



Council Communication

Office of the City Manager

Date

December 4, 2006

Agenda Item No. 32

Roll Call No. 06-

Communication No. 06-760

Submitted by: **Richard A. Clark, City Manager**

AGENDA HEADING:

Approving Economic Development Forgivable Loan to The Homestead Building, L.P.

SYNOPSIS:

Recommend approval of \$50,000 Economic Development Forgivable Loan to The Homestead Building, L.P. (Bruce W. Gerleman, General Partner, 303 Locust, Suite 150, Des Moines) to assist with the retention and expansion of two current tenants (Mosaic, Inc. and Gourley, Rehkemper & Lindholm Law Firm). The City's assistance will be matched by in-kind contributions by the Landlord totaling \$72,790. The Tenants have agreed, if the assistance package is approved, to lease approximately 12,570 total square feet at 303 Locust for a term of five years, to collectively retain at least 42 full-time employees, and to create 8 new full-time employees to work at the leased premises during the term of the lease.

One of the challenges facing the City is to increase the occupancy of our older downtown commercial office buildings, many of which have relatively high vacancy rates. This can be accomplished by fostering innovative, adaptive re-use or by lowering occupancy costs for traditional tenants. In this instance, the City is providing economic development assistance for building and office renovations and compliance with the Americans with Disabilities Act that will lower occupancy cost and thus increase the competitive posture of the Homestead Building.

FISCAL IMPACT:

Amount: \$50,000

Funding Source: Fiscal Year 2006-07 Operating Budget, Economic Development Enterprise Account, SP743 CMO980717 Account 528190, page 350.

ADDITIONAL INFORMATION:

The downtown core has several older office buildings that, due to their age, maintenance costs, and floor plans are increasingly at a competitive disadvantage with newer leasing options in the suburbs. To assist in maintaining rental rates, occupancy rates, and subsequently tax base in older downtown buildings, staff recommends this financial assistance package that focuses on physical improvements to the Homestead Building. The proposed package also includes financial participation by the Landlord as a match to the City participation.

The Homestead Building, LP has been working to retain two existing tenants who have been evaluating new lease options and are in the process of making a decision between the Homestead Building and available space in West Des Moines. The decision will be based on comparative occupancy and

improvement costs. Estimated improvement costs to the location at 303 Locust Street for building and office renovations are estimated at \$50,000.

The proposed assistance is a joint package with the Landlord providing an in-kind incentive valued at \$72,790, matched by the City's \$50,000 economic development assistance loan. Prior to disbursement of loan funds, the Landlord will be required to (a) certify that it has incurred costs of at least \$50,000 in improvements to the building and leased premises and (b) certify annually that the Tenants are in compliance with the provisions of the City loan agreement and that the Tenants have employed at least 42 full-time employees at the leased premises.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE