

Meeting Agendas/Info

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

01-377

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

AGENDA:

JULY 23, 2001

SUBJECT:

KENYON BUILDING
- 301 GRAND
AVENUE

SYNOPSIS -

On the July 23, 2001 Council agenda, is a roll call approving a development agreement and loan documents between the City and Kent Mauck (incorporated as 301 Grand L.C. and hereinafter referred to as Developer) for the renovation of the Kenyon Building located at 301 Grand. (Kent Mauck is the owner of Mauck and Associates located at 516 Third Street in Des Moines. He resides at 3822 Greenwood Drive, Des Moines.) By Roll Call No. 00-4150, dated October 23, 2000, City Council gave preliminary approval to the City economic development loan and directed the City Manager to finalize the development agreement and loan documents.

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

FISCAL IMPACT -

The City's development loan is for \$125,000 at a 3 percent interest rate and to be funded from the Economic Development Enterprise Account. The City economic development grant is to be paid by the City in annual installments of \$20,000 for a period not to exceed the initial term of the lease (eight years) from Metro Center Urban Renewal Area tax increment financing revenues. The Developer has agreed to a minimum assessment agreement on the completed project of \$1,320,000, and not to apply for tax abatement on the project. The net present value of the economic development grant equates to the present value of the projected tax abatement on the project's eligible value-added improvements under the three-year 100 percent tax exemption schedule. Based on the minimum assessment agreement of \$1,320,000, the project will generate an estimated increase in net new property taxes (after the economic development grant) of \$244,000 over the initial eight-year term of the lease.

RECOMMENDATION -

Approval.

BACKGROUND -

The Developer is rehabilitating the Kenyon Building for the use as a first class commercial office building. The building is a two-story structure containing approximately 23,000 square feet of leasable space. The rehabilitation of the Kenyon Building, estimated at a total of \$2.2 million, will stabilize a blighted building that has been empty and deteriorating for a number of years.

The following terms and conditions comprise the key features of the development agreement:

1. The Developer will undertake the renovation of the Kenyon Building to provide general/professional office space. The total project cost for the renovation of the Kenyon Building will be at least \$2.2 million.
2. The Developer will acquire construction and permanent first mortgage financing in an amount of at least \$1,450,000, and second mortgage financing in an amount of at least \$325,000.
3. The Developer agrees to enter a minimum assessment agreement on the value of the rehabilitated property in an amount of \$1,320,000.
4. The Developer agrees not to apply for tax abatement on the value added improvements resulting from the project.
5. The City will provide an economic development loan to the Developer in an amount of \$125,000 at a 3 percent interest rate and secured by a third mortgage on the project. Payment of the loan will be deferred until the second mortgage financing is repaid in full. The loan will be disbursed to the Developer as part of the early building stabilization and rehabilitation, but only after a loan commitment(s) is secured from a commercial bank in the amounts referenced in paragraph 2, above.
6. The City will provide economic development grants through the Metro Center Urban Renewal Area tax increment financing revenues in the amount of \$20,000 for a period equal to the initial term of the lease (eight years) or until the second mortgage is repaid, which ever is the shorter term.
7. The Developer agrees to apply excess cash flows (gross revenues less normal operating expenses, debt service and payment of income taxes associated with the project) generated by the project to principal reduction on the second mortgage financing.

**Urban Renewal Board and Architectural Advisory Committee
Action**

The project's preliminary conceptual development plan was reviewed at a joint meeting of the Urban Renewal Board and Architectural Advisory Committee on March 6, 2001. The Architectural Advisory Committee and the Urban Renewal Board members in attendance recommended approval of the preliminary conceptual development plans subject to reviewing the final design and construction plans. In a separate action, the Urban Renewal Board reviewed the project and approved a positive recommendation to City Council on the necessary and appropriate use of tax increment funding to assist the project.
