

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: March 12, 2012
	<p>Agenda Item No. 38</p> <p>Roll Call No. <u>12-0421</u></p> <p>Communication No. <u>12-120</u></p> <p>Submitted by: Terrance N. Vorbrich, Acting Economic Development Administrator</p>

AGENDA HEADING:

Public Hearing and Continuance to April 23, 2012 at 5:00 p.m. for Lease Extension of City-Owned Property at 418 East Grand Avenue for Nelson Development, LLC.

SYNOPSIS:

The roll call will open and continue the public hearing on the lease of the surface parking lot at 418 East Grand Avenue to Nelson Development, LLC (Jake Christiansen, Co-Manager c/o Knapp Properties, 4900 Westown Parkway, West Des Moines, IA) to the April 23, 2012 meeting to provide for some required changes to the lease terms.

FISCAL IMPACT:

Amount: \$86,400.00 annual revenue under current lease.

Funding Source: Economic Development Enterprise Fund, SP743, CMO0980717. Developer is responsible for property taxes and maintenance costs.

ADDITIONAL INFORMATION:

The City acquired this property located on the northeast corner of East 4th and Grand Avenues. This property was part of the former Dewey Ford operations. Nelson Development approached the City to ask if the site could be purchased to provide parking for the adjacent building that was being renovated and greatly expanded at 418 East Grand Avenue for a 10 year lease to 2015 for Iowa Workforce Department operations. (The building was expanded by 30% to almost 52,000 sq. ft. with the property tax assessment increasing from \$286,000 in 2004 to \$3,480,000 in 2011.)

The City agreed to a lease, not purchase, of the site for surface parking uses because of its long-term intent to redevelop the site with new buildings. The lease required the lot be open to the public after M-F work hours and on weekends. Once the developer's loan cost for the parking improvements were paid off, which was projected to be in January 2011, a monthly payment of \$4,800 (160 spaces at \$30/month) was to be made to the City.

In 2005, the developer submitted the parking plan layout to the City for the needed permits. At that time, the City was in the process of adopting more rigorous landscaping requirements for surface parking and requested the developer use the more rigorous standards for this lot. The developer

complied and the outcome was about 40 less spaces than the initial layout approved in the lease. The lease was not amended to incorporate the reduced number of parking spaces.

The lease renewal in 2009 also did not address the revised site plan with 120 spaces that was actually built. This lease increased the parking rate to \$60/space each month upon expiration of the developer's loan payments for the improvements in June 2011.

In late 2011, developer requested a lease extension to 2015 so the parking lease is concurrent with State of Iowa lease of 430 East Grand Avenue building. In addition, the developer has also requested a revised rental rate based on credit for its property tax and maintenance expenses and a revision to the State's lease for parking. The lease extension will also show rent calculated on the 120 spaces that were actually constructed and calculation of rent payments to start in August 2011 (rather than February 2011 cited on the 2009 lease) based on when the loan for the parking improvements was actually completed; the developer has provided documentation corroborating the loan payoff was completed in July 2011.

PREVIOUS COUNCIL ACTION(S):

Date: February 27, 2012

Roll Call Number: [12-0283](#)

Action: [On Renewal of Parking Lease Agreement with Nelson Development, LLC for 418 E. Grand Avenue, \(3-12-12\). \(Council Communication No. 12-092\) Moved by Meyer to adopt. Motion Carried 7-0.](#)

Date: August 10, 2009

Roll Call Number: 09-[1490](#)

Action: On renewal of Parking Lease Agreement with Nelson Development, LLC at E. Grand Avenue and E. 4th Street. ([Council Communication No. 09-552](#)) **Moved by Meyer to adopt. Motion Carried 7-0.**

Date: July 27, 2009

Roll Call Number: [09-241](#)

Action: [On renewal of Parking Lease Agreement with Nelson Development, LLC at E. Grand Avenue and E. 4th Street, \(8-10-09\). \(Council Communication No. 09-512\) Moved by Hensley to adopt. Motion Carried 7-0.](#)

Date: December 22, 2003

Roll Call Number: 03-2941

Action: On lease of parking lot on the northeast corner of E. 4th and Grand, to Nelson Development, L.L.C., for 160 parking spaces, \$4800 per month for 5 years. Council Communication No. 03-603) Moved by Brooks to adopt. Motion Carried 6-1. Absent: Vlassis

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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