

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: April 21, 2014
	Agenda Item No. 36 Roll Call No. <u>14-0626</u> Communication No. <u>14-170</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution to extend the date of completion to October 31, 2014 for the Des Moines Building property located at 405 6th Avenue and 513 Locust Street.

SYNOPSIS:

The Des Moines Building is nearing completion on its transformation from an older office building to a mixed-use of commercial space on the first two (2) floors and housing on floors 3-14. Due to a variety of construction related items, completion is anticipated to be in September/October 2014 rather than the June 30, 2014 date currently contained in the Development Agreement with the City. The developer, Des Moines Apartments, LLC (Mike Nelson, Nelson Construction, Des Moines, IA, and Steve Foutch, Foutch Brothers LLC, Weatherby Lake, MO) has requested an extension for completion of the project to October 31, 2014.

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

The Des Moines Building is a 14-story, 150,000-square-foot structure constructed for retail and office uses in 1930/31. In the past decade, the Des Moines Building had suffered significant deferred maintenance and a lack of updating which led to lower occupancy levels and diminishing rental receipts. In 2008, the mortgage foreclosure on the property and subsequent bank failure further complicated the building marketability. By 2010, the building was vacated by all tenants and the new mortgage holder, PNC Bank, indicated it was abandoning the building after being unable to sell the property due in large part to its unwillingness to reduce the sales price and provide clear title.

On December 9, 2010, the City obtained an emergency court order to enter the building to start the boiler system in order to keep the life safety systems operable including the sprinkler system. The Des Moines Building property is a key location for the skywalk system with its east/west and north/south skywalk corridors; a fire could have had significant consequences on the adjacent skywalk connected buildings.

In January 2011, the Council authorized staff to obtain title to the Des Moines Building property and when title was awarded, to offer the property for sale. On May 26, 2011, the Polk County District Court awarded clean title to the City. The City then advertised the property for sale, requiring the selected developer to retain the building and make extensive investments to meet current building code and fire safety requirements. Basic items included replacement of utilities (heating ventilation,

plumbing, electrical and elevator systems), construction of a secondary fire egress, installation of new windows, and hazardous material abatement (asbestos and lead-based paint).

The selected developer, a joint venture of Nelson Construction and Foutch Brothers LLC, is undertaking a conversion of the former office building into a mixed-use housing and commercial redevelopment project and demolition of the 3-story annex building, which opens onto Locust Street, to be replaced with an urban space/restaurant seating and skywalk entrance.

PREVIOUS COUNCIL ACTION(S):

Date: October 8, 2012

Roll Call Number: [12-1570](#)

Action: [Community](#) Development Block Grant Disaster Recovery Loan and Contract Documents with Des Moines Apartments, LP for development of 136 apartments at 405 6th Avenue and 513 Locust Street (Des Moines Building) and authorizing extension of completion date, \$3,000,000. ([Council Communication No. 12-530](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: July 11, 2011

Roll Call Number: [11-1251](#)

Action: [Designation](#) of preferred developer as Nelson Development and Construction and Foutch Brothers, LLC for purchase and redevelopment of Des Moines Building, 405 6th Avenue and 513 Locust Street. ([Council Communication No. 11-467](#)) Moved by Hensley to adopt and request that the Developer keep the Des Moines Building name; refer to the City Manager to develop a timeline for construction. Motion Carried 7-0.

Date: February 28, 2011

Roll Call Number: [11-0370](#)

Action: [Regarding](#) procedures and process to solicit proposals for the private redevelopment of The Des Moines Building at 405 6th Avenue and 513 Locust Street. ([Council Communication No. 11-110](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: August 21, 2012

Resolution Number: NA

Action: Approval of conceptual design for the building, plaza, and skywalk.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The Development Agreement requires issuance of a Certificate of Completion which will be brought to the City Council upon completion of the project and satisfaction of various development requirements contained in the Development Agreement.

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