



Agenda Item:

64

## **COUNCIL COMMUNICATION**

### **City Manager's Office**

#### **GENERAL INFORMATION**

Agenda Date: 04/25/2005

Communication No.:

05-224

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Donald M. Tripp, Park and Recreation Director

#### **SUBJECT—**

Lease of 1202 Scott Avenue and 1300 Scott Avenue to the State of Iowa.

#### **SYNOPSIS—**

Property Management, City Legal and the State of Iowa, through its Department of Administrative Services (DAS), have prepared three separate five-year lease agreements allowing three departments of the State of Iowa to lease city property located at 1202 and 1300 Scott Avenue. The City does not need the property for any public purpose during the five-year period, and leasing the property will fulfill City Council direction to lease the property to recover a portion of the acquisition costs.

#### **FISCAL IMPACT—**

\$96,118.22 Annual Lease Revenue (\$2,882.71 monthly lease revenue from the Iowa Department of Revenue and Finance; \$3,696.17 monthly lease revenue from the Iowa Department of Cultural Affairs; \$1,430.97 monthly lease revenue from Iowa Prison Industries). The City will be responsible for structural repairs to the building, sidewalk and parking lots. Such repairs are primarily for the roof and HVAC systems and are estimated to cost less than \$10,000 annually. All net revenue will be used to offset acquisition and demolition costs associated with this project. This lease will continue on a month-to-month basis after May 31, 2010, subject to cancellation by either party upon 30-days notice of cancellation.

## **RECOMMENDATION—**

Approval

## **BACKGROUND—**

On March 18, 2002, by Roll Call No. 02-666, the City of Des Moines purchased 1300 Scott Avenue and 1202 Scott Avenue for \$1,400,000 plus closing costs, pursuant to a purchase agreement, which allowed the properties to be purchased by the City over a five-year period at a cost of \$280,000 per year. The properties were purchased as an early acquisition for the planned extension of the Martin Luther King, Jr. Parkway project from the Des Moines River to SE 14th Street segment.

At the time of the acquisition, Council directed that the cost of the acquisition of 1202 and 1300 Scott Avenue be partially offset by the City having the opportunity to market these properties for lease. However, marketing these properties on a relatively short-term basis has been a challenge.

M. L. King, Jr. Parkway is currently under construction from SW 2nd Avenue west to Fleur Drive. The Southeast Connector includes extension of the current project east across the Des Moines River to connect to SE 14th and SE 15th Streets. A primary corridor study and an environmental assessment have been accomplished on this segment from the Des Moines River to SE 14<sup>th</sup> and SE 15th Streets. The properties at 1202 and 1300 Scott Avenue are shown in the primary corridor as being required for future construction. However, these properties will not be required for at least the next five years.

The Iowa Department of Administrative Services has required that the lease include language allowing the State to bring litigation against the City for breach of conditions of the lease. The City of Des Moines has the reciprocal right. Such language is not normally included in City of Des Moines lease agreements.

As of the deadline for submission of items for City Council consideration, the State of Iowa has not executed this lease agreement. If the lease is not executed prior to the hearing, the item will be continued or may be closed with no agreement reached.