

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: May 7, 2012
	Agenda Item No. MHGB2 Roll Call No. [_____] Communication No. <u>12-199</u> Submitted by: Douglas C. Romig, Housing Services Director

AGENDA HEADING:

Approving Modified Professional Services Agreement with Smith Metzger to conduct structural and mechanical evaluation of the Consolidated Materials Company building located at 600 Holcomb Avenue, Des Moines.

SYNOPSIS:

Approval of the Modified Professional Services Agreement with Smith Metzger to conduct structural and mechanical evaluation of the Consolidated Materials Company building located at 600 Holcomb Avenue, Des Moines, Iowa.

FISCAL IMPACT:

Amount: Not to exceed \$14,500.00

Funding Source: Operating Budget; DISPOSED HOMES; SP350 HSG021500; page 118

ADDITIONAL INFORMATION:

The Housing Services Department is requesting approval to execute the Modified Professional Services Agreement with Smith Metzger (Daryl Metzger and Rob Smith, Principals) to conduct structural and mechanical evaluations of the Consolidated Materials Company building located at 600 Holcomb, Des Moines, Iowa 50313, Kim Greenfield, President.

On April 9, 2012 at the Des Moines City Council workshop, the Housing Services Department presented the concept of consolidating their three (3) leased spaces into one (1) owner-occupied facility to reduce annual operating expenses. This initiative was precipitated by the loss of \$541,685 in federal funding reductions through the U.S. Department of Housing and Urban Development (HUD) over the past two Federal Fiscal Years.

HUD's Special Application Center (SAC) office has approved the expenditure of up to \$5.0 million for the acquisition, relocation and renovation of the Consolidated Materials Company building located at 600 Holcomb, Des Moines, Iowa 50313. The Housing Services Department estimates this initiative, through a combination of eliminating existing lease payments plus generating new lease revenue from interested lessee's would recapture approximately \$257,000 of the \$200,000 in federal funding losses we are currently experiencing. Owner-occupied expenses have been initially estimated at \$70,000. Other benefits to the Housing Services Department include consolidation of operations, cash

transaction, no debt, new lease income, improved working conditions, reduced travel for low-income families and expanded services through the job-training and educational opportunities.

In evaluating potential sites, the Housing Services Department established the following guiding principles; on-site parking for 150 vehicles, on an active bus-line, space to develop a job-training center, consolidation of Housing Services Department operations, ability to sub-lease to other low-income service providers (diversifying revenues) and close to our service population (52% of Community Action Agency clients live in the near north side with 22% residing in both, the east side and south side of Des Moines respectively.

During the workshop presentation, City Council Members requested that the Housing Services Department complete an analysis on the potential of relocating to the Logan Community Center located at 1740 Garfield with specific requests related to bus service and expansion costs to accommodate the needs of the overall project. Council Members also requested specific information regarding the assumptions used to develop the lease income estimates; property tax impact/PILOT fee calculation, and further detail on how the job-training center will be financially solvent. The following paragraphs will provide the most current information to date, but more work still needs to be done to complete our due diligence in evaluating both site locations.

HUD Special Application Center denial to expend funds evaluating the Logan Community Center:

On April 11, 2012, the Housing Services Department received notice from HUD's Special Application Center (SAC) office that the Des Moines Municipal Housing Agency may not spend proceeds to do structural/mechanical analysis of another building and their approval is limited to evaluation of the Consolidated Materials Company building located at 600 Holcomb. However, the City does have some preliminary cost estimates by SVPA Architects who prepared a proposal for renovation and revitalization of the Logan Community Center on behalf of the Boys and Girls Club of Central Iowa in 2007. There are also some cost estimates available through the Park and Recreation Department regarding capital repairs to this building as well. The Housing Services Department will work with the City's Engineering Department to evaluate and update the potential renovation costs based on the information available.

Des Moines Area Regional Transit Authority (DART) response on re-routing bus services:

On April 23, 2012, the Housing Services Department received a communication from Elizabeth Presutti, AICP; DART General Manager, regarding our request for consideration to re-routing the East University Avenue bus line to service the Logan site. DART's response has been inserted into this communication:

"The 600 Holcomb Avenue location is directly on route #3 University/Highland & Oak Park and across the street from North High School. The bus stops are just outside their building at 6th Avenue & Holcomb Avenue. Serving this location would not require a deviation.

