



# CITY OF IOWA CITY COUNCIL ACTION REPORT

July 11, 2023

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Resolution approving a Real Estate Sale Agreement for acquisition of 21 S. Linn St., Iowa City.

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Prepared By:	Geoff Fruin, City Manager
Reviewed By:	Eric Goers, City Attorney
Fiscal Impact:	The \$4,550,000 purchase will utilize General Fund reserves that are in excess of the City's target fiscal reserve policy
Staff Recommendation:	Approval
Commission Recommendations:	N/A
Attachments:	<a href="#">Resolution.doc</a> <a href="#">Purchase Agreement</a>

## **Executive Summary:**

This item approves a purchase agreement for property located at 21 S. Linn Street in Iowa City. Acquisition of this property will allow the City to facilitate redevelopment in a manner that is in the best long-term interests of the community. The purchase price is \$4,550,000 and will be funded with General Fund reserves. It is anticipated that after the acquisition, General Fund reserve levels will still remain above the City's targeted 25-35% of revenues and transfers. Planning for the future redevelopment of the site is expected to commence later this fall.

## **Background / Analysis:**

CA Ventures (CA) acquired the property located at 21 S. Linn Street in 2021 from U.S. Bank for \$3,800,000. CA demolished the one-story bank building on the site and removed the surrounding surface parking lot in anticipation of building a large-scale student-oriented residential building. Site plan approval was granted by the City in 2022, which is typically the last step in the development process prior to an application for a building permit.

Earlier this year, the City began fielding informal inquiries on this property from other development entities. Staff confirmed with CA that they no longer intend to develop the site and are seeking to sell the property. The inquiries received generally focused on similar student-oriented housing opportunities. Some inquiries also focused on expanding the development site through acquisition of the neighboring properties to the west on Washington Street. Both the 21 S. Linn Street parcel and the neighboring properties on Washington Street are already zoned CB-10 and do not have any historic landmark protections.

Given current market conditions, staff believes it is highly likely that any future buyer of the site will target student-oriented housing. Over the last decade, the City has intentionally

created opportunities for student-oriented housing development in the Riverfront Crossings District, just south of the University's main campus. Through these efforts, the City has seen and continues to see strong development interest for student-oriented housing in the Riverfront Crossings District.

Through the acquisition of the 21 S. Linn property, the City can work to identify uses that the market may not be producing but that would add to the long-term stability and vibrancy of Downtown Iowa City. The City's track record in facilitating private redevelopment that provides long-term economic stability, introduces new uses and enhances the public realm is strong. For example, the Chauncey redevelopment enabled new state-of-the-art cultural and entertainment uses, while also including a boutique hotel to expand tourism opportunities, market rate and public housing, and the redevelopment of a public park to expand use for community gatherings. Other examples include the redevelopment of the RISE building in Riverfront Crossings and the redevelopment of public property across from the Iowa City Public Library that is now home to Hotel Vetro, the Bread Garden Market and numerous other commercial and residential uses. In each of these cases, the City successfully identified redevelopment goals and worked with the private sector on the development of projects that have added considerable long-term value to the overall community.

Should the City Council approve the purchase agreement, it is anticipated that planning efforts would commence this fall. That effort would likely start with a review of the processes utilized by the City in the most recent aforementioned publicly facilitated redevelopment projects (e.g. Chauncey and Rise). Once a framework for a process is agreed upon, the City would work to establish high-level redevelopment goals and presumably work on the creation of a Request for Proposals document in 2024 that would begin to solicit interest in private sector partnership. During this planning phase, which is expected to take a year or more, the City will utilize the property for construction staging associated with the planned Dubuque Street reconstruction and/or Senior Center exterior rehabilitation projects. The use of the site for temporary construction staging will reduce parking pressures and overall construction related congestion downtown in the short-term.

The purchase price of \$4,550,000 reflects an approximate 20% increase over the 2021 acquisition price of \$3,800,000 paid by CA. This increase is not inconsistent with the overall growth of property values over this two-year period and also accounts for considerable expenses undertaken by CA that will benefit future owners, including building demolition, removal of surface parking, and a host of engineering related site studies (i.e. environmental, geotechnical, surveying, off-site utility improvement planning, etc.). Staff believes the negotiated price is fair and is at or below what the private market would offer for this site. The purchase agreement contains a short due diligence period of two weeks for the City to review engineering related studies previously undertaken by CA. Should anything concerning arise out of that review, the City retains the right to terminate the purchase agreement. Absent that scenario, the City would expect to close on the property by the end of August.

The City intends to use General Fund Reserves to acquire the property. Even after the expenditure of \$4,550,000 the City projects that reserve levels will be above our targeted reserve level of 25-35% revenues and transfers in. Should the City sell the property in the coming years, the funds from the sale will be deposited back in the General Fund, absent alternative direction from the City Council at that time. Through control of the site, the City can also ensure the future use provides an ample rate of return from the increased tax base that not only supports the City of Iowa City, but also Johnson County and the Iowa City

Community School District. This type of analysis would be reviewed and discussed in the project planning phase and through the developer selection phase in the years ahead.

In summary, the strategic acquisition of this site allows the City to take a lead role in the redevelopment of this critical property. As has been demonstrated in the past, the City can work to ensure uses that are considered add to the long-term stability and vibrancy of the entire community. Absent the City assuming this role, it is likely that current market conditions may not produce a development that meets long-term goals and may increase the likelihood that additional properties with historic value are demolished, thus eliminating smaller-scale retail, office and residential uses that contribute to the character and diversity of offerings throughout our central business district. Staff fully supports this acquisition and recommends City Council approval.