

**CITY COUNCIL
COMMUNICATION:**

03-479

AGENDA:

SEPTEMBER 30, 2003

SUBJECT:

SETTING DATE OF
PUBLIC HEARING
FOR CONVEYANCE
OF CITY-OWNED
LAND AND APPROVAL
OF MIDAMERICAN
ENERGY
AGREEMENT
RELATING TO THE
DES MOINES TIRE
BUILDING
REDEVELOPMENT,
120 SW 5TH STREET

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

ITEM 3 & 4

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

SYNOPSIS —

On the September 30, 2003, City Council agenda is a roll call to set the date of public hearing for October 6, 2003, and authorize publication of a newspaper notice on the sale of City-owned property consisting of a vacated dead-end segment of Market Street extending west from SW 5th Street to WKKS Properties, LC (Tanner Kinzler, President, 100 Market Street, Des Moines, IA 50309). Also on the September 30, 2003, City Council agenda is a roll call to approve an agreement between the City and MidAmerican Energy Company for the underground relocation of electric transmission lines and facilities for the Des Moines Tire Building redevelopment project, 120 SW 5th Street. These actions are necessary to allow the developer to proceed with the adaptive re-use of the Des Moines Tire Building into 47 condominium units.

FISCAL IMPACT —

WKKS Properties, LC will purchase 17,265 sq.ft. of vacated Market Street. The Real Estate Division of the Engineering Department has set fair market value at \$14/sq.ft., for a sales price of \$241,710.

The cost of MidAmerican Energy's scope of work is \$475,874.

The net impact to the City is estimated to be \$234,164. This amount will be funded on an interim basis from the Economic Development Enterprise Account. This account will then be refunded via Tax Increment Financing (TIF) funds available in the Development Opportunities account. This refund will require an amendment to the Metro Center Urban Renewal Plan. Should WKKS Properties, LC fail to close on the City-owned land, they have agreed to pay to the City \$117,082 as liquidated damages.

RECOMMENDATION —

Set date of public hearing for conveyance of City-owned land for October 6, 2003, and authorize the Mayor to execute the Agreement for Relocation of Electric Facilities.

BACKGROUND —

On August 25, 2003, by Roll Call No. 03-1995, Council passed an ordinance vacating the dead-end segment of Market Street extending west from SW 5th Street.

**CITY COUNCIL
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03-479

SEPTEMBER 30, 2003

PAGE TWO

WKKS Properties, LC proposes to convert the Des Moines Tire Building, 120 SW 5th Street, into 47 condominiums ranging in size from 552 sq.ft. to 3,315 sq.ft. They also plan to add two 3,560 sq.ft. penthouse units to the roof of the building, bringing the total number of units to 49. WKKS Properties, LC wishes to purchase vacated Market Street for use as a surface parking lot. In addition to approximately 40 surface parking spaces, the developers will incorporate 28 parking spaces into the building's basement. Total project costs are estimated at \$11,634,510.

In conjunction with the Science Center of Iowa's new downtown location, the MidAmerican Energy transmission lines along Martin Luther King, Jr. (MLK) Parkway will be relocated underground to eliminate the visual distraction of the lines and large support poles. This project was originally planned to underground the lines and remove the poles from the Des Moines River to the east side of SW 5th Street. The lines will then emerge from the ground on the west side of SW 5th and proceed above ground to the substation. Due to the engineering circumstances associated with this project, MidAmerican will need to install two large new poles on the west side of SW 5th to accommodate the lines emerging from the ground and proceeding to the substation (see photo simulation attached to the roll call).

The developers feel that these new poles will detract from the aesthetics and limit the marketability of their project, and they will not proceed with redevelopment if the poles are installed as shown in the simulation.

MidAmerican Energy has provided cost estimates for four options to relocate or remove the poles. These options range in cost from \$390,494 to \$945,563. The \$390,494 option does not remove the poles completely, but shifts their location westerly toward the substation. The City Manager's Office and Engineering staff recommend a \$475,874 option that will eliminate both poles and underground the wires completely to the substation. Construction will be completed simultaneously with the undergrounding east of SW 5th Street. MidAmerican's deadline for ordering the custom-built cable for this project is October 1, 2003. Any delays will severely impact the Science Center of Iowa's construction schedule.

The project is eligible for ten-year tax abatement and Enterprise Zone Tax Credits. The developer does not have final construction figures available. If their final figures reveal a financial gap, the City Manager's Office will work with the developers to identify possible sources for filling the gap. Council would need to approve any added funding. Other than the City's financial participation in burying the power lines, and the tax abatement, there are no other City funds that have been pledged to the project at this point in time.

