



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

99-512

SYNOPSIS -

AGENDA:

DECEMBER 6, 1999

SUBJECT:

LAND ACQUISITION
IN THE PROPOSED
DES MOINES
AGRIBUSINESS
PARK

On the December 6, 1999 Council agenda are two roll calls related to land acquisition in the proposed Des Moines Agribusiness Park. Council is requested to enter into an Intergovernmental 28E Agreement with the Board of Water Works Trustees of the City of Des Moines to cost-share the purchase of approximately 166 acres located in the SE Agribusiness Urban Renewal Area owned by the Archer Daniels Midland Co. (ADM) of Decatur, Illinois. Council is also requested to approve the Offer to Purchase for \$1,873,685. This vacant land is located south of Vandalia Road west of SE 43rd Street. A Phase I environmental assessment was completed for the site in April 1998, which indicated that no further investigation is warranted. Ellen Walkowiak with the City's Office of Economic Development is coordinating the City activities relative to this project.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

FISCAL IMPACT -

SUBMITTED BY:

ERIC A. ANDERSON
CITY MANAGER

The Des Moines Water Works will contribute approximately \$625,000, which represents one-third of the purchase price of the land. The City will initially fund the remaining two-thirds or approximately \$1,248,685 from the Economic Development Enterprise Fund account, and then repay the Economic Development Enterprise account from proceeds resulting from the sale of this property (after Water Works is repaid) and future tax increment funds (TIF) as they become available. Current projections call for about \$300,000 in TIF revenues from the Agribusiness Park to be available in 2006. (The Economic Development Enterprise account is funded from repayment dollars from economic development loans, excess land sale proceeds, and other one-time revenues that are paid to the City.)

RECOMMENDATION -

Authorize the Mayor to execute the Intergovernmental 28E Agreement with the Board of Water Works Trustees of the City of Des Moines and the Offer to Purchase with ADM in order to acquire approximately 166 acres in the proposed Des Moines Agribusiness Park.

BACKGROUND -

The City has an opportunity to begin redevelopment of the Agribusiness Park in coordination with both public and private sector interests. This action is consistent with Governor's Vilsack's emphasis on value-added agriculture and positioning Iowa as the Food Capital of the World.

On February 22, 1999, by Roll Call No. 99-537, Council authorized acquisition by negotiation or condemnation of approximately 166 acres in the proposed Des Moines Agribusiness Park located in the SE Agribusiness Urban Renewal Area. Carlson, McClure & Associates Inc. conducted an appraisal of the property on March 9, 1999 and determined that the fair market value at that time was \$1,426,270. ADM purchased the property in 1981 for \$2,988,000. The City has negotiated a purchase price of \$1,873,685 for the site. The purchase is subject to merchantable title and an acceptable environmental condition of the property.

On November 1, 1999, by Roll Call No. 99-3423, Council received a letter from L.D. McMullen, CEO and General Manager of the Des Moines Water Works, and directed City staff to prepare the requisite Intergovernmental 28E Agreement for the Board of Water Works Trustees in order to cost-share purchase of the ADM land. On November 23, 1999, the Board authorized its chairperson to execute the Agreement.

The purpose of the Agreement is to create a partnership that will allow the City to facilitate reinvestment and development in an economically-distressed area and the Des Moines Water Works to reduce the overall cost of providing water services by expanding its customer base and increasing industrial demand.

Provisions of the Agreement include:

- Water Works will pay the City one-third of the purchase price, which is approximately \$625,000, prior to the

date of closing anticipated in December 1999/January 2000.

- Water Works will be responsible for one-third of the costs related to acquisition and sale of the property.
- Title to the property shall be retained in the City's name, and the Water Works will maintain an undivided one-third interest in the property.
- Emphasis will be placed on selling the land to large water and sewer consumers, tax base generators, and other users that satisfy the City's and Water Works' mutual interests.
- As full partners, both the City and the Water Works must approve the sale of property or portion thereof in accordance with each entity's rules and procedures, including the Good Neighbor Policy adopted in April 1999.
- The City and the Water Works will be reimbursed the amount of their investment as property is sold and will receive a pro-rated share of any profit realized from the sale of the property.
- The Agreement will be in effect for 20 years or until all of the property has been sold.

This cooperative effort between the City and the Board of Water Works Trustees offers an untold opportunity to realize our mutual interests in building our industrial base. It is projected that within 20 years, development of vacant and underutilized land in the Agribusiness Park will add approximately \$250 million to the tax base and create about 7,000 new jobs.