

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	December 19, 2011
	Agenda Item No.	32
	Roll Call No.	<u>11-2132</u>
	Communication No.	<u>11-757</u>
	Submitted by:	Terrance N. Vorbrich, Acting Economic Development Administrator

AGENDA HEADING:

Resolution approving an urban renewal development agreement with Westgate partnership, L.L.C., for renovation of the building at 1408 Locust Street.

SYNOPSIS:

By Roll Call 11-0033 dated January 10, 2011, Council provided preliminary approval of a proposed urban renewal development agreement with Westgate Partnership, LLC, Jack Hatch, Hatch Development Group, General Partner for a \$3 million renovation of 1408 Locust, Des Moines. The development agreement has been negotiated according to the terms and conditions of the preliminary approval and is presented for Council approval.

Financial assistance to the project has been negotiated to consist of commercial property tax abatement under the 10-year declining schedule and a \$250,000 economic development grant advanced over ten-years in annual installments of \$25,000. The development agreement provides for a reduction in the annual economic development grant payment if the state amends how commercial property taxes are calculated and paid. The economic development grant will be funded by new tax increment funds generated by the improved property and supported by a minimum assessment agreement on the building's improvements of \$1.9 million.

FISCAL IMPACT:

Amount: \$250,000 paid in ten annual installments of \$25,000. The Developer has executed a minimum assessment agreement for the improvements of \$1.9 million. The net new property taxes generated by the project over the term of the development and minimum assessment agreements are estimated at \$600,000.

Funding Source: Metro Center Urban Renewal Area tax increment financing, FY2011-2012 Recommended Operating Budget, SP370, FIN909105, page 120.

ADDITIONAL INFORMATION:

Based on the preliminary terms of agreement approved by City Council, the Developer has moved forward in the renovation of the 29,068 square feet, two-story building located at 1408 Locust Street. Past uses of the building's ground floor has included several retail uses, most recently the Des Moines Social Club. The second floor has been vacant and unusable for several years due to occupancy code

restrictions.

The Developer, Westgate Partnership, LLC has a signed letter of intent from a marketing company to lease the entire second floor (13,117 square feet) plus 1,775 square feet of the ground floor for a total 14,892 square feet for professional office space. Additionally, the tenant has an option on an additional 2,352 square feet. The remaining building is being renovated with 11,509 square feet of ground floor space available for lease to potential office, retail or restaurant users.

Due to past renovations to the building's façade, the building was deemed by the State Historical Preservation Office not to be eligible for historic renovations. Consequently, the renovations have incorporated extensive glass and other façade elements complementary to the adjacent Pappajohn Sculpture Park.

PREVIOUS COUNCIL ACTION(S):

Date: January 10, 2011

Roll Call Number: 11-0033

Action: [Regarding](#) preliminary terms of agreement with Westgate Partnership, LLC (Jack Hatch, Officer) for assistance with renovation of 1408 Locust Street. ([Council Communication No. 11-021](#)) **Moved by Mahaffey to receive and file, and to authorize the City Manager to negotiate a development agreement with Westgate Partnership, LLC upon terms consistent with Council Communication No. 11-021 to be presented for consideration for approval by the City Council upon a future date. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: February 1, 2011

Resolution Number: N/A

Action: Motion to approve recommendation to City Council on final design and proposed financial assistance package by Allen. Seconded by Rypma. Motion carried. Clark abstained.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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