


COUNCIL COMMUNICATION

	Number:	21-049	Meeting:	February 3, 2021
	Agenda Item:	7	Roll Call:	[]
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving purchase agreement for parking garage and development lots at 5th and Walnut Streets.

SYNOPSIS:

The City Council approved an Urban Renewal Development Agreement (the "Original Agreement") for the sale of land for private redevelopment of the 1.3-acre site located along 5th Avenue between Walnut Street and Court Avenue with 5th and Walnut Parking, LLC (Justin Mandelbaum, Developer, Mandelbaum Properties, 4500 Westown Parkway, West Des Moines, Iowa) on April 3, 2017. Amendments to the Original Agreements were approved as follows: on July 17, 2017, by Roll Call No. 17-1202, on December 18, 2017, by Roll Call No. 17-2194, on March 19, 2018, by Roll Call No. 18-0477, and September 18, 2018, by Roll Call No. 18-1545.

The first phase of the development project was to demolish the former City-owned parking structure and to construct a new parking structure that would accommodate the future parking needs for both public and private uses in the Court Avenue business district. The development team was not able to complete the parking garage or commence the additional phases of the private development under the terms of the development agreement.

On September 14, 2020, Bankers Trust filed a foreclosure action against Walnut Parking LLC, Justin Mandelbaum, Sean Mandelbaum for the property. As part of the foreclosure action, the Court appointed a receiver to take possession of the Property and complete the parking garage. The Receiver is willing to sell the Property to the City. Approval of the purchase agreement is recommended to protect the long-term public parking needs of the Court Avenue business district and to protect the public's interest in the future development of the separate lots on the property.

FISCAL IMPACT:

Amount: Not to exceed \$47,00,000, final amount to be determined according to section 2.1 of the purchase agreement.

Funding Source: Taxable general obligation urban renewal capital loan notes and tax increment from the Metro Center Urban Renewal Area.

ADDITIONAL INFORMATION:

- Bankers Trust foreclosed on the garage because it alleged that Developer defaulted on its loan. The City did not file this action and was originally named in the foreclosure only because of Developer's mortgage to the City that is junior in priority to the bank.
- Bankers Trust and the court have established a receivership to hold and complete the garage.
- Bankers Trust has offered the City the opportunity to purchase the garage and the adjacent lots directly from the receiver with a reduced interest rate and without default interest charges.
- These steps protect the City from having some unidentified owner or project obtain control over the garage and the separate development lots and move in a direction that might not be in the City or its taxpayers' best interests. The development agreement provided for the City and its taxpayers to have some rights to the garage. The City's interests are all junior to Bankers Trust and would be lost by a sheriff's sale.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Amend parking ordinance to include parking facility at 5th and Walnut.
- Amendment to ABM contract to include parking facility at 5th and Walnut.

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