

 <div style="display: inline-block; vertical-align: middle; text-align: center;"> <h1 style="margin: 0;">Council</h1> <h1 style="margin: 0;">Communication</h1> <p style="margin: 0;">Office of the City Manager</p> </div>	Date	August 7, 2006
	Agenda Item No. 41 Roll Call No. <u>06-</u> Communication No. <u>06-486</u> Submitted by: Richard A. Clark, City Manager	

AGENDA HEADING:

Resolution to receive and file letter from the Quality Wine Company/2001 Partnership, LLC regarding conceptual approval to transfer interest in building and land at 2001 De Wolf Street in the Guthrie Avenue Business Park

SYNOPSIS:

The Quality Wine Company/2001 Partnership, LLC (Paul Curley, Chief Financial Officer, 2001 DeWolf Street, Des Moines, IA 50313 and headquartered at 7900 Chicago Avenue South, Bloomington, MN 55420) relinquished all of its Iowa business by closing its office/distribution facility at 2001 De Wolf Street in the Guthrie Avenue Business Park on June 30, 2006. Quality Wine has outstanding contractual obligations with the City of Des Moines. The company is requesting the City's conceptual approval to transfer interest in the building and land at 2001 De Wolf Street.

FISCAL IMPACT: NONE

Amount:

Funding Source:

ADDITIONAL INFORMATION:

On August 5, 1996 by Roll Call No. 96-2752, the City Council entered into an agreement with the Quality Wine Company, whereby the company agreed to purchase 5.9 acres of land from the City and to develop a 65,000 square foot office/distribution facility in stages. By Roll Call No. 96-2753, Council approved the assignment of the Quality Wine Company's interest in the contract to the 2001 Partnership, LLC.

The Quality Wine Company/2001 Partnership, LLC invested \$2.1 million and completed construction of a 45,000 square foot office/distribution facility in March 1997. In addition, it created and retained approximately 40 jobs. The company was to complete additional building improvements of at least 20,000 square feet by December 1, 2000, but was unable to do so. The State of Iowa did not deregulate the distilled spirits industry, which would have allowed the business to expand. In addition, there was an oversupply of warehouse/distribution space in the Des Moines market that precluded the company from contracting with a developer to complete the additional 20,000 square feet. Council allowed for several extensions without penalty to complete the required improvements, but these were never made despite the company's diligent efforts to attract new investment. The Quality Wine Company/2001 Partnership, LLC surrendered \$22,029 of its good faith deposit, including accrued interest, and paid an additional \$10,732 in penalties.

The Quality Wine Company/2001 Partnership, LLC recently submitted a letter to the City that stated on June 30, 2006, it had relinquished all of its Iowa business by closing its office/distribution facility at 2001 DeWolf Street in the Guthrie Avenue Business Park. Johnson Brothers acquired its inventory and some of its fixed assets as well as hired 22 of its 39 employees. The Quality Wine Company had operated in Des Moines for nearly 20 years. Due to consolidation in the wine distribution business nationally, it lost its major supplier that represented 18% of its volume. It could not sustain the impact.

The Quality Wine Company/2001 Partnership, LLC received a Certificate of Partial Completion for its 45,000 square foot Stage I development. However, there are still outstanding contractual obligations. The Agreement to Purchase Land for Private Redevelopment requires the company to restore title to the City of about two acres, which involve the vacant parcel to the north of the building, because it has not completed the additional 20,000 square feet of development. By September 1, 2006, it will convey the property at no cost to the City by quit claim deed, subject to any easements, and will remove the lien of any mortgage on it. The City will not be required to remit an estimated \$74,050 to reacquire this property as stipulated in the contract. In addition, the Quality Wine Company/2001 Partnership, LLC waives any rights it may have or might have in the future regarding the potential resale of reacquired property and the disposition of proceeds from that resale. It is projected that the City will sell this property for approximately \$109,000.

The Agreement precludes the assignment and transfer of any total or partial sale of the property or any part thereof without obtaining the City's written approval. The company intends to request the City's permission to accept the buyer of its building after it has identified the firm and will seek the City's approval of the legal documents prior to transferring the property to the new owner.

PREVIOUS COUNCIL ACTION(S):

Date: 12/16/02

Roll Call Number: 02-2902

Action: Second Amendment to Development Agreement for 2001 Partnership, L.L.C. in Guthrie Avenue Business Park (2001 DeWolf Street). ([Council Communication No. 02-629](#)). Moved by Hensley to adopt. Motion Carried 7-0.

Date: 12/3/01

Roll Call Number: 01-3562

Action: Negotiation of Urban Renewal Contract Amendment with 2001 Partnership, L.L.C. for one-year extension to complete additional building improvements in conjunction with Disposition Parcel No. 31A/Guthrie Avenue Business Park (Quality Wine Company-2001 DeWolf). ([Council Communication No. 01-604](#)). Moved by Hensley to adopt. Motion Carried 7-0.

Date: 11/20/00

Roll Call Number: 00-4372

Action: Negotiation of Urban Renewal Contract Amendment with 2001 Partnership, L.L. C. for extension of time to complete additional building improvement for disposition parcel No. 31A (2001 DeWolf), for Guthrie Avenue Business Park (Quality Wine Company). ([Council Communication No. 00-537](#)). Moved by Coleman to adopt. Motion Carried 7-0.

Date: 8/5/96

Roll Call Number: 96-2752

Action: Agreement to purchase land for private redevelopment. Moved by McPherson to approve. Motion Carried 6-0. Mayor Davis declares a conflict of interest, and abstains from voting.

Date: 8/5/96

Roll Call Number: 96-2753

Action: Assignment of Redeveloper's interest in the agreement to purchase land for private redevelopment. Moved by McPherson to approve. Motion Carried 6-0. Mayor Davis declares a conflict of interest, and abstains from voting.

BOARD/COMMISSION ACTION(S):

Date: 7/23/96

Roll Call Number: N/A

Action: Urban Renewal Board recommended approval of the Quality Wine Company's final design plans and evidence of financing.

Date: 6/12/96

Roll Call Number: N/A

Action: Urban Renewal Board recommended approval of the Minimum Development Requirements and Competitive Criteria for Disposition Parcel No. 31A and the Quality Wine Company's preliminary design plans.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The City intends to work with the new owner to expand its business or sell the two acres to another company who will construct approximately 20,000 square feet of quality development on the site.