

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

99-296

SYNOPSIS -

AGENDA:

JUNE 21, 1999

SUBJECT:

RECOMMENDING
APPROVAL OF C&C
DISTRIBUTION
SERVICES INC.'S
APPLICATION FOR
BENEFITS-DES
MOINES
AGRIBUSINESS
ENTERPRISE ZONE

On the June 21, 1999 Council agenda is a resolution that recommends approval to the Des Moines Enterprise Zone Commission of C&C Distribution Services Inc.'s ("C&C") application for enterprise zone benefits and authorizes an enterprise zone property tax exemption of \$1 per year for ten years regarding a project in the Agribusiness Enterprise Zone. The tax exemption is required in order to obtain a significant corporate income tax incentive from the State of Iowa.

C&C, currently headquartered at 100 East Second Street in Des Moines, is involved in the dry storage, frozen and refrigerated storage, perishable goods distribution, and packaging and labeling business. Charles A. Colosimo Sr. is the President of the company. C&C is in the process of constructing a 140,000 sq. ft. tilt-up concrete office/distribution facility at 205 East 18th Street (SE corner of East 18th Street and Dean Avenue), which is anticipated to be completed by August 1, 1999. This \$3.5 million project represents a consolidation and expansion of its operations. C&C will retain approximately 25 employees and create ten jobs within three years at an average starting wage of \$10.30/hour plus benefits. The company has a market opportunity to store products in Des Moines that are currently being warehoused out of state. C&C anticipates constructing an additional 150,000 to 200,000 sq. ft. building on site to accommodate its future growth within three years.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

Ellen Walkowiak with the City's Office of Economic Development is coordinating the City activities relative to this project.

FISCAL IMPACT -

Approximately \$350,000 in State investment tax credits will be awarded to this project upon Council approval of the enterprise zone property tax exemption of \$1 per year for ten years,

provided that the Des Moines Enterprise Zone Commission and the Iowa Department of Economic Development (IDED) approve the application. C&C will be eligible to receive a total of about \$464,000 in tax abatement benefits over ten years based on the ten-year declining urban revitalization schedule. Approximately \$590,000 in new consolidated taxes will be generated over ten years including tax abatement. The site has the potential to more than double the amount of taxes yielded from this new project generated by future construction.

RECOMMENDATION -

Council is requested to:

- 1. Recommend approval to the Des Moines Enterprise Zone Commission of C&C Distribution Services Inc.'s application for enterprise zone benefits; and**
- 2. Exempt \$1 for ten years from taxation for improvements made to real property for the project in the Agribusiness Enterprise Zone.**

BACKGROUND -

On September 14, 1998, by Roll Call No. 98-2839, Council established the Des Moines Enterprise Zone Commission in accordance with State law, which the IDED approved. The role of the Commission is to review applications primarily for State tax incentives from qualified businesses located within or requesting to locate within an enterprise zone in order to encourage new development in economically distressed areas. The Commission's authority is independent of the Council and serves in an advisory capacity to IDED.

On October 6, 1998, the Commission adopted an application process that requests the Council to review applications for enterprise zone benefits and forward its recommendation to the Commission.

C&C owns the office/distribution facility at 100 East Second Street and leases space at 1405 Thomas Beck Road and 2526 Bell Avenue. The company intends to consolidate and expand its operations and lease 100 East Second Street to a future tenant.

On January 28, 1999, the Commission adopted a requirement that as part of the application process for benefits in the Des Moines Agribusiness Enterprise Zone, businesses and developers must meet with the appropriate neighborhood to elicit a recommendation on the project. This process serves as a means of obtaining neighborhood input prior to Council establishing the Good Neighbor Task Force. On June 9, 1999, C&C met with representatives from the Fairground, Chesterfield, Capitol East, and Laurel Hill neighborhoods, who recommended approval of the project. Neighborhood representatives indicated some concerns with truck traffic regarding turning radii and curbing in the vicinity of East 18th Street and Court Avenue. Their comments will be forwarded to the appropriate City staff for review.

C&C appears to meet all of the requirements for enterprise zone benefits and is requesting approval of its application. Charles A. Colosimo, Sr., President of the company, has indicated his interest in constructing additional buildings in the Agribusiness Enterprise Zone and his commitment to being a catalyst for reinvestment in the area.