

**CITY COUNCIL COMMUNICATION 98-044
FEBRUARY 16, 1998 AGENDA**

SUBJECT:

**“ LETTER OF UNDERSTANDING” WITH
UNITED PARCEL SERVICE**

SUBMITTED BY:

**WILLIAM FLANNERY
AVIATION DIRECTOR**

SYNOPSIS –

United Parcel Service (UPS) has indicated a desire to construct a new sort and distribution center on the Airport. A “ Letter of Understanding” has been negotiated which calls for the Airport to lease to UPS, on a long-term basis, up to 46 acres of land on the Airport, south of the Airport’ s South Air Cargo Building and aircraft parking area, for rentals at or above current fair market value, to allow them to construct a facility of at least 290,000 square feet with the ability for future expansion.

On February 3, 1998, by Resolution No. A98-31, the Airport Board approved the proposed “ Letter of Understanding” with UPS and recommended that the “ Letter of Understanding” be approved by City Council and that City Council authorize the immediate acquisition of the 17 acres needed for Phase 1 and 2 of the proposed UPS development.

FISCAL IMPACT –

The estimated cost of acquiring the 17 additional acres needed for Phase 1 and Phase 2 is \$2,650,000; and the estimated cost of installing a traffic signal at new Army Post Road and SW 28th Court and installing the agreed to utilities to the site is \$255,000. The Airport funds for this project are to come from the Airport’ s first Airport Revenue Bond Issue anticipated to be completed, subject to future City Council approval, in April 1998.

RECOMMENDATION –

That City Council approve the “ Letter of Understanding” with UPS and authorize the Mayor, on behalf of the City of Des Moines, to sign the “ Letter of Understanding” and approve the acquisition of the additional 17 acres currently identified for future Airport purposes in the approved Airport Master Plan and needed for Phase 1 and 2 of the

proposed UPS project, as soon as possible by gift, sale, or eminent domain.

BACKGROUND –

The Airport currently owns approximately 16 acres of the proposed site for Phase 1 and 2 development and will need to acquire, by or around June 1, 1998, an additional four residential properties south of the Airport for Phase 1 development and acquire, by or around September 1, 1998, an additional 12 residential properties for the Phase 2 development. (See attached drawing of exact properties needed to be acquired for Phase 1 and 2.) The main items of the proposed “ Letter of Understanding” include:

- Development of a new UPS facility to allow for consolidation of their Des Moines’ Package Car Operation, Package Sorting Facilities, and Air Cargo Hub at the Airport.
- The Airport is to acquire, in three phases, a site of 46 acres in size south of the Airport’ s South Air Cargo Building and aircraft parking area currently used by UPS, for the proposed new development. (Traffic is to be rerouted to relocated Army Post Road in the summer of 1998, thereby permitting a portion of the existing Army Post Road right-of-way to become a part of the 46 acres.) Estimated cost of acquiring the 16 additional parcels needed for Phase 1 and Phase 2 is \$2,650,000.
- The Airport is to provide associated infrastructure and utilities for the site including relocated Army Post Road, SW 28th Street connection to relocated Army Post Road; install a traffic signal at SW 28th Street and Relocated Army Post Road; and install water, telephone, and sanitary sewer to the site.
- Airport to utilize Airport Revenue Bonds to pay for the cost of land acquisition, demolition, and agreed-to utility installation associated with Phase 1 and 2.
- City to provide 10-year declining tax abatement.
- UPS to lease the site for 30-year period with the right for two 10-year options. Rent payments are to equal the debt service costs for the land acquisition and demolition for Phase 1 and 2, but in no event less than an estimated fair market value of \$205,000 annually. Phase 3 land to be added to the leasehold at a later date under terms and conditions to be determined at that time.
- UPS to construct 290,000 square foot facility, with ability for future expansion, at an estimated cost of \$33.6 million for building and site improvements and \$7.8 million for machinery and equipment.

Attachment