

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	December 21, 2009
	Agenda Item No. 38 Roll Call No. <u>09-</u> Communication No. <u>09-890</u> Submitted by: Richard A. Clark, City Manager	

AGENDA HEADING:

Resolution approving the City Manager’s recommendation regarding the redevelopment of 801 University Avenue.

SYNOPSIS:

The City is the owner of the property at 801 University Avenue (formerly occupied by Top Value Foods). This property is assisted by a Section 108 Loan Guarantee Assistance and Note with the U.S. Department of Housing and Urban Development (HUD).

The City has received Letters of Intent to Redevelop Property from two parties interested in redeveloping the property. After review of the two proposals by City staff, and consultation with leadership from the neighborhood associations comprising the Enterprise Community, the City Manager recommends:

- (1) the City select the group comprised of the Community Foundation of Greater Des Moines, Des Moines Area Community College (DMACC) and Save Stores, LLC (owners Ray Brown and Harold Lovelady, both City of Des Moines residents) as the Preferred Redeveloper of the Property; and
- (2) authorize the City Manager or his designee over a 60 day due diligence period to negotiate a contract for the sale and redevelopment of the property with the Preferred Redeveloper, subject to final approval by the City Council. During the due diligence period:
 - (a) Preferred Developer will consummate its financial arrangements and provide the City with evidence of financing commitments to complete their redevelopment proposal;
 - (b) City will provide the Preferred Developer access to the property as needed; and
 - (c) City agrees not to enter into negotiations for the lease or sale of the redevelopment site with other Redevelopers;

If at the end of the 60 day due diligence period, a Redevelopment Agreement for the disposition and redevelopment of the Property is not reached with the Preferred Redeveloper, then the City is open to entertain and negotiate with other Redevelopers.

FISCAL IMPACT:

The recommended proposal will fully pay the outstanding balance (\$1,780,957) of the HUD Section 108 Loan Guarantee Note within 60-90 days after acceptance of the Intent to Redevelop Property. Additionally, upon completion of the disposition of the property to the Developer, the portion of the site that contains retail uses will become taxable.

ADDITIONAL INFORMATION:

City staff has been in discussions with three separate groups regarding the redevelopment of the property at 801 University Avenue, which was formerly occupied by Top Value Foods. In late November, the City received three letters of intent to redevelop this property. To evaluate the proposals, letters were sent to the three groups outlining the City's goals for redevelopment of the site (attached Exhibit A) and inviting them to re-submit development proposals in a standard format.

Two proposals were received (attached as Exhibit B and C) and reviewed in terms of the City's goals for redevelopment of the site. Additionally, staff solicited feedback on the proposals from the leadership of the five neighborhood associations comprising the Enterprise Community. Both proposals contain market risks and fulfill, to varying degrees, the City's redevelopment goals for the site.

Staff's recommendation to select the group comprised of the Community Foundation of Greater Des Moines, DMACC and Save Stores, LLC as the Preferred Redeveloper of the Property is based on the evaluation that their proposal most closely fulfills the City's goals for redevelopment of the site.

The recommended proposal provides that 66% of the building will be dedicated to retail services by providing:

- (1) an 18,000 square foot Save-A-Lot grocery store offering fresh meats, breads, dairy, frozen and fresh fruits and vegetables, private and national label non-perishable goods and general household items; and
- (2) a 5,000 square foot Dollar Plus Store offering housewares, baby supplies, health and beauty, and office and school supplies.

Both of these retail outlets will be owned and operated by Save Stores, LLC, with Ray Brown as general manager.

The remaining 12,000 square feet will house the Evelyn Davis Workforce/Re-engagement Center. The Evelyn Davis Center will be administered by DMACC as a one-stop workforce center delivering enhanced services and supplemental wrap-around support. Services to be provided include: Workforce Center, Education Re-engagement Center and connections to job opportunities.

Both the retail operator and the Evelyn Davis Center have indicated their desires to incorporate citizen participation into the final development of their respective operations.

Their proposal indicates that within 60-90 days of acceptance of the Intent to Redevelop Property that the Preferred Redeveloper will be prepared to close on the purchase of the site in the amount necessary to fully pay off the City's remaining obligation under the HUD Section 108 Loan Guarantee, which is estimated at \$1,780,957. Upon conveyance of the property, building portions occupied by the retail operations will become taxable, while the Evelyn Davis Workforce/Re-engagement Center portion would remain exempt from property taxes.

In the recommended proposal, DMACC has expressed its interest to purchase any vacant space that may come available, if the retail ventures are not successful. Further, DMACC commits to make every attempt to seek out and occupy that space with new commercial retail outlets.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval of the Redevelopment Agreement stipulating the terms and conditions required to convey title to the property at 801 University Avenue.

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