



Agenda Item:

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## COUNCIL COMMUNICATION City Manager's Office

### GENERAL INFORMATION

Agenda Date: 5/9/05  
237

Communication No.: 05-

Agenda Item Type: Receive/File  
No.:

Roll Call

Submitted by: Richard A. Clark, Deputy City Manager

### SUBJECT—

Communication from the City Manager regarding preliminary terms of an economic development grant to WKKS Properties, LC (Jeffrey Schachtner, Managing Partner, 100 Market Street, Suite 116, Des Moines, IA 50309) for the condominium conversion of the Des Moines Tire Building, 120 SW 5<sup>th</sup> Street.

### SYNOPSIS—

WKKS Properties is proceeding with a plan to convert the former Des Moines Tire Building to approximately 71 residential condominiums. The project will be known as Whiteline Lofts. Construction estimates, particularly mechanical systems, are considerably higher than the developer originally projected. Months of redesign and reengineering have helped to lower the total redevelopment cost, but the project still cannot proceed without City financial assistance.

### FISCAL IMPACT—

City will advance a grant in the amount of \$500,000 in two equal installments to be paid July 1, 2007 and July 1, 2008. The City's funds shall not be released until a certificate of occupancy has been issued for all condominium units. The source of the City funding will be tax increment financing funds.

## **RECOMMENDATION—**

Approval

## **BACKGROUND—**

The Whiteline Lofts project will convert an underutilized warehouse immediately west of the new Science Center of Iowa to 71 residential condominiums. The developers will also be adding 2 floors to the building. The condos will range in size from 700 to 2,300 square feet and sales prices are projected from \$106,100 - \$750,000+. The project will feature underground parking, state-of-the-art technology and wiring in every unit, and dramatic views of the downtown skyline, river, and Principal Park. Construction is scheduled to begin in June 2005, with units ready for occupancy June 2006.

On September 30, 2003, by Roll Call 03-479, Council passed a resolution entering into an agreement with MidAmerican Energy for the relocation of power lines to facilitate Whiteline Lofts. Also at that time, Council set date of public hearing for conveyance of City-owned land to the Whiteline Loft project. The net impact of that transaction resulted in the City paying \$234,164 to fund the undergrounding of utility.

### **City Responsibilities**

- City will advance a grant in an amount of \$500,000 in two equal installments to be paid July 1, 2007 and July 1, 2008. The City's funds shall not be released until a certificate of occupancy has been issued for all condominium units.
- City will grant ten-year 100 percent tax abatement on the residential units.

### **Developer Responsibilities:**

- The Developer shall rehabilitate a former warehouse at 120 SW 5<sup>th</sup> Street into condominium units.
- The Developer shall construct approximately 71 residential units.
- The total project cost shall be at least \$19.9 million.
- The Developer agrees to apply for tax abatement as administered by the Community Development Department.
- In addition to the routine building permit review and approval requirements, the conceptual and final plans are subject to review by the Urban Design Review Board and to final approval by the City Council.

The preliminary sources and uses are as follows:

### **Sources:**

|                             |                     |
|-----------------------------|---------------------|
| Sales Proceeds              | \$18,380,685        |
| Enterprise Zone Credits     | \$646,100           |
| Sales Tax Credits           | \$270,000           |
| Mid-American Energy Rebate  | \$130,000           |
| City of Des Moines          | \$500,000           |
| <b><i>Total Sources</i></b> | <b>\$19,926,785</b> |

**Uses:**

|                               |                     |
|-------------------------------|---------------------|
| Building and Land Acquisition | \$1,733,000         |
| Construction                  | \$13,793,712        |
| Professional Fees             | \$682,000           |
| Construction Loan Costs       | \$885,846           |
| Soft Costs                    | \$350,411           |
| Developer Fee/Overhead        | \$1,839,822         |
| Marketing                     | \$641,994           |
| <b><i>Total Uses</i></b>      | <b>\$19,926,785</b> |

All City terms and conditions of the City's financial participation shall be set out in a development agreement that is subject to final review and approval by City Council.

**Urban Design Review Board Recommendation**

On May 3, 2005, the Urban Design Review Board recommended Council approve the tax increment financing assistance for Whiteline Lofts. The Board also conducted a preliminary design review and will make a final design review and recommendation in the coming weeks.

**Reference Map**

