

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 14, 2010
	Agenda Item No. 83 Roll Call No. [Roll Call] Communication No. <u>10-366</u> Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Resolution authorizing voluntary acquisition of properties located at 717 Grand Avenue and 517 8th Street for assemblage with the City’s 7th and grand parking garage property.

SYNOPSIS:

Recommend approval for voluntary acquisition of property located at 717 Grand Avenue from The Young Women’s Christian Association of Greater Des Moines (YWCA), Jennifer J. Leachman, Board President, 717 Grand Avenue, Des Moines, Iowa 50309 for \$1,050,000, and property located at 517 8th Street from the Estate of Charles W. Rogg (Rogg Trust), c/o Stephen J. Petosa, Trustee, 1350 NW 138th St., Suite 100 Clive, IA 50325 for \$300,000.

The YWCA and Rogg Trust properties are currently available for sale, which adjoin City-owned property consisting of the east half of a city block and an adjoining north-south vacated alley located between Grand Avenue and High Street and between 7th Street and 8th Street, for use and operation of the 7th and Grand Parking Garage. Acquisition of these properties is recommended for assemblage with the parking garage property, creating a unique opportunity for the City by securing greater flexibility in meeting future downtown parking or other development needs.

FISCAL IMPACT:

Amount: \$1,350,000 plus closing costs and \$12,000 for environmental investigation costs.

Funding Source: Economic Development Enterprise Fund, SP746, CMO980716, FY2010-11 Recommended Operating Budget, page 56.

ADDITIONAL INFORMATION:

The north end of the YWCA building was originally constructed over the Rogg Trust land, which has been subject to a long term lease for the building encroachment. Due to this building encroachment, and a recently recorded Lease Termination agreement, both properties must be considered for purchase at the same time in order to eliminate the City’s risk for an unrestricted future use and redevelopment of the properties. Also, there are two public skywalks on the YWCA property that staff must evaluate to determine costs for ongoing operation and maintenance of the existing building mechanical systems and how these systems jointly or separately serve the YWCA building and the skywalks.

Voluntary purchase agreements have been negotiated and accepted by the owners of the YWCA and Rogg Trust properties, subject to the City's acceptance by City Council. The purchase prices offered by the City of \$1,050,000 to the YWCA and \$300,000 to the Rogg Trust are based on comparable property sales and current assessed values in the downtown central business district. The City's Real Estate Division considers the above purchase prices to be within a reasonable and acceptable range of the fair market value of the property interests to be acquired.

Redevelopment of the properties is not expected to occur immediately, so staff will conduct such inspections of the property to determine the estimated costs to hold the properties for a potential period of 3 to 5 years. The City, at its expense, has 10 days to inspect the YWCA property to evaluate the title, environmental, mechanical, demolition, asbestos, ongoing maintenance, and any other costs associated with the acquisition and future redevelopment of the properties. If the results or findings of other staff inspections or testing undertaken by the City with respect to the properties are not satisfactory to the City for any reason, the City may terminate the purchase agreements prior to the agreed upon closing date of June 30, 2010. Staff has already received the results of an environmental contamination investigation that was completed on the properties, and there does not appear to be any contamination concerns based on the environmental reports.

In order to meet the Seller's required closing date of June 30, 2010, staff will move forward to prepare all required closing documents and will prepare a final report to City Council that will outline the City's anticipated holding costs until redevelopment occurs. Closing or termination of the above purchase agreements shall be subject to City Council approval at the June 28th Council meeting.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Future redevelopment of the 7th and Grand parking garage property shall be subject to City Council approval.

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