



Agenda Item:

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## **COUNCIL COMMUNICATION**

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

#### **GENERAL INFORMATION**

Agenda Date: 6/20/05  
Agenda Item Type: Resolution

Communication No.: 05-366  
Roll Call No.:

Submitted by: Richard Clark, Deputy City Manager

#### **SUBJECT—**

Resolution approving final terms of an Urban Renewal Development Agreement with 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 65 residential condominiums. The project will be known as Whiteline Lofts.

On May 9, 2005, by Roll Call 05-1205, Council approved the preliminary terms of agreement for the redevelopment of the Des Moines Tire Building and directed the City Manager to proceed with negotiations of a formal development agreement.

On the June 20, 2005 City Council agenda is a roll call to accept and approve the final terms of the Urban Renewal Development Agreement with WKKS Properties, LC.

Also on the June 20, 2005 City Council agenda, Council is asked to approve the Conceptual Development Plan for the Whiteline Lofts. The Urban Design Review Board has recommended approval of the Whiteline Lofts Conceptual Development Plan.

#### **FISCAL IMPACT—**

City will advance a total grant of \$500,000 in two equal \$250,000 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 approximately 65 residential condominiums. The developers will also be adding 2 floors to the building. The condos will range in size from 550 to 3,500 square feet and sales prices are projected from \$106,100 - \$750,000+. The 2 additional floors are necessary to help spread the high costs associated with rehabilitating a 90-year old structure. These penthouse units help narrow the developer’s financial gap but do not contribute enough revenue to allow the project to proceed. Without the City’s assistance, the project would be unable to move forward while still offering a selection of moderately priced units. The wide unit mix will provide a variety of housing choices to attract downtown residents. 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 August 2005, with units ready for occupancy October 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 utility undergrounding.

**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 65 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.

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><i>\$19,926,785</i></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>Total Uses</b>	<b>\$19,926,785</b>

All City terms and conditions of the City’s financial participation are set out in the development agreement.

**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.

On June 7, 2005, the Urban Design Review Board recommended approval of the Conceptual Development Plan as presented. A communication from the Board was included on the June 20, 2005 City Council Agenda

**Reference Map**

