

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 14, 2010
	Agenda Item No. 41 Roll Call No. [Roll Call] Communication No. <u>10-327</u> Submitted by: Matt Anderson Economic Development Administrator

AGENDA HEADING:

Approving preliminary terms of agreement with ND 22 Fleming, LLC for residential redevelopment of the Fleming Building, 604 Walnut Street.

SYNOPSIS:

ND 22 Fleming, LLC, (Jake Christensen, Managing Member, 616 10th Street, Des Moines, IA 50309) proposes to convert the historic Fleming Building from office use to 111 apartment units. The 1907 building will require extensive renovations including asbestos abatement, new windows, heating and cooling system replacement, and construction of a new 11-story internal stairwell.

Floors 2-11 will be converted from office to market rate apartments. The first floor will remain retail/commercial use. The majority of the units will be smaller studio and one-bedroom units. Rents will be approximately \$1 per square foot. Typical apartment rents will be \$500 - \$700 per month. The project will take over 60,000 square feet of office space off downtown’s saturated market.

The \$14.7 million project has a financing gap with a net present value (NPV) of approximately \$1.1 million. The Office of Economic Development proposes to fill the gap as outlined below. Additionally, the project will be eligible for tax abatement. The developer will be contractually prohibited from converting the building to a cooperative for real estate tax purposes.

FISCAL IMPACT:

Amount: 10 annual grant installments of \$160,000 with a NPV of \$1,128,648. Payments to begin at Certificate of Completion, but in no event earlier than July 1, 2011.

Funding Source: Metro Center Urban Renewal Area tax increment financing, SP370, FIN909105, FY2010-2011 Operating Budget, page 117.

ADDITIONAL INFORMATION:

The Fleming Building was designed by architect Daniel Burnham. Mr. Burnham was also the architect of the Flatiron Building in Manhattan’s Madison Square. During the proposed renovation, the developer will install \$1.6 million in new windows and replace an antiquated cooling system that currently utilizes clean, treated municipal water to cool the building then releases it into the sewer system. Other energy

saving enhancements will include new compact florescent lighting and installation of a new high efficiency boiler.

The Fleming Building's assessed value has dropped 73% to \$693,000 since its peak in 1995.

The developer will work with the city's parking contractor, AMPCO, to arrange for tenant parking in one of the city-owned parking ramps.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Receive and file Urban Design Review Board financial incentive recommendation.
Final consideration of Urban Renewal Development Agreement.

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