



Agenda Item:

033

COUNCIL COMMUNICATION

City Manager's Office

GENERAL INFORMATION

Agenda Date: 10/11/04

Communication No.: 04-501

Agenda Item Type: Resolution

Roll Call No.:

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Resolution to approve preliminary terms of agreement for a redevelopment project between 23rd and 24th Streets south of University Avenue in the Drake Neighborhood.

SYNOPSIS—

On the October 11, 2004 Council agenda is a roll call to approve the preliminary terms of agreement set forth herein for a redevelopment project located between 23rd and 24th Streets south of University Avenue in the Drake Neighborhood.

The Developer for the project is 2300 University, LLC (Larry James, Jr., 6600 Westown Parkway, West Des Moines).

FISCAL IMPACT—

Per the preliminary terms of agreement, the City will provide the Developer with an upfront economic development grant in the amount of \$200,000 as well as an economic development loan in the amount of \$100,000. Both the grant and the loan will be funded through the economic development enterprise account.

RECOMMENDATION—

Approval

BACKGROUND—

Based on discussions with 2300 University Avenue, LLC, these preliminary terms of agreement have been reached. The following general points comprise the key features that will be defined in detail as part of a formal Development Agreement between the City and 2300 University Avenue, LLC (“Developer”).

The following funding estimates are “not to exceed” numbers subject to final financial submissions (cash flow, source and use, underlying assumptions).

- The City will provide \$200,000 as an economic development grant, (or the equivalent thereof?), the proceeds of which shall be used by Developer to help pay for some of the extra development costs (for example, sidewalks, site cost, etc.) associated with the project.
- City will grant ten year/100 percent tax abatement for the residential components of the project. (The residential components are understood to be 11 apartment units located in the second story of the historic Newens Dairy Building, 14 apartment units located in the second and third stories of a new construction building at the southeast corner of University and 24th Street and eight 2-story town homes along 23rd Street south of the Newens Dairy building.)
- City shall grant tax abatement for the commercial components as determined eligible under the City-Wide Urban Revitalization Plan.
- The City of Des Moines will provide the Developer with a no-interest loan in the amount of \$100,000, said loan to be repaid in full at the end of seven (7) years. This loan shall be secured with a second mortgage on the property and personal guarantees. In the event that Historic Tax Credits are obtained, the City’s loan shall be reduced dollar for dollar.

Developer Responsibilities:

- Developer will rehabilitate the historic Newens Dairy building located on the southwest corner of University Avenue and 23rd Street. The upper story shall be converted into 11 apartment units. The ground floor shall be rehabilitated and utilized as commercial space.
- Developer shall construct a new mixed-use building at the southeast corner of University Avenue and 24th Street. The building shall contain commercial space (retail and/or office) on the ground floor. The upper two stories shall contain 14 apartment units.
- Developer shall construct 8 two-bedroom row house apartments facing 23rd Street south of the Newens Dairy building.

- Developer shall construct a 12-stall garage along the western portion of the parking lot.
- Developer is responsible for building acquisition.
- Developer is responsible for all public improvements (sidewalks, sewers, etc.)
- The total project cost will be at least \$5.3 million.
- A minimum assessed value is required.
- The Developer shall apply for historic tax credits through the National Park Service. As stated above, to the extent tax credits are obtained, the City's \$100,000 loan would be reduced. If developer fails to pursue Historic Tax Credits in a timely and diligent manner, then the City shall have the right to demand immediate repayment of the loan (or not to issue the loan in the first place). This obligation to be backed by pro-rata personal guarantees of the investors.
- The project may be assigned only upon Council approval.

The proposed sources and uses of financing for the project are as follows:

Sources:

Equity Contribution	\$397,512
City of Des Moines Investor/Owner Grant	\$200,000
First Mortgage	\$4,653,000
City of Des Moines Mortgage	\$100,000
TOTAL	\$5,350,512

Uses of Funds:

Land Cost	\$360,000
Building Cost	\$230,400
Construction Costs	\$4,503,812
Architecture/Engineering	\$100,000
Construction Period Interest	\$67,300
Contingency	\$75,000
Market Study	\$2,500
Appraisal	\$4,000
Accounting	\$1,000
Environmental	\$1,500
Legal Expenses	\$5,000
TOTAL	\$5,350,512

Other terms and conditions of the formal grant and loan will be negotiated with 2300 University, LLC. The preliminary terms of agreement and the subsequent final development agreement are subject to approval by the Des Moines City Council.