

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

02-167

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

AGENDA:

APRIL 8, 2002

SUBJECT:

SETTING THE DATE
OF PUBLIC
HEARING FOR
APPROVAL OF
SECOND
AMENDMENT TO
THE UPS LAND
LEASE FOR PARCEL
DISTRIBUTION
FACILITY

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

SUBMITTED BY:

WILLIAM F.
FLANNERY
AVIATION
DIRECTOR

SYNOPSIS -

The original Lease Agreement with United Parcel Service (UPS) provides for the City to tender each parcel of option land in the form of an amendment to the Land Lease Agreement. The second amendment tenders to UPS the first and second parcel of option land set forth in the original agreement. (With this second amendment, UPS is agreeing to lease the second parcel of option land one year sooner than they are obligated to under the terms of the initial agreement.)

As requested by UPS, the proposed second amendment also extends the deadline for completion of their new package sort and distribution center from the current deadline of December 31, 2003 until December 31, 2005.

Although disappointing, the request for extension of the deadline to complete the new package sort and distribution center does not adversely financially impact the Airport or the City. While making rental payments to the Airport for the land on which the new facility will be constructed, which with this proposed amendment will total \$39,409.05 per month, they will continue to rent two existing airport buildings, which they plan to give up once their new sort and distribution center is completed. The rental payments to the Airport from these two buildings currently total \$13,256.68 per month. The City will continue to receive property tax payments on the existing UPS sort facility on Dixon Avenue. In addition, the amended agreement still requires that if they do not complete the new building on the Airport with an assessed value of \$12,000,000 by January 1, 2003, they are required to make a payment in lieu of taxes (PILOT) to the City beginning on July 1, 2003, and continuing until such time as the new facility is complete and normal property taxes are being paid. At the current City tax rate, this PILOT charge will be \$204,583 per year.

FISCAL IMPACT -

Rent during the initial term for the first parcel of option land (old

Airport Baptist Church property), is to be retroactive to April 1, 2000, and is to be \$14,801.48 per month. Rent during the initial term on the second option land is to be \$3,774.24 per month and will be effective on the first of the month following approval by City Council of the second amendment. (The rental amount for the second option land has been arrived at by an independent appraisal done by the City.)

RECOMMENDATION -

Approval of setting the date of hearing for April 22, 2002.

BACKGROUND -

On February 3, 1998, by Resolution No. A98-31, the Airport Board approved a Letter of Understanding with UPS concerning a proposal for them to construct, on the Airport, a new package sort and distribution center, and authorized the Aviation Director to proceed with the negotiation of a land lease consistent with the provisions of the Letter of Understanding. On February 16, 1998, by Roll Call No. 98-471, the City Council also approved the Letter of Understanding.

On September 14, 1999, by Resolution No. A99-317, the Airport Board recommended to the City Council approval of the Land Lease Agreement, as negotiated, with UPS. On October 18, 1999, by Roll Call No. 99-3257, the City Council approved the Land Lease Agreement with UPS.

On December 5, 2000, by Resolution No. A00-425, the Airport Board recommended to the City Council approval of the first amendment to the Land Lease Agreement. On January 8, 2001, by Roll Call No. 01-107, the City Council approved the first amendment to the Land Lease Agreement with UPS. In the agreement, as amended by the first amendment, UPS agreed to lease the first parcel of option land (old Airport Baptist Church property) once the City had possession of the property, to pay rent on the first parcel back to April 1, 2000, and extend the deadline for completion of the UPS package sort and distribution center from December 18, 2002 to December 31, 2003.
