

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 97-210
APRIL 21, 1997 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
PROPOSAL FROM FRED NESBIT DISTRIBUTING COMPANY, INC. AND FITZ-GOLD, L.L.C.	◆ RESOLUTION ORDINANCE RECEIVE/FILE	JAMES GRANT COMMUNITY DEVELOPMENT DIRECTOR

SYNOPSIS —

The Fred Nesbit Distributing Company, Inc. and Fitz-Gold, L.L.C. jointly have submitted a developer-initiated proposal to redevelop Disposition Parcel No. 30A/Guthrie Avenue Business Park (vicinity of Mattern Avenue east of DeWolf Street). The redeveloper is proposing to construct a 99,825 sq. ft. office/distribution facility and a 6,400 sq. ft. truck maintenance building on the approximate 7.8 acre parcel.

On the April 21, 1997, Council agenda are three roll calls that request Council to:

1. Set date of public hearing to accept the developer-initiated proposal from the Fred Nesbit Distributing Company, Inc. and Fitz-Gold, L.L.C. jointly to redevelop Disposition Parcel No. 30A;
2. Authorize advertisement for competing redevelopment proposals and authorize notice of intent to enter into an Agreement to Purchase Land for Private Redevelopment with the Fred Nesbit Distributing Company, Inc. and Fitz-Gold, L.L.C. jointly if no competing proposals are received; and
3. Authorize the City Manager or his designee to negotiate and execute a License Agreement with the Fred Nesbit Distributing Company, Inc. and Fitz-Gold, L.L.C. jointly to conduct geotechnical, environmental testing, surveying and civil engineering work on Disposition Parcel No. 30A.

FISCAL IMPACT —

The Fred Nesbit Distributing Company, Inc. and Fitz-Gold, L.L.C. jointly have offered a purchase price of \$288,800 for Disposition Parcel No. 30A. Sale proceeds will be allocated to the Guthrie Avenue Business Park Account. The City will pay \$20,216 (seven percent commission) to Kevin Sullivan of Hubbell Realty/C.B. Commercial, which is the real estate broker retained by the Fred Nesbit Distributing Company, Inc. and Fitz-Gold, L.L.C. to secure acceptance of the redevelopment proposal.

RECOMMENDATION —

1. Approve the Minimum Development Requirements and Competitive Criteria for Disposition Parcel No. 30A/Guthrie Avenue Business Park as described in Attachment "C" to the roll call;
2. Accept the redevelopment proposal submitted by the Fred Nesbit Distributing Company, Inc. and Fitz-Gold, L.L.C. jointly for Disposition Parcel No. 30A/Guthrie Avenue Business

Park, subject to terms and conditions described in the staff report and contained in the Agreement, and set date of public hearing on intent to accept said proposal;

3. Authorize a competing offering period of approximately 30 days for others interested in developing Disposition Parcel No. 30A; and
4. Authorize the City Manager or his designee to execute a License Agreement with the Fred Nesbit Distributing Company, Inc. and Fitz-Gold, L.L.C. to conduct geotechnical, environmental testing, surveying, and civil engineering work on Disposition Parcel No. 30A.

BACKGROUND —

The Fred Nesbit Distributing Company, Inc. and Fitz-Gold, L.L.C. ("Redeveloper") jointly have submitted a developer-initiated proposal to purchase Disposition Parcel No. 30A for development of a 99,825-square-foot office/distribution facility and a 6,400-square-foot truck maintenance building on approximately 7.8 acres in the vicinity of Mattern Avenue east of DeWolf Street. The Redeveloper is proposing to purchase Disposition Parcel No. 30A for \$288,800. Kevin Sullivan, real estate broker with Hubbell Realty/C.B. Commercial, is representing the company in this transaction.

The Redeveloper is the Fred Nesbit Distributing Company, Inc., an Iowa corporation, and Fitz-Gold, L.L.C., an Iowa limited liability company, involved in the wholesale distribution of beer throughout metropolitan Des Moines. The Fred Nesbit Distributing Company, Inc. was organized on October 1, 1968, and Fitz-Gold, L.L.C. was created in Fall 1996. Both are closely-held companies. The ownership structure of both businesses is similar. Fred Nesbit, Michael Nesbit, and John Nesbit, all of Des Moines, Iowa, each own 20 percent of the company. Mary Fitzgibbons of Omaha, Nebraska and Nancy McGoldrick of Edina, Minnesota also own 20 percent each of the company. All of the owners are siblings.

