying costs if their redevelopment project does not proceed.

RECOMMENDATION —

Approve Put Agreement with WCKRT.

BACKGROUND —

On August 5, 2003, the Urban Design Review Board accepted proposals from two developers for the redevelopment of the former Dewey Ford Showroom site. Both proposals provided for a mixed-use development with housing and commercial components.

On September 8, 2003, by Roll Call No. 03-2100, the Council directed staff to negotiate the terms of a redevelopment proposal with East Village Square Development (Knapp Properties, Inc.; Neighborhood Investment Corp.; and Hatch Development Group).

A critical component of the financing package for the apartment portion of the project is Low-Income Housing Tax Credits. The tax credits are allocated annually, and the application must be submitted on November 24, 2003. One of the required submissions is proof of land control. Because the City does not yet own the redevelopment parcel and because the tight timeline placed

enormous pressure on the negotiation's timeline, the City approached the developers and asked if they would consider purchasing the property directly from the current owners. WCKRT agreed to the direct purchase under the condition that the City committed to purchase the property from them in the event that the redevelopment project did not proceed. Following are the key conditions of the proposed Put Agreement between WCKRT and the City regarding the purchase of the property:

WCKRT will take title to the property subject to the execution of the Put Agreement.

1. The City will perform its due diligence in reviewing the property.

2. Upon notification by the City that it is satisfied with the title and the other conditions of the property and that the Put Agreement is in effect, WCKRT will take marketable title to the property.

3. On or before March 31 2005 (the Put Date), WCKRT may notify the City that it desires to execute the Put Agreement.

4. Within 60 days of its receipt of written notice from WCKRT, the City shall purchase the property from WCKRT for the purchase price paid by WCKRT plus a carrying cost of 4% per annum from the date of the closing plus any taxes on the property paid by WCKRT and demolition and site preparation costs paid by WCKRT.

5. WCKRT will not develop the project on the property until the Put Date or allow any liens or other encumbrances to be placed upon the property without the written approval of the City unless WCKRT provides a written waiver of the Put Agreement.

The City Manager's Office and the developer are negotiating the terms of the City's participation in the redevelopment. The terms of agreement will be presented to Council mid-November.