

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

**CITY COUNCIL COMMUNICATION 96-466
OCTOBER 28, 1996 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
PURCHASE OF PROPERTIES IN GUTHRIE AVENUE BUSINESS PARK	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT A. STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR

SYNOPSIS —

On the October 28, 1996 Council agenda is a roll call to approve and accept the negotiated Offers to Purchase Parcel Nos. K-8 through K-28 and K-51 through K-54 (south of Mattern Avenue and east of DeWolf Street) in order to facilitate the expansion of the Fred Nesbit Distributing Co. in the Guthrie Avenue Business Park.

FISCAL IMPACT —

The total purchase price of \$282,000 is available from the special CDBG flood funds (account #763029). Additional expenses will include payment of relocation benefits, demolition activities and environmental remediation. The remaining 1994 Special Allocation Flood Funds up to \$600,000 will be available to conduct this work as well as funds from the Guthrie Avenue Business Park Account.

RECOMMENDATION —

Approve and accept the negotiated Offers to Purchase Parcel Nos. K-8 through K-28 and K-51 through K-54.

BACKGROUND —

In August, 1996, the City Council received a letter from the Fred Nesbit Distributing Co. regarding its interest in purchasing Disposition Parcel No. 30A in the Guthrie Avenue Business Park in order to relocate and expand its existing business at 207 SW 5th Street. Disposition Parcel No. 30A, which is approximately 7.8 acres, is located directly south of the Quality Wine Company development and east of DeWolf Street. Nesbit plans to construct an 85,000 sq. ft. office/distribution facility and will submit a proposal to the Council at a later date for review and approval.

In order to use the \$600,000 of Department of Housing and Urban Development 1994 Special Allocation of CDBG Funds for the Guthrie Avenue Land Acquisition Project for Flood-Damaged Businesses, Offers to Purchase must be signed for the parcels located south of Mattern Avenue and east of DeWolf Street and a demolition contract awarded by December 31, 1996. The City Council authorized acquisition of these parcels on August 5, 1996 by Roll Call No. 96-2797 based on the following fair market values. Negotiated offers were received as follows:

<u>Parcel No.</u>	<u>Address</u>	<u>Fair Market Value</u>	<u>Negotiated Offer</u>
K-17 (Herman)	1823-1825 DeWolf Street	\$60,000	\$68,000
K-8 thru K-15 and K-26 thru K-28 (Danley)	1713, 1707 DeWolf Street and 1702 E. 19th Street	\$73,000	\$73,000
K-18 thru K-25 and K-16 (Jackson, Harris, White)	E. 19th Street south of Mattern Avenue and one lot frontage on DeWolf Street	\$79,000	\$85,000
K-51 thru K-53 and K-54 (Herman)	1823 E. 19th Street and 1825 E. 19th Street	\$56,000	\$56,000

Additional terms of the Offers to Purchase include allowing all property owners except Danley (Parcel Nos. K-8 thru K-15 and K-26 thru K-28) the opportunity to remain on the parcel until the closing on March 14, 1997. The owners intend to move as soon as possible. Should closing occur sooner and the purchase price released, the City would enter into lease agreements with the owners that would expire on or before March 14, 1997. The Hermans also will retain the following items: a ceiling fan, plants, chain link fence, hot water heater, bathroom medicine cabinet, door bell, three storage sheds, part of a metal fence and a pump. In the Danley Offer, the owners have agreed to terminate the tenancy of R & R Auto Crushing. A notice will be provided to R & R prior to November 1, 1996 that would extinguish the tenancy on November 30, 1996, pending Council approval of the negotiated Offer. The City Legal Department has reviewed and approved the notice. Danley would have no obligation to remove the tenant from the property. The City would assume this responsibility after obtaining title to the property. Also, the City has determined that the tenant is ineligible for relocation benefits because it has been unlawfully operating as a salvage yard since 1992.

A Phase II Environmental Assessment was conducted on the parcels proposed for purchase. The Iowa Department of Natural Resources indicated in a letter dated January 16, 1996, that there appears to be petroleum and metal contamination in the soils but did not require remediation at this time. However, subsequent surface soil testing on the Danley property indicated levels of petroleum and lead contamination that exceeded IDNR standards and will require remediation. A subsequent Phase II Environmental Assessment will need to be conducted after the property owners have relocated in order to provide a more accurate environmental assessment.

All Offers to Purchase except Danley's are silent as to the environmental condition of the property. If environmental contamination is discovered after closing, the City may be required to pay for the cost of remediating the contamination. The Danley Offer provides for \$25,000 of the purchase price to be escrowed for cleanup. The City has preserved its defenses to sue not only Herman and Jackson, Harris, White but also the tenant on the Danley property should the cost of remediation be greater than the escrowed amount.

In summary, this is a very important project for the Guthrie Avenue Business Park. It will retain the Fred Nesbit Distributing Co. in the City of Des Moines and benefit from the company's growth. Furthermore, it will remove a salvage operation that is a significant deterrent to development in the Business Park. In addition, the Offers exceed the fair market values by \$14,000 or five percent and avoid the lengthy process associated with condemnation.

Attachment

GUTHRIE AVENUE BUSINESS PARK