The Redeveloper has owned and operated a 65,000-square-foot office/distribution facility at 207 SW 5th Street in Des Moines' Riverpoint area for over 34 years. The company has outgrown its present facility and would like to expand its operations in Des Moines. Nesbit lost a substantial amount of money as a result of flood damage to its building, equipment, and inventory during the summer of 1993. The company has been reluctant to expand at its current location because of the fear of future flooding. In addition, the City is acquiring the Redeveloper's property as part of the ML King, Jr. Parkway Project.

The proposed development will facilitate the Redeveloper's growth in Des Moines through the construction of their facility in the Guthrie Avenue Business Park. The Redeveloper employs 85 full-time people and anticipates creating about 25 jobs within the next five years. In addition, the company pays non-supervisory personnel an average of about \$13.45 per hour including benefits. Nesbit requires rail service and nearby interstate access. The development site meets the Redeveloper's needs because it adjoins the Union Pacific Railroad right-of-way and is located approximately one-half mile west of I-235.

The Redeveloper is proposing to install flat metal panels on approximately 27 percent of the building, which would be limited to the refrigerated areas of the structure located on the east and a part of the south elevations. The east elevation adjoins the Union Pacific Railroad right-of-way. Metal panels would be somewhat less visible from the Guthrie Avenue viaduct and would not be visible from DeWolf Street. The Guthrie Avenue Business Park Urban Renewal Plan allows for the limited use of metal provided that it is durable and has good quality finish. The exact type of metal panels to be used will be determined at the time of final design plan review.

In order to prepare development plans for Disposition Parcel No. 30A, the Redeveloper is requesting authorization to access City-owned land to conduct geotechnical, environmental testing, surveying and civil engineering work.

The estimated cost of land acquisition, building construction and site preparation is \$5 million (approximately \$47/sq. ft.). An additional \$1.3 million is budgeted for equipment expenditures. Construction is proposed to start in September 1997 and be completed by September 1998.

A check from Mercantile Bank of Des Moines, Iowa for \$72,200 was submitted as the good faith deposit for Disposition Parcel No. 30A, which represents 25 percent of the offered purchase price. The Fred Nesbit Distributing Company, Inc. and Fitz-Gold, L.L.C. intend to finance the project through the sale of its property located at 207 SW 5th Street in Des Moines, Iowa to the City of Des Moines a \$2 million construction and long-term loan from Mercantile Bank of Des Moines, Iowa and the companies' equity. Steven G. Patterson, President and CEO of Mercantile Bank of Des Moines, Iowa, has submitted a letter dated March 25, 1997 that indicates interest in providing construction and end-loan financing for the project.

The agreement that the Redeveloper has entered into with the City requires that it be eligible only for three-year, 100 percent tax abatement for all improvements to the property. Subsequently, the Redeveloper shall pay taxes on all improvements. The City will then provide the Redeveloper with a grant of a capital contribution equivalent to an additional three-year, 100 percent tax abatement on the value of its improvements in excess of the base taxable value of the property estimated at \$203,870. The Redeveloper shall receive six semi-annual installment payments. This grant is conditioned upon the Redeveloper satisfying the provisions of Iowa Code Section 15A. The Redeveloper must also enter into a Minimum Assessment Agreement with the City that fixes the minimum value of the improvements on the Property at \$2.2 million. In addition, the Redeveloper will pay the City \$1,000 for a 3-1/2-year option to purchase the remaining five acres south of Disposition Parcel No. 30A to the Washington Avenue Detention Basin. The City shall be required to acquire and clear the Per Auto property (Lots 9 through 16 inclusive, Block 12 T.E. Brown's Official Plat) located directly west of this redevelopment project within 18 months from the date the Redeveloper is issued a Certificate of Completion. It is estimated that by March 2000, the City will have met this obligation.

On April 15, 1997, the Urban Renewal Board unanimously recommended approval of the redevelopment proposal, subject to the staff recommendation as noted in the staff report (Attachment "B"). The Fred Nesbit Distributing Company, Inc.'s and Fitz-Gold, L.L.C.'s development proposal is anticipated to meet the Minimum Development Requirements (Attachment "C") at the time of final design plan review.