

COUNCIL COMMUNICATION

	Number:	21-395	Meeting:	September 13, 2021
	Agenda Item:	31	Roll Call:	21-1422
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving the sale of the former Central Fire Station No. 1 property located at 900 Mulberry Street, from the Des Moines Social Club (DMSC) to Abbott Properties of Kansas City, Missouri.

SYNOPSIS:

The property located at 900 Mulberry Street and commonly known as Central Fire Station No. 1, was purchased from the City of Des Moines by the DMSC in 2013 for a total of \$600,000. The DMSC used the building for programs that supported the arts, non-profits, and included retail and restaurant uses. The DMSC invested over \$6,900,000 in historic renovations to the facility that surpassed their fundraising total of \$4,300,000 and causing constant pressure on their operating funds. The property is being acquired by Abbott Properties for \$3,100,000 and Abbott will invest over \$3,500,000 in renovations. Section 82 of the Purchase Installment Contract requires the City of Des Moines to provide written approval to authorize the sale of the building to a new entity.

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

- On October 22, 2012, the City Council approved an installment purchase contract with the DMSC to purchase City-owned real estate located at 900 Mulberry Street, commonly known as Central Fire Station No. 1, for the headquarters of the DMSC, office space for non-profit entities that promote the arts and cultural activities in the community, theater, retail, and restaurant uses. The agreed to sale price of \$600,000 would be paid to the City three (3) equal installments of \$200,000. This requirement was satisfied in 2013.
- The DMSC worked with the State Historic Preservation office to approve over \$6,900,000 in historic renovations to the property. Their capital campaign was able to raise \$4,300,000, leaving a gap of over \$2,600,000 and placing the DMSC in a situation where funding was always stretched to cover any costs of operation.

- On March 8, 2013, the City of Des Moines approved an Agreement for Payment in Lieu of Taxes (PILOT). The agreement states starting July 1, 2014, the owner of the property shall pay to the City a payment in lieu of taxes in the amount of \$10,000 each fiscal year (FY). This amount shall be paid in two (2) equal installments of \$5,000 each on or before October 1 and April 1 of each FY.
- The City agreed to waive approximately \$15,000 of PILOT payments in exchange for DMSC removing the lattice tower from the courtyard area of the site. The tower has not been removed and any PILOT payments due to the City will be paid at the time of closing.
- The Real Estate Purchase Installment Contract states that all requirements for identified uses of space within the Firehouse Building and the Shop Building shall terminate on December 31, 2023. The requirement for PILOT shall also expire on December 31, 2023. To facilitate the sale of the property to Abbott Properties and place the property fully on the tax rolls for the first time in its history, it is requested that the City terminate and release all obligations under the contract.
- In April of 2021, DMSC placed the property on the market for sale. There were three (3) offers, with Abbott's offer of \$3,100,000 being the highest.
- The Purchase Installment Contract allows for the City to receive 50% of any net proceeds upon sale of the building. Because the amount invested by DMSC exceeds the fair-market-value sale price to Abbott, the net proceeds as defined by the Contract is \$0. However, it is anticipated that there will be remaining funds at closing after all outstanding debts have been repaid. To foster DMSC's original arts-related mission, the Firehouse Board of Directors intend to place any excess proceeds with organizations that support the arts in the Des Moines area.
- Abbott Properties, based in Kansas City, Missouri, has an extensive portfolio of properties valued at over \$200,000,000 that include historic properties that have been renovated for new uses including residential, commercial, lodging, and performing arts. They have partners that are intimately involved in the performing arts and the operation of performing arts facilities. Most notably in the Crossroads Arts District in Kansas City.
- Abbott Properties intends to invest over \$3,500,000 to renovate the shop building and keep the three (3) uses already associated with that property; basement bar, main level performing arts space, and a rooftop bar and expect to be open for performances in April 2022. The courtyard will be utilized as outdoor gathering and performing space, weather permitting. The main building will have commercial space on the first floor. Malo will remain and a coffee shop will also be brought in to provide an amenity for the tenants and the neighborhood. The second floor is being designed for several uses that have been identified. The total project will cost approximately \$6,600,000 (acquisition and renovation costs).

PREVIOUS COUNCIL ACTION(S):

Date: June 23, 2014

Roll Call Number: [14-0967](#)

Action: [Amendment](#) of Development Agreement and related documents to provide for transfer of ownership entity for redevelopment and consent to amendment of condominium documents for 900 Cherry Street, (Des Moines Social Club). ([Council Communication No. 14-317](#)) Moved by Hensley to adopt. Motion Carried 5-

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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