



Memo

To: Independence Board of Education

From: People 4 Progress – Old High School Committee
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Re: Disposition of the Independence High School Buildings

On August 18, 2008, People 4 Progress requested that the Board of Education postpone their decision regarding the disposition of the high school buildings and site following the passage of the December 16, 2008 bond referendum. People 4 Progress and its Old High School Subcommittee (OHSC) offers this memorandum in support of our recommendation to the Board of Education on this issue.

Our group toured the high school on September 4, 2008 with the architectural firms Kane and Johnson Architects, Inc. and HSR Associates, Inc. We have also reviewed opinions voiced by homeowners in and around the high school and others collected during the Board of Education's August 2008 public work sessions. After discussing these items, numerous options and alternatives, we submit three options for your consideration. These options and their findings are listed below:

Option 1: School Board Hires a Firm to Raze the High School Building(s), turning the Site into Marketable Property / Green Space

Members of the OHSC with the assistance of Mike Donnelly decided to contact DW Zinzer, Walford, Iowa, to obtain an estimate on the cost to raze the high school and turn the area into marketable property / green space. Zinzer has a reputation of being most competitive and cost effective on a project of this size. In particular, the OHSC asked Zinzer to provide an estimate on tearing down all of the buildings and removing all concrete except the southwestern parking lot. The southwest parking lot was taken out of the equation as it may have some potential value.

Zinzer's estimate dated September 23, 2008, was "\$150,000 or less" and is subject to market conditions. This estimate does not include the following estimates for the additional work necessary to complete this option:

- Removal of all asbestos prior to demolition. Based on a quote from Advanced Environmental Testing and Abatement, Inc., the estimated cost to remove all asbestos in compliance with applicable codes is \$50,000.
- Obtaining the necessary fill to finalize leveling and fill of the site. Based on the experience of those on the OHSC, this is estimated to cost approximately \$40,000 - \$50,000.

Note: The OHSC considered the feasibility of selling off the Annex, but concluded the Annex could not be economically moved because the building is built on a slab.

In consideration of the aforementioned, an estimate of \$250,000 would completely raze all buildings, leaving the site as marketable property / green space.

Option 2: Sell the Current High School Building and Site to a Developer for Refurbishment for Residential Housing

The OHSC spoke with the following two individuals who specialize in purchasing facilities and refurbishing them into residential housing; Kirk Hiland of Iowa Realty, Cedar Rapids, Iowa, and Rob McCreedy of Metro Plains, LLC, Minneapolis, Minnesota; www.metroplains.com. The OHSC specifically asked how this type of project works and what factors are considered when evaluating the merits of refurbishing a building into residential housing. Both companies offered similar feedback, which is summarized as follows:

- This market is driven predominately by the availability of tax credits to investors.
- These tax credits include: Enterprise Zone Tax Credits – Independence is not designated as an “Enterprise Zone” and therefore is not eligible for this type of tax credit; Historical Building Tax Credits; and Low Income Housing Tax Credits.
- Tax credits are extremely competitive. It would be very difficult for a town of our size to qualify for enough tax credits to make such a refurbishment feasible and attractive to investors.
- Projects using tax credits can experience a substantial timeline. It can take up to 2-3 years before an investor even finds out if they received the necessary tax credits for their project.
- Market studies would be required to evaluate demand for this type of housing in our area, but overall this market has “dried up” and there is little to no interest in this market at this time
- Even if tax credits were to be awarded and the investors felt the demand existed for this type of housing, rezoning the property could face strong opposition from residents in the neighborhood.

Option 3: Selling the Site to a Developer for at least \$1.00 on the Condition the Buildings are Torn Down Within a Specified Time Period

After exploring this option, the OHSC concluded that this does not appear to be a feasible alternative as the cost to the developer likely exceeds the value of the raw land. The property consists of approximately 21.5 acres of which approximately 11.5 acres are in the flood zone. The portion in the flood zone has minimal market value. The marketable property / green space consists of approximately 10 acres, with an estimated market value ranging from \$100,000 to \$150,000. However, when the bond referendum passes in December 2008, the OHSC would recommend the School Board consider hiring an appraiser to determine the estimated fair market value of the property.

Conclusion and Recommendation

After researching and exploring the feasibility of the above options, People 4 Progress does not believe Option 2 (selling the current high school building to a developer for refurbishment for residential housing) to be a viable solution due to minimal market interest in this type of project; the length of time and uncertainty with respect to tax credits; and the additional non-financial issues associated with a refurbished housing project.

Option 3 is not recommended as the sole direction for the Board. Based on the collective OHSC experience base, we believe that a developer would not see this as a favorable opportunity; however, People 4 Progress does recommend that the option be pursued.

The OHSC believes Option 1 to be the most feasible and recommends the following plan of action to the Board of Education:

- Step 1:** That the School Board adopts a resolution at the October 27, 2008, board meeting outlining the clear plan of action to be taken with respect to the current property.
- Step 2:** That the adopted plan of action includes the decision to raze the buildings within twelve (12) months of completion of the construction of the new high school.
- Step 3:** That the adopted plan of action first pursues feasibility of Option 3 which provides for the marketing of the property with the specific stipulation that any purchaser is required to tear down the buildings within twelve (12) months of completion of the construction of the new high school. Marketing would begin from the passage of the bond referendum. Restrictions and penalty clauses should be considered in the contract to ensure that demolition is completed by a specified time period.
- Step 4:** In the event that Option 3 does not produce desired results, that the adopted plan of action provide for the Board of Education to proceed with Option 1 and hire a firm such as Zinzer to raze the building(s) and turn the site into marketable property / green space.
- Step 5:** That following the completion of Option 1, the adopted plan of action give preference to selling the property to a developer supporting projects that will conform to neighborhood desires and will contribute to the tax revenue to the community.