

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date</b>	December 8, 2008
	<b>Agenda Item No.</b> <b>44</b> <b>Roll Call No.</b> <b>08-</b> <b>Communication No.</b> <b>08-728</b> <b>Submitted by: Matt Anderson</b> <b>Economic Development Administrator</b>	

**AGENDA HEADING:**

Communication from the Office of Economic Development seeking authorization to negotiate with New Market Investors, LLC for possible redevelopment of the former Younkers Building, 713 Walnut Street.

**SYNOPSIS:**

New Market Investors, LLC (Michael Alexander, Managing Director, 8603 Westwood Center Drive Suite 230, Vienna, VA 22182) has negotiated a purchase agreement to acquire the former Younkers building at 7<sup>th</sup> and Walnut in downtown Des Moines. City staff has been working with Mr. Alexander on technical issues surrounding the possible redevelopment of this building. The collaborative process has focused on items ranging from possible uses, parking, city review processes, and State and Federal tax credit availability.

New Market Investors intends to close on the acquisition by year-end. Although the exact funding sources of the \$30+ million renovation will not be determined for a number of months, it is anticipated that the project will require local economic development assistance. The City Council is asked to grant authorization to the City Manager to negotiate a redevelopment strategy and financing package with New Market Investors for City Council review and consideration at a later date. Staff will engage the appropriate parties at the State of Iowa, Polk County, and the local business community to gauge their interest in assisting with the redevelopment of this iconic downtown building.

**FISCAL IMPACT: NONE**

Amount: N/A

Funding Source: N/A

**ADDITIONAL INFORMATION:**

On June 3, 2005, Saks Incorporated announced it would close the downtown Younkers store located at 7<sup>th</sup> and Walnut Streets. The closure of this 141,000 sq.ft. retail space followed the October 2002 elimination of 270 corporate positions that occupied the building's upper floors. The building has remained vacant since.

City staff has worked with a number of developers who have expressed an interest in the building. Possible redevelopment strategies have included hotels, office space, retail uses, and condominiums. Financial gaps as high as 20% of project costs have prevented any previous concepts from moving forward.

New Market Investors is proposing a complete rehabilitation of the 288,000 sq.ft. Younkers building. The project could include ground-level and skywalk retail space and over 130 rental apartments. A portion of the building's basement is proposed for parking. The developer has recently completed a similar project in downtown Richmond, VA with the rehabilitation of the former Miller & Rhoads Department Store. That project featured a Hilton Garden Inn.

Saks recently reduced the asking price of the building by approximately 50%. This, coupled with New Market Investors' experience financing difficult to develop projects, has us optimistic that the time is right to move forward with redevelopment. However, it is anticipated the financing structure will involve an intricate mix of equity, debt, tax credits, and public financing sources.

### **PREVIOUS COUNCIL ACTION(S):**

Date: March 20, 2006

Roll Call Number: 06-565

Action: Regarding the City's participation in the proposed redevelopment of the vacant Younkers Building at 7<sup>th</sup> and Walnut Streets, not to exceed \$2 million or 5% of total project cost whichever is less. (Council Communication No. 06-136)

) Moved by Hensley to receive and file, and to direct the City Manager to proceed with negotiations toward a preliminary and final agreement for further consideration by the City Council. Motion Carried 7-0.

### **BOARD/COMMISSION ACTION(S): NONE**

### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Review and consideration of detailed preliminary terms of agreement.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the second floor of City Hall, 400 Robert D Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).