

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> August 9, 2010
	<b>Agenda Item No.</b> 57 <b>Roll Call No.</b> <u>10-1326</u> <b>Communication No.</b> <u>10-504</u> <b>Submitted by:</b> Richard A. Clark, City Manager

**AGENDA HEADING:**

Communication from the City Manager regarding the purchase of the YWCA property.

**SYNOPSIS:**

It is recommended that Council approve the closing on the property located at 717 Grand Avenue currently owned by the Young Women’s Christian Association of Greater Des Moines (YWCA), Jennifer J. Leachman, Board President, 717 Grand Avenue, Des Moines, Iowa 50309, for \$490,000.

The City’s original offer to purchase the YWCA was for \$1,050,000. During the due diligence period, staff’s investigation of the property identified a significantly higher demolition cost than first anticipated. The original demolition estimate was \$500,000, which was procured by the YWCA from a demolition contractor, but the estimate did not consider asbestos removal, backfilling the basement or the structural integrity of the basement walls. After further review by an independent engineering firm hired by the City, the cost for demolition (excluding asbestos removal) was estimated to be as much as \$1,600,000. Asbestos removal is estimated to be as much as \$250,000. In addition, demolition would need to accommodate the retention of the skywalk bridges and corridors in the building.

It is also recommended that Council approve the closing on property located at 517 8<sup>th</sup> Street from the Estate of Charles W. Rogg (Rogg Trust), c/o Stephen J. Petosa, Trustee, 1350 NW 138th Street, Suite 100, Clive, Iowa 50325, for \$300,000.

And finally, it is recommended that Council authorize staff to prepare bid documents for demolition due to the estimated upfront mechanical repairs of \$257,000 and estimated annual operating costs of \$86,400 that would be needed to keep the building in a minimal operational state. Such repairs and operating costs would be needed to maintain minimal heating and cooling in the building to prevent water lines from freezing that serve the fire sprinkler system and to prevent the building from deteriorating to the point that it becomes a nuisance. Demolishing the building as soon as possible will eliminate these repairs and ongoing costs. Council will be asked to approve a demolition contract at a future date.

**FISCAL IMPACT:**

Amount: \$490,000 for acquisition of YWCA property and \$300,000 for acquisition of Rogg property, plus \$12,000 for environmental investigation and closing costs.

Funding Source: Economic Development Enterprise Account to be reimbursed with Tax Increment Funds (TIF) generated by the Downtown TIF District.

**ADDITIONAL INFORMATION:**

The YWCA and Rogg Trust properties adjoin the City-owned 7<sup>th</sup> and Grand Parking Garage. This parking garage is nearing the end of its useful life, yet it remains one of the most heavily used City-owned garages downtown. And, given its close proximity to some of the city's largest office buildings, it should continue to be a highly utilized location for parking. Acquisition of the YWCA and Rogg 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 and development needs. It is anticipated that the City will pursue a redevelopment of the parking garage together with the YWCA property, with the goal of having a large scale, mixed-use development with parking and commercial (taxable) uses.

The closing on the City's acquisition of the YWCA property will not be conducted in accordance with the City's standard real estate policies because of the exigent circumstances presented in this matter. The City Legal Department will oversee the closing process to protect the City's interests.

**PREVIOUS COUNCIL ACTION(S):**

Date: July 12, 2010

Roll Call Number: 10-1168

Action: **Regarding** the purchase of YWCA property. Moved by Hensley to approve an extension of the due diligence period and closing date to August 16, 2010; to direct that the City Manager report back to the City Council at its meeting on August 9, 2010, regarding the status of the YWCA property; and, in the event such extension is not approved by the YWCA Board of Directors, to authorize and direct the City Manager to exercise the City's right to terminate the agreement. Motion Carried 7-0.

Date: June 28, 2010

Roll Call Number: 10-992

Action: **Regarding** the closing on the purchase of the YWCA property. Moved by Hensley to accept the offer from the YWCA to extend the due diligence period and closing date to July 14, 2010. Motion Carried 7-0.

Date: June 14, 2010

Roll Call Number: 10-992

Action: **Voluntary** acquisition of 717 Grand Avenue and 517 8<sup>th</sup> Street for assemblage with the City's 7<sup>th</sup> and Grand Avenue parking garage facility. (**Council Communication No. 10-366**) Moved by Hensley to adopt and to direct the City Manager to proceed under the agreement in preparation for closing; to provide a map and list of excess City property that is available for development; and to schedule a workshop to discuss planning for further development downtown. Motion Carried 7-0.

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

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Approval of asbestos removal and demolition contracts. Future redevelopment of the property will be further subject to City Council review and approval.

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