

OFFICE OF THE CITY MANAGER  
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 96-336  
AUGUST 5, 1996 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
QUALITY WINE COMPANY, INC. DEVELOPER-INITIATED PROPOSAL	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR

**SYNOPSIS —**

The Quality Wine Company, Inc. previously submitted a developer-initiated proposal to redevelop Disposition Parcel No. 31A/Guthrie Avenue Business Park (vicinity of Thompson Avenue east of DeWolf Street - 2001 DeWolf Street). The redeveloper is proposing to construct a 45,000 sq. ft. office/distribution facility on the approximate 5.9-acre parcel.

On the August 5, 1996, Council agenda are five roll calls that request Council to:

1. Execute the Agreement to Purchase Land for Private Redevelopment;
2. Approve the assignment of redeveloper's interest in the agreement to 2001 Partnership, L.L.C.
3. Approve the redeveloper's evidence of financing and final design plans;
4. Authorize the execution and delivery of the Special Warranty Deed for Disposition Parcel No. 31A; and
5. Execute a Loan Agreement to facilitate construction of building improvements.

**FISCAL IMPACT —**

Sale proceeds of \$218,500 for Disposition Parcel No. 31A will be deposited into the Guthrie Avenue Business Park Account. The City will pay \$15,295 (seven percent commission) to Crowley-Mandelbaum, which is the real estate broker retained by the Quality Wine Company, Inc. to secure acceptance of the redevelopment proposal. The \$125,000 forgivable loan proposed to the redeveloper will be funded from the sale proceeds for Disposition Parcel 31A.

**RECOMMENDATION —**

Approve the five roll calls regarding the redevelopment proposal for Disposition Parcel No. 31A/Guthrie Avenue Business Park.

**BACKGROUND —**

On June 17, 1996, by Roll Call No. 96-2190, the City Council accepted the redevelopment proposal submitted by Quality Wine Company, Inc., subject to receipt of any competing proposals. The redeveloper proposes to construct a 45,000 sq. ft. office/distribution facility on approximately 5.9 acres in the vicinity of Thompson Avenue east of DeWolf Street in the Guthrie Avenue Business Park. A minimum of 65,000 sq. ft. must be constructed on this site. The company intends to expand their development to approximately 125,000 built sq. ft. This project will be located south of the new 61,500 sq. ft. building nearly completed by Moss Development and east of Library Binding Service's new 42,475 sq. ft. light manufacturing facility.

Quality Wine Company, Inc. is an Iowa corporation involved in the wholesale distribution of wine and other beverages throughout Iowa. It was organized in May 1985 and has operated since the privatization of the wine business in Iowa on July 1, 1985. The company is a wholly-owned subsidiary of the Old Peoria Company (d/b/a Quality Wine and Spirits Company), a Minnesota corporation that has distributed distilled spirits for about 60 years. The Goldenberg family of the Minneapolis area has operated the Old Peoria Company for nearly 60 years. There are several owners of the Old Peoria Company. J.R. Goldenberg owns 100 percent of the voting common stock. The Goldenberg family owns 93 percent, and the Lifson family owns seven percent of the non-voting common stock, respectively.

Quality Wine currently leases a 28,000 sq. ft. office/warehouse facility at 1901 Hull Avenue, a few blocks north of the Guthrie Avenue Business Park. The company has outgrown its present building and would like to expand its operations in Des Moines. The proposed development will facilitate Quality Wine's growth in Des Moines through the construction of their facility in the Guthrie Avenue Business Park. In addition, the company will retain 35 jobs and create 15 jobs within the next two years. The company is also positioning itself to expand rapidly should the State of Iowa privatize the distilled spirits industry in the near future.

#### Urban Renewal Agreement

The offering period was authorized by Council with competing proposals to be received by the Urban Renewal Board on July 23, 1996. No competing proposals were received. The redeveloper has provided the information required to proceed with execution of the urban renewal agreement and conveyance of the property.

#### Assignment

Quality Wine Company, Inc. has assigned its interest in the urban renewal agreement to 2001 Partnership, L.L.C. 2001 Partnership L.L.C. was formed by two principals of Quality Wine, Jacob Goldenberg and Arnold Lifson, for the purpose of owning and developing the disposition parcel and leasing the property to Quality Wine. 2001 Partnership has agreed to assume the obligations, terms, conditions and restrictions in the Urban Renewal Agreement and the Urban Renewal Plan. Pursuant to the agreement, the City is required to approve the assignment.

#### Loan Agreement

The redeveloper has applied for a \$125,000 forgivable loan from the City of Des Moines to be used as project equity in lieu of obtaining tax abatement on the 45,000 sq. ft. office/distribution facility. As a condition of the loan, the redeveloper is required to enter into a Minimum Assessment Agreement with the City prior to March 1, 1997, that sets the Minimum Actual Value of the improvements on the property at \$1.2 million. The loan amount was derived by calculating the net present value of the taxes that would have had to be paid over ten years on the 45,000 sq. ft. building. Loan proceeds will be used only to construct the improvements on the site. Council is requested to review the loan request and related collateral documents and enter into a loan agreement with the redeveloper.

#### Evidence of Financing

The urban renewal agreement requires that the redeveloper provide sufficient evidence of financing to purchase the disposition parcel and construct the proposed improvements. The estimated cost of land acquisition is \$218,500, and site preparation and building construction is \$1.8 million for a total project cost of approximately \$2,018,500.

The redeveloper has submitted evidence of financing in the form of several letters of commitment from the following financing entities: Mercantile Bank of Polk County will provide a construction loan of \$1,782,000; Firststar Bank of Milwaukee, Wisconsin will extend a loan of up to \$900,000 of permanent financing; the SBA will provide an \$807,400 loan of permanent financing; the City is processing a

\$125,000 forgivable loan in lieu of tax abatement; and the redeveloper will contribute \$186,100 in equity as the balance of funds necessary to complete the project.

On July 23, 1996, the Urban Renewal Board unanimously recommended that the evidence of financing as submitted by the redeveloper be approved.

Final Design Plans

The redeveloper has submitted final design plans for approval by the City, including a lighting and signage plan. The design plans comply with the conditions of the project as approved by the City Council on June 17, 1996. On July 23, 1996, the Urban Renewal Board unanimously recommended that the final design plans be approved.

Special Warranty Deed

The urban renewal agreement requires that evidence of financing and final design plans be submitted and approved prior to conveyance of the disposition parcel by special warranty deed. The redeveloper has met all requirements and is requesting conveyance of the property.