



**Council
Communication**
Office of the City Manager

Date

May 8, 2006

Agenda Item No. 25
Roll Call No. 06-
Communication No. 06-276
Submitted by: Richard A. Clark

AGENDA HEADING:

Agreement by Metro Waste Authority assuming obligations of 300 East Locust, L.P. to the City of Des Moines, Iowa set forth in the Urban Renewal Development Agreement dated April 2, 2001.

SYNOPSIS:

At the Council meeting on April 24, 2006 Council approved a development agreement amendment with the Metro Waste Authority (MWA) regarding the property at 300 East Locust (Richard Janssen, President of CPMI-CRE Coralville Venture, General Partner of 300 East Locust, L.P.) with two changes: 1. The property should remain as fully taxable after the term of the agreement; and 2. The minimum assessment agreement should be revised to reflect current value. Staff has met with the owner (Thomas B. Hadden, III, Executive Director, MWA, 300 East Locust Street, Des Moines, IA 50309) and has drafted an amendment. However, because the new amendment language is not in conformance with the Council's direction, we are bringing the contract back for your review and approval. The contract, as now proposed and agreed upon by MWA, contains the following changes regarding the Council's prior action:

1. The proposed agreement does not call for an increase in the minimum assessment value. The reason for this is that the property is already assessed at the current market value as determined by the County Assessor (about \$3.9 million as opposed to the minimum assessed value of \$3.6 million). Please note that the Assessor is able to assess property for an amount above the minimum assessment agreement if warranted. An increase in the minimum assessed value would be desirable, but in light of the other changes agreed to by MWA, this is a less important amendment, and thus we recommend that no change be made in the minimum assessed value.
2. The agreement now stipulates that the MWA will pay property taxes for as long as they occupy or have any ownership interest in the property. This is a very significant provision, and the MWA should be commended for demonstrating their commitment to pay taxes despite their tax-exempt status.
3. The agreement requires that the MWA begin repayment of the outstanding loan one year sooner, that is, by July 1, 2006. The loan repayment amount is \$75,000.

FISCAL IMPACT:

Amount: The City will receive \$75,000 in loan repayment revenue on July 1, 2006 and annually thereafter.

Funding Source: N/A

ADDITIONAL INFORMATION:

Metro Waste Authority wishes to purchase the office building located at 300 East Locust Street from the current owner, 300 East Locust L.P. Metro Waste Authority is currently a partner in the building's ownership entity.

The Urban Renewal Development Agreement between the City and 300 East Locust, L.P. requires City approval of a material change in ownership. Metro Waste Authority has agreed to comply with and be bound by all terms and conditions of this the Development Agreement, Minimum Assessment Agreement, and Parking Lease Agreement.

PREVIOUS COUNCIL ACTION(S):

Date: April 24, 2006

Roll Call Number: 06-770

Action: Agreement with Metro Waste Authority assuming obligations of 300 East Locust, L.P. for property at 300 E. Locust Street as set forth in the Urban Renewal Development Agreement dated April 2, 2001. (Council Communication No. 06-233.) Moved by Coleman to adopt subject to review and approval by the City Attorney and City Manager of provisions to the Agreement that include the following: 1) Increased Minimum Assessed Value. 2) Payment of property taxes after 2018. Motion Carried 7-0.

Date: March 10, 2003

Roll Call Number: 03-535

Action: Certificate of Completion for 300 E. Locust Street. (Council Communication No. 03-096). Moved by McPherson to approve. Motion Carried 6-1.

Date: May 7, 2001

Roll Call Number: 01-1405

Action: On Parking Lease Agreement with 300 East Locust L.P., for portion of vacated East Second Street between Grand and Locust, \$35 per space per month. (Council Communication No. 01-235). Moved by Coleman to adopt. Motion Carried 5-2. Nays: Brooks and Vlassis.

Date: April 2, 2001

Roll Call Number: 01-994 (B)

Action: Approving Development Agreement with 300 East Locust L.P., for redevelopment of 300 E. Locust Street. (Council Communication No. 01-152) Moved by Coleman to approve and adopt. Motion Carried 6-1. Nays: Brooks.

BOARD/COMMISSION ACTION(S):

Date: February 15, 2001

Roll Call Number: N/A

Action: Plan and Zoning Commission approval of a request to vacate and convey the eastern 25 feet and western 25 feet of East 2nd Street from East Grand to East Locust for purposes of leasing for private parking.

Date: January 9, 2001

Roll Call Number: N/A

Action: Urban Renewal Board and Architectural Advisory Committee approval of the conceptual development plans.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE