



WEST DES MOINES WATER WORKS BOARD OF TRUSTEES MEETING COMMUNICATION

ITEM:**DATE:** April 16, 2018**6. Recommendation from Committee****a. Planning and Regionalization****2. Motion –**

Approving and Authorizing Execution of Memorandum of Understanding between West Des Moines Water Works and City of West Des Moines for Appraisal for Purchase of City Hall Office Space

FINANCIAL IMPACT:

Estimated \$2,500 for Water Works' share of initial appraisal.

SUMMARY:

The Board of Trustees discussed a draft Memorandum of Understanding (MOU) between the West Des Moines Water Works (WDMWW) and City of West Des Moines (City) at the March 19th meeting. There have been two modifications from the document presented during that discussion: 1) Removal of the predetermined 'sales comparison' method of appraising the office space and replacing with language that allows the selected appraiser to determine the most appropriate valuation approach, and 2) A reduction in the ownership interest in the City Hall building from 12.2% to 11.9% based on actual square footage of the Water Works current suite space.

BACKGROUND:

The WDMWW Administrative Office has been located in the current City Hall since the building was constructed in 2004. Prior to the move to City Hall, WDMWW was located within the Public Library since 1994. WDMWW paid the City for joint occupancy in both the Public Library and City Hall locations. The City has determined through a consultant that they have additional space requirements for existing personnel. They have expressed a strong interest in obtaining the office space which is currently owned by WDMWW. The 1994 and 2004 Joint Occupancy agreements indicate that both parties may mutually agree to separate and relocate the WDMWW office based on space constraints or logistical concerns. The appraisal of the suite space is the first step in determining the feasible options for both parties.

RECOMMENDED ACTION BY THE BOARD OF TRUSTEES:

To concur with the recommendation of the Planning and Regionalization Committee and approve and authorize execution of the Memorandum of Understanding between West Des Moines Water Works and City of West Des Moines regarding the appraisal for purchase of City Hall office space.

Prepared by: _____

Approved for Content by: _____

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("Memorandum") is made as of the ____ day of April, 2018 by and between the City of West Des Moines, Iowa ("City") and the West Des Moines Water Works ("Water Works"), both organized and existing under the laws of the State of Iowa.

WITNESSETH:

WHEREAS, on August 1, 1994 the City and Water Works (hereinafter "Parties") entered into an Agreement regarding the joint occupancy of municipal offices located in the West Des Moines Public Library (hereinafter "Library") and any future joint facility; and

WHEREAS, the Agreement addressed the payment amount, payment terms and space to be occupied as municipal offices by the Water Works in the Library and any future joint facility and provided Water Works the ability to relocate from the Library and any future joint facility upon mutual agreement of the Parties; and

WHEREAS, on June 11, 2001 the Parties approved an Amendment to the Agreement to establish additional terms and conditions regarding the joint occupancy by the Parties of West Des Moines City Hall; and

WHEREAS, consideration is now being given by Water Works regarding relocation from City Hall due to potential space allocation restraints and other logistical issues encountered by City; and

WHEREAS, consistent with the terms and conditions of the Agreement and Amendment to the Agreement, the Parties seek to accurately determine the fair market value of the interest owned by Water Works in the municipal office space located in West Des Moines City Hall; and

WHEREAS, determining the fair market value of the interest owned by Water Works is being done to initiate discussion regarding options available to the Parties and does not signify or require relocation of Water Works from West Des Moines City Hall or termination of the Agreement and Amendment to the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the City and Water Works enter into this Memorandum of Understanding.

1. ACKNOWLEDGMENT AND AGREEMENT OF EACH PARTY'S INTEREST.

The Parties acknowledge that the interest acquired by Water Works in the West Des Moines City Hall was derived from the payment made by Water Works to the City for the proportional cost to develop the Library and City Hall sites and construct the improvements as detailed and set forth in Paragraph 2 of the Agreement and Paragraph 3

of the Amendment to the Agreement. The Parties further agree that calculation of the payment to be made by the City to Water Works upon relocation by Water Works from City Hall as provided in Paragraph 7 of the Agreement shall be based upon the current appraised fair market value of City Hall as a free-standing office building and parking lot using the approach determined most appropriate by the appraiser.