The Logan Community Center is located one block north of Route #7 Hubbell Avenue. The bus stops are on University Avenue at East 17th Court, which is the same street the Logan Community Center is located (Garfield & East 17th Court). Given the street network and the number of customers we have on the route, it wouldn't be feasible to deviate the bus to the community center given its short walk proximity to the University Avenue. Furthermore, the neighborhood streets are not conducive to "large bus" traffic.

As part of the DART Forward 2035 plan, the DART Commission adopted guiding principles that included simplifying the route structure and streamlining routes. Deviating the bus off of University Avenue would conflict with both of those guiding principles of the plan.”

Building Sites square footage opportunities and constraints:

In developing the Council’s request to provide an analysis of the two building locations we have broken this down into three (3) categories; 1) non-fiscal; 2) capital; and 3) operations. In reviewing the non-fiscal impacts of these two sites the Housing Services Department, in order to meet our basic office consolidation/job-training initiatives, will need approximately 34,000 square feet of office/warehouse space. In order to accommodate the Des Moines Area Religious Council and Aging Advocates an additional 10,500 to 15,500 square feet of office/warehouse space would be needed. The Des Moines Area Religious Council indicated an initial requirement of 5,000 square feet of warehouse space with the potential to expand to 10,000 square feet. The total combined needs equals 45,500 square feet.

The Logan Community Center has 28,440 square feet of office/multi-use space and no warehouse space, as compared to the Consolidated Materials Company location that has a total of 46,420 square feet of office/warehouse space, some of which would need to be converted for office functions. Additionally, the Des Moines Area Religious Council needs a loading dock to service their delivery truck operations which are not currently available at the Logan location but are available at the Consolidated Materials location. It is also important to note that similar to the response from DART, the ability to provide safe access for commercial trucks within a residential neighborhood creates other conflicts for both the service being provided and impacts to the neighborhood.

Taxable Valuation and PILOT charges:

The City’s Finance Department has evaluated the property tax implications and PILOT fees associated with both locations. Based on the Finance Department’s review of the property on the current assessment, the total taxes were \$47,254 with the City’s portion of taxes received at \$17,039. In comparison, the PILOT payment to the City would be just over \$21,000.

Job-training/Workforce Development:

Currently, the Housing Services Department staff is meeting with numerous local agencies and organizations regarding the development of the job-training/education component of this development project. This effort will be to enhance existing services being provided within the community by partnering with organizations/institutions such as the Evelyn K. Davis Center for Working Families, Des Moines Area Community College, United Way (Central Iowa Works) and Project IOWA, all of whom are providing workforce development opportunities within Des Moines/Polk County.

Through the capital investment of the Des Moines Municipal Housing Agency, we would provide the workspace (commercial kitchen/carpenter shop) necessary to establish a culinary arts/restaurant management program and skilled trades program. A consortium of interested partners would come together to develop and provide the training curriculum for the various job-related trainings. This would be accomplished through multi-party agreements detailing the respective roles and responsibilities of each participating entity. This concept is still in development but interest has been expressed by the following entities in pursuing this opportunity; Des Moines Area Community College, Des Moines Area Religious Council, Tallgrass Grocers CO-OP, United Way (Central Iowa Works), Project IOWA, Connections Café, Central Iowa Shelter & Services and HOME Inc..

Another benefit of having the job-training workspaces on-site is that this will also allow for expanded educational opportunities related to home repair, cooking, canning classes, etc. Specifically, by

establishing a commercial kitchen, the ability exists for entrepreneurial opportunities for individuals that are interested in making jellies, jams, salsa, etc. that could be sold at the Downtown Farmers Market and local grocery stores.

A draft lease agreement has been developed and is currently under review by the City's Legal Department, as the potential lessees want to review the sample lease agreement prior to submitting a letter of commitment to be a tenant of this facility. The job-training program is anticipated to be a separate multiple party agreement, as these investigative meetings continue and all potential partners are identified in an effort to enhance/support existing services being provided within the community.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S):

Board: Housing Services Board

Date: March 21, 2012

Resolution Number: N/A

Action: Received and filed updated report on office consolidation plan/job-training center.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Acceptance of Mechanical/Structural/Environment audits; Approving sample Lease Agreement; Approving purchase offer and negotiating acquisition of building; Approving issuance of Architectural Design Services; Authorizing construction of said improvements.

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