



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 04/27/04
No.: 04-196
Agenda Item Type: Resolution
No.:

Communication

Roll Call

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Amendment to Development Agreement with HMG Parking, LLC

SYNOPSIS—

Resolution approving and authorizing the Mayor to execute an amendment to the development agreement between the City and HMG Parking LLC that:

1. Approves the sale of 700 Locust by HMG Parking LLC to DBSI 700 Locust, LLC for \$9.88 million;
2. Approves the release of the collateral mortgage given the City by HMG Parking, LLC; and
3. Defers the City's final development loan installment payment of \$100,000 from November 2004 to July 2010 subject to satisfactory compliance of the terms and conditions contained in the development agreement.

FISCAL IMPACT—

The amendment does not alter the City's or the Developer's obligations under the approved development agreement. The project's increased assessment valuations have resulted in an increase in gross property tax revenues of \$93,104 for the current fiscal year and are anticipated to increase as a result of the property sale by an additional \$144,000.

RECOMMENDATION—

Approval

BACKGROUND—

By approved by Roll Call 00-1142, dated April 17, 200 City Council approved a development agreement and a City economic development loan for \$500,000 to HMG Parking Co., L.L.C. for the repair and improvements to the Partnership Building (formerly know as the Locust Street Mall) located at 700 Locust Street. The City's financial assistance is secured by a real estate mortgage on the property. The Development agreement calls for the City loan to be forgiven if the property's average assessed valuation over ten years ending July 2010 meets or exceeds \$6.4 Million

HMG Parking Co., LLC undertook and completed repair, renovation and improvement of the Greater Des Moines Partnership Building at a cost of \$2.3 million. The building prior to the renovation was 72% vacant and had experienced a 35% decline in assessed valuations falling to an assessed value of \$4.4 million. Subsequent to the renovations, the building is now approximately 100 % occupied and has sustained an increase in assessed valuation of \$2.169 million or a 49% increase in assessed value. It is anticipated the pending sale will further increase the assessed value by an additional \$3 million for a total increase in assessed valuation of 117%.

The buyer, DBSI 700 Locust, LLC, is a national investment company based in Meridian, Idaho. The new owner will continue to have the property managed locally by CB Richard Ellis Hubbell Realty.