2. DETERMINATION OF WATER WORKS INTEREST.

The ownership interest of Water Works in the West Des Moines City Hall shall be 11.9 percent, which is obtained by calculating the percentage total net floor space of 4875 square feet and net common area of 478 square feet for which Water Works paid the City to the total gross floor space of 44,900 square feet comprising City Hall ($5353 \div 44,900 = 11.9\%$). The fair cash market value of the ownership interest of Water Works in City Hall shall be 11.9 percent of the appraised fair market value of City Hall.

3. APPRAISAL.

The Parties agree that Commercial Appraisers of Iowa, an M.A.I. (Member of Appraisal Institute) designated entity ("Appraiser"), will determine the fair market value and prepare an appraisal of City Hall. The appraisal will be the joint-property of each Party, and each Party will be responsible for and pay one half of the total cost of the appraisal.

4. DETERMINATION OF FAIR MARKET VALUE.

The appraisal of Commercial Appraisers of Iowa shall be used to establish the fair market value of City Hall for purposes of determining the proportionate financial interest of Water Works as calculated in Paragraph 2, above. In the event one or both Parties determine that an additional appraisal is necessary, a second M.A.I. appraisal may be obtained. The Parties must mutually agree to the choice of the second appraiser and shall share equally in the cost of the second appraisal. In the event a second appraisal is obtained and the fair market value of the second appraisal deviates no more than ten percent from the fair market value established by Commercial Appraisers of Iowa, the determination of the final fair market value of City Hall shall be the average of the fair market value established by the two appraisals. If, in the event the fair market value established by the second appraisal deviates more than ten percent from the fair market value established by Commercial Appraisers of Iowa, and unless otherwise mutually agreed by the Parties, a third M.A.I. appraisal upon which both Parties mutually agree shall be obtained at equal cost to the Parties. In such an event, the average of the fair market value established by the two appraisals which are closest to each other shall determine the final fair market value of City Hall.

5. OUTSTANDING OBLIGATIONS.

The Parties agree that upon relocation of Water Works from City Hall, the payment made by the City to Water Works shall constitute full, final and complete compensation to

Water Works for its interest in City Hall. The Parties further agree that additional financial obligations of the Parties regarding maintenance and utility costs existing under the Agreement and Amendment to the Agreement, if any, shall be addressed separately.

6. RELOCATION.

The Parties acknowledge that the Agreement and Amendment to the Agreement require the City and Water Works to mutually agree that Water Works relocate from City Hall due to space allocation constraints and/or logistical needs. The parties additionally acknowledge that City has determined additional space is necessary to accommodate current and long-term staffing requirements. The Parties further agree that this Memorandum of Understanding addresses the manner in which the financial interest of Water Works in City Hall is determined, but does not require the relocation of Water Works from City Hall unless there is mutual agreement of the Parties.

7. APPROVAL OF MEMORANDUM OF AGREEMENT.

This Memorandum of Agreement shall be of no force of effect unless and until approved by both the West Des Moines Water Works Board of Trustees and the City Council of the City of West Des Moines.

IN WITNESS WHEREOF, the parties have executed this Memorandum of Agreement on the day and year above first written.

CITY OF WEST DES MOINES, IOWA

Steven K. Gaer, Mayor

ATTEST:

Ryan T. Jacobson, City Clerk

COUNTY OF POLK)
) ss
STATE OF IOWA)

This document was acknowledged before me on this ___ day of April, 2018 by Steven K. Gaer and Ryan T. Jacobson, Mayor and City Clerk, respectively, as approved by the City Council of the City of West Des Moines in Resolution ___ on April __, 2018, and on behalf of whom this record was executed.

Notary

WEST DES MOINES WATER WORKS

Brian P. Rickert, Chair
Board of Trustees

ATTEST:

Secretary

COUNTY OF POLK)
) ss
STATE OF IOWA)

This document was acknowledged before me on this ____ day of April, 2018 by Brian P. Rickert and _____, Chair and Secretary, respectively, as approved by the West Des Moines Board of Water Works Trustees in Resolution ____ on April __, 2018, and on behalf of whom this record was executed.

Notary