



Agenda Item:

045

COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 06/07/04
No.: 04-294
Agenda Item Type: Resolution
No.:

Communication

Roll Call

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Resolution to approve preliminary terms of agreement for the redevelopment of the upper three floors of the Spaghetti Works Building, 302-310 Court Avenue

SYNOPSIS—

On the November 21, 2003 Council agenda is a roll call to approve the preliminary terms of agreement set forth herein for the redevelopment of the upper floors of the Spaghetti Works building located at 302-310 Court Avenue. The redevelopment of the upper floors of this historic structure is an important component of the Court Avenue Project.

The Developer for the project is Court Avenue Partners (a joint venture of BH Equities—Harry Booke, President, 400 Locust, Suite 790, Des Moines and Hubbell Realty—James Hubbell III, President, 6900 Westown Parkway, West Des Moines).

FISCAL IMPACT—

Per this preliminary terms of agreement, the City will provide the Developer with an upfront economic development grant in the amount of \$645,272 as well as an ongoing economic development grant with a net present value of \$968,970 (4 percent discount rate). The ongoing grant is based on minimum assessed value and will be paid in 20 equal semi-annual payments beginning November 1 of the 12th year after completion. The total of these payments is \$1,185,180.

RECOMMENDATION—

Approval

BACKGROUND—

Based on discussions with Court Avenue Partners, these preliminary terms of agreement have been reached. The following general points comprise the key features that will be defined in detail as part of a formal Development Agreement between the City and Court Avenue Partners (“Developer”).

The following funding estimates are “not to exceed” numbers subject to final financial submissions (cash flow, source and use, underlying assumptions).

- The City will provide the Developer with an upfront economic development grant in the amount of \$645,272 as well as an ongoing economic development grant with a net present value of \$968,97076 (4 percent discount rate). The ongoing grant is based on minimum assessed value and will be paid in 20 equal semi-annual payments beginning November 1 of the 12th year after completion. The total of these payments is \$1,185,184.
- City will grant ten year/100 percent tax abatement for the residential redevelopment.
- The City will process the Developer’s application the State Enterprise Zone Housing Program.
- The City of Des Moines will initiate the process to vacate and sell to the Court Avenue Partners the east/west alley adjacent to and adjoining 302-310 Court Avenue.

Developer Responsibilities:

- Developer will rehabilitate the upper three floors of the Spaghetti Works Building into 52 residential units. 25 units will be rented to tenants at or below 60 percent of area median income.
- The Developer is responsible for building acquisition.
- The total project cost will be at least \$10 million.
- A minimum assessment agreement in the amount of \$2,850,000 million is required.
- The Developer shall apply for tax credits through the Iowa Department of Economic Development Enterprise Zone Program.

- The project shall comply with the design guidelines for the Court Avenue Historic Area, Capitol Center West Urban Revitalization Area D; and Developer shall execute an appropriate declaration of covenants.
- The project may be assigned only upon Council approval.

The proposed sources and uses of financing for Spaghetti Works are as follows:

Sources:

| | |
|---------------------------------------|---------------|
| Tax Abatement Mortgage | \$ 944,089 |
| Federal Historic Tax Credits | 1,432,198 |
| State Historic Tax Credits | 994,582 |
| Sales Tax Rebate | 130,923 |
| State Housing Enterprise Zone Credit | 256,228 |
| Low-Income Housing Tax Credit (LIHTC) | 3,156,526 |
| Long-Term Debt | 2,863,230 |
| City of Des Moines | 645,272 |
| TOTAL | \$ 10,499,049 |

Uses of Funds:

| | |
|-----------------------------------|---------------|
| Land Acquisition | \$ 307,500 |
| Building Acquisition | 1,000,000 |
| Construction Costs | 6,170,133 |
| Parking Space Improvements | 254,000 |
| Landscape/Streetscape | 122,000 |
| Professional Fees | 376,778 |
| Development/Consultant Fees | 1,384,746 |
| Construction Interim Costs | 135,750 |
| Permanent Financing Fees | 145,000 |
| Syndication Fees | 35,000 |
| Soft Costs | 95,000 |
| Iowa Finance Authority (IFA) Fees | 51,142 |
| Reserves | 226,000 |
| TOTAL | \$ 10,499,049 |

Other terms and conditions of the formal Development Agreement will be negotiated with Court Avenue Partners and presented for Council approval.