



Council Communication

Office of the City Manager

Date

August 6, 2007

Agenda Item No. 31
Roll Call No. 07-
Communication No. 07-465
Submitted by: Matthew A. Anderson,
Economic Development Administrator

AGENDA HEADING:

Resolution Accepting Developer-Initiated Redevelopment Proposal from Houghton Properties, Jack Houghton, President, 12814 Cardinal Lane, Urbandale, IA 50323, to Redevelop Disposition Parcel No. 16A (South of Mattern Avenue to E. Jefferson Avenue Between Dixon and De Wolf Streets) in the Guthrie Avenue Business Park Urban Renewal Area and Setting the Date of Hearings.

SYNOPSIS:

Houghton Properties has submitted a developer-initiated proposal to redevelop City-owned Disposition Parcel No. 16A in the Guthrie Avenue Business Park. This 5.87-acre parcel is located south of Mattern Avenue to E. Jefferson Avenue between Dixon and De Wolf Streets. The developer is proposing to construct 100,567 square feet for lease in three office/warehouse/distribution facilities at an estimated development cost of \$3 million. Staff is recommending that Council:

- A. Approve the Minimum Development Requirements and Competitive Criteria for Disposition Parcel No. 16A, and
- B. Accept Houghton Properties' preliminary redevelopment proposal for Disposition Parcel No. 16A, and
- C. Authorize advertisement for competing redevelopment proposals and authorize notice of intent to enter into an Urban Renewal Development Agreement with Houghton Properties if no competing proposals are received, and
- D. Initiate the vacation of Mattern Avenue between Dixon and De Wolf Streets and E. 18th Street between Mattern and E. Jefferson Avenues to facilitate the redevelopment project.

FISCAL IMPACT:

Amount: The City will receive approximately \$65,000, which represents the fair market value of \$345,000 minus estimated deductions listed below for Disposition Parcel No. 16A. The City will deduct from the Property purchase price at closing:

- A. The lowest responsible of three bids for approved demolition work, and
- B. \$158,000, which represents the net present value of the projected tax revenue stream from an additional estimated 24,000 square feet the developer would not have otherwise been required to construct beyond the minimum 66,000 square feet of building improvements. This flex space will be built at the southeast corner of De Wolf Street and E. Jefferson Avenue, and

- C. \$25,000, which will limit the City's liability for any additional hazardous or solid waste discovered on the Property.

Funding Source: Revenue will be deposited into the FY07-08 CIP Account URRO12, CP065 CMO990000, Economic Development page 5.

ADDITIONAL INFORMATION:

In 1988, the City Council adopted the Guthrie Avenue Business Park Urban Renewal Plan in order to accommodate the growth and development of office/warehouse/distribution and light manufacturing facilities in Des Moines so as to diversify the local economy. JJF Partners (Van Meter Industrial and Point Builders, Inc.) completed the first new building in the Park in October 1994. Since that time, developers and user-owner businesses have invested nearly \$30 million to construct 814,400 square feet in 16 new buildings. Approximately 700 jobs have been created.

The business composition of the Guthrie Avenue Business Park includes but is not limited to electrical products, coin-operated vending equipment, automotive parts and other distribution as well as book binding, preservation of aged books/manuscripts and construction contracting.

Since fall 1999, no buildings have been constructed in the Park. Houghton Properties' proposal is significant because it will add over 100,000 square feet of office/warehouse/distribution space, which at build-out will represent 11% of the new development in the Park since the project's inception. The developer has a vested interest in the Park because he previously completed three office/flex space buildings: 22,000 square feet at 1771 Guthrie Avenue; 32,400 square feet at 2101 Dixon Street; and 61,200 square feet at 1900 Dixon Street. In addition, there is a market for new industrial space at competitive rates, which will support this new development in Des Moines.

The total estimated cost of building construction and site preparation (excluding demolition) is \$3 million. The developer will be required to enter into a Minimum Assessment Agreement which fixes the Minimum Actual Value of the 66,000 square feet of required improvements at \$2,970,000 (\$45/square foot). The land will be sold for \$345,000. Construction is proposed to start on the first building in October 2007, and all three buildings will be completed by July 1, 2009.

The developer submitted a cashier's check in the amount of \$86,250 from U.S. Bank as the good faith deposit for Disposition Parcel No. 16A, which represents 25% of the land purchase price. Houghton Properties intends to provide 50 percent of the project costs as equity and obtain debt financing for the remaining 50%. The developer has provided a letter of preliminary interest in financing the project from U.S. Bank dated June 28, 2007. Based on review of the developer's balance sheet and information contained in the aforementioned letter, it will be able to finance the redevelopment project.

Houghton Properties' redevelopment proposal meets the proposed Minimum Development Requirements, which are in accordance with the Guthrie Avenue Business Park Urban Renewal Plan and the current zoning ordinance. The developer will be required to submit final evidence of financing and final design plans, which will include a lighting and signage plan, for Council's future approval.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S):

Date: July 24, 2007

Roll Call Number: N/A

Action: The Urban Design Review Board approved the Minimum Development Requirements and Competitive Criteria for Disposition Parcel No. 16A in the Guthrie Avenue Business Park and the Houghton Properties' developer-initiated preliminary proposal.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- On September 6, 2007, the Plan & Zoning Commission is anticipated to consider the vacation of Mattern Avenue between Dixon and De Wolf Streets and E. 18th Street between Mattern and E. Jefferson Avenues.
- On September 10, 2007, the City Council will be requested to set the date of public hearing to consider the vacation of the above-referenced streets.
- On September 18, 2007, the Urban Design Review Board will accept and review competitive proposals.
- On September 24, 2007, the City Council is projected to enter into the Urban Renewal Development Agreement with Houghton Properties for Disposition Parcel No. 16A if there are no better competing proposals.