

**OFFICE OF THE CITY MANAGER
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-329
AUGUST 5, 1996 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
FRED NESBIT DISTRIBUTING CO., INC. PROPERTIES	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR

SYNOPSIS —

On the August 5, 1996 Council agenda are two roll calls relating to a redevelopment project in the Guthrie Avenue Business Park as described below:

1. Roll call to receive and file a communication from Fred Nesbit Distributing Co., Inc. regarding its interest in constructing a building in the Guthrie Avenue Business Park Urban Renewal Area, and to refer to the City Manager for action, as appropriate.
2. Roll call to establish fair market value and to authorize the preparation of offers for acquisition of Parcel Nos. K-8 through K-28, and K-51 through K-54 in the Guthrie Avenue Business Park Urban Renewal Area; subject to the Department of Housing and Urban Development granting an extension of time on the use of 1994 Special Allocation CDBG funds for the Guthrie Avenue Land Acquisition Project for Flood Damaged Businesses until December 31, 1996; and, subject to a firm commitment on the part of Nesbit Distributing Company, Inc. to construct an 80,000 square foot building in the Guthrie Avenue Business Park on the subject property in accordance with the Terms of Agreement outlined below.

Fred Nesbit Distributing Co., Inc., located at 207 S.W. 5th Street, has expressed an interest in constructing a new 80,000 square foot office/distribution facility in the Guthrie Avenue Business Park on an 8-acre site in the vicinity of Mattern Avenue east of DeWolf Street 200 feet north of Jefferson Avenue. The proposed site will accommodate the initial 80,000 square foot development and allow for the developer to purchase an additional 4 acres south of the site for future expansion which the developer is contemplating at this time.

Approximately one-half of the site proposed for the new Nesbit facility is under private ownership and must be acquired by the City in order to proceed with the project. The total cost for acquisition, relocation and demolition is estimated at \$625,000, subject to no future environmental remediation required. In November, 1995, Maxim Technologies, Inc. conducted a Phase II Environmental Assessment of the property. The Iowa Department of Natural Resources sent a letter to the City in January, 1996 that indicated no further action regarding environmental remediation is required at this time.

Acquisition of the properties is contingent upon HUD granting the extension of time on the use of the 1994 Special Allocation CDBG funds, and Nesbit's firm commitment to construct an 80,000 square foot building on the Guthrie site. The \$600,000 special allocation has been available to assist the City in providing a replacement site for flood-damaged businesses. Nesbit has incurred flood damage to its building and equipment, loss of inventory, downtime attributable to clean-up efforts and the opportunity costs of lost business during the recovery period.

Terms of Agreement

Following are the terms of City participation and developer obligations regarding the construction of an office/distribution facility in the Guthrie Avenue Business Park by Nesbit Distributing Co., Inc.

City Participation:

- The City will convey Disposition Parcel No. 30A (site directly south of the proposed Quality Wine parcel containing approximately 8 acres.), for a price of \$.85/square foot.
- The improvements constructed on the parcel will be eligible for three-year, 100 percent urban revitalization tax abatement.
- The City will reimburse Nesbit the tax increment financing revenue generated by the project for a period of three years, beginning in the year after the last year the project receives tax abatement.
- The City will utilize the proceeds from the sale of the development parcel to Nesbit, to acquire and clear adjacent blighted parcels.

Developer Obligations:

- Nesbit will construct a minimum 80,000 square foot office/distribution facility in accordance with the Guthrie Avenue Business Park minimum development requirements.
- Nesbit will maintain an agreed upon level of employment at the Guthrie facility for a period of 10 years.

FISCAL IMPACT —

The costs of acquisition, relocation and demolition incurred in the assembly of the parcels will be funded through the \$600,000 1994 Special Allocation CDBG funds for the Guthrie Avenue Land Acquisition Project for Flood Damaged Businesses. An additional \$25,000 is available from the Guthrie Avenue Business Park Account.

RECOMMENDATION —

Approval of the two roll calls.

BACKGROUND —

The City of Des Moines allocated \$600,000 of the 1994 Special Allocation CDBG Funds for the Guthrie Avenue Land Acquisition Project which is administered by the City's Economic Development Division of the Community Development Department. The purpose of this project is to purchase land in an identified non-floodplain area—the Guthrie Avenue Business Park—for commercial, manufacturing, and distribution businesses damaged by the 1993 floods that now want to relocate elsewhere in Des Moines. The City of Des Moines has had great difficulty in retaining flood-damaged businesses in our industrial parks. Almost all of Des Moines' industrial districts were severely impacted by the 1993 floods. Many businesses have sought locations outside of Des Moines in spite of the flood improvements that Des Moines has installed in many of these industrial parks.

The City requested and HUD granted a 12-month extension to extend the deadline for the Guthrie Land Acquisition Project from August 8, 1995 to August 6, 1996. This extension was granted to allow the City sufficient time to meet the requirements of the Uniform Relocation Assistance and Real Property Acquisition Act, thereby permitting the purchase and development of land to relocate commercial, manufacturing, and distribution businesses damaged by the flood of 1993.

The City has made the following progress on the Guthrie Avenue Land Acquisition Project since HUD granted the extension on our Contract:

1. The City has received acquisition and review appraisals for all properties to be purchased.
2. All properties were sent preliminary acquisition notices.
3. The City had environmental Phase I and Phase II testing done on all properties to be purchased and has received clearance from the Iowa Department of Natural Resources.
4. The City has received historic clearance from the State Historic Preservation Office on all properties to be purchased.

On June 16, 1995, the City received a communication from the Fred Nesbit Distribution Company, Inc. indicating its strong interest in relocating from the Riverpoint Business Area. The approximate 200 businesses in the Riverpoint Area experienced flood losses of over \$117 million from the 1993 flood. In June of 1995, Nesbit Distributing Company, Inc. indicated that they wished to build a new building in the Guthrie Avenue Business Park in Des Moines. Unfortunately the company's willingness to move forward with the project has been slowed by the City of Des Moines' offer to purchase this property for the Martin Luther King, Jr. Parkway Project. The company has been unwilling to move forward with their new building plans until they had resolved the purchase price for their existing building in Riverpoint. The City was unwilling to move forward to purchase the properties in the Guthrie Avenue Business Park until it had certainty that a flood-impacted business (Nesbit Distributing) would build a new building on the cleared property, thus, meeting one of the National Objectives for the Emergency Supplemental Funds.

The City was contacted by the Nesbit Distributing Company on July 30, 1996 indicating that they are now ready to move forward with their new development in the Guthrie Avenue Business Park. As a result, the company has placed a letter on the City's August 5, 1996 Council Agenda asking the City to move forward with their project. They are indicating that their new building will be an approximate 80,000 square foot building at a cost of between \$5 and \$6 million. The new building would have approximately 100 employees upon opening.