

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: July 13, 2015
	Agenda Item No. 26 Roll Call No. [_____] Communication No. <u>15-394</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Set hearing for the proposed purchase of land in the SE Agrimergent Business Park to Electrical Power Products (EP2).

SYNOPSIS:

On June 22, 2015, by Roll Call No. 15-0928, City Council approved to receive and file a proposal from EP2 (Britt Baker, 1800 East Hull Avenue Des Moines, Iowa 50313) to purchase approximately 42-acres of land from the City of Des Moines in the SE Agrimergent Park for their business relocation and expansion project. Additional information on the proposed purchase, including introduction of a financial assistance package, was provided to City Council at the June 22, 2015 meeting by Roll Call No. 15-1092.

The Office of Economic Development (OED) is currently concluding negotiation of terms of an Urban Renewal Development Agreement with EP2 as follows:

1. Sale of approximately 42.21-acres of land on the south side of Vandalia Road for \$30,000 per acre (\$1,266,300) to be verified by a boundary survey as to the net acres to be sold.
2. Economic Development Grant of \$1,266,300 provided from a rebate of the purchase price at the time of sale, subject to verification of the size of the tract.
3. Subject to suitability and quantity available, provision of fill material from City owned land to elevate the estimated 42.21-acres an estimated 6-feet.
4. Economic Development Grant providing 50% of project generated tax increment (TIF) for 17 years. With an estimated building valuation of \$13,000,000, the amount of the assistance is approximately \$4,352,221. The actual amount will be determined by a Minimum Assessment Agreement approved by the Polk County Assessor and City Council and based on employee retention of that 17 year period. Continuing discussion with the Assessor is essential to determine building valuation.
5. Phase I of the project will construct an \$18,000,000 building of approximately 180,000-225,000 square feet to relocate the company’s estimated 300 employees from 1800 Hull Avenue. Phase II, estimated to be of similar size and scope, is proposed to occur as company growth demands.
6. The City will retain a first right of refusal on the Phase II property for 17 years. The company will work to retain a minimum of 250 employees over the 17 year timeframe, with the recognition that a component of added workforce may be contract employees.

Additional information on the proposal is provided below. The current action will set hearing on the sale of the land in the SE Agrimergent Park to EP2 for industrial purposes, which hearing and consideration of the final Development Agreement is anticipated to occur during the City Council meeting on July 27, 2015, unless EP2 is unable to provide their final proposed surveyed property description to the City for use at said meeting.

FISCAL IMPACT:

Amount: \$5,618,521: \$1,266,300 Economic Development Grant; estimated \$4,352,221 Economic Development Grant

Funding Source: Land Sale Proceeds; Project Generated Tax Increment in the SE Agribusiness Urban Renewal Area

ADDITIONAL INFORMATION:

EP2 provides power management systems for commercial and utility industries for power generation, transmission and distribution. Products and services include relay panels, modular control system buildings and wind farm equipment. The company has been in business in east Des Moines for 25 years and employs approximately 300 people.

Discussions with the company focused on the level of risk that EP2 is comfortable taking to make a substantial financial investment on the subject property. The property, though able to be built upon by City standards, is located near the SE Des Moines Levee and is currently identified as secluded by FEMA. In addition, there is historical evidence of interior stormwater drainage issues on the site.

Proposed financial assistance has been structured in recognition of the company's \$18,000,000 investment and the ability to retain quality employment opportunities in the City of Des Moines. In addition, the company's extraordinary site development costs to elevate the property have been taken into consideration. The proposed financial assistance package provides for an Economic Development Grant in the amount of \$1,266,300, which will be provided by a rebate of the purchase price of the property back to EP2 at the time of sale, and a second Economic Development Grant estimated at \$4,352,221, which will be provided by 50% of the TIF generated by Phase I of the project over 17 years.

The financial assistance provided under the development agreement will allow EP2 to address the estimated \$3,300,000 in site development costs to elevate the property, construct the 180,000-225,000-square-foot facility required to relocate their operations, and acknowledge the retention of 300 jobs. EP2 has proposed a second future phase of development also estimated at approximately \$18,000,000, with a similar size building to be constructed. This second phase would be undertaken as company growth would demand. The City will retain first right of refusal on the Phase II for 17 years.

A 28E Agreement was adopted between the City of Des Moines and Des Moines Water Works (DMWW) in 1999, when DMWW contributed \$625,000 toward the City's purchase of land from Archer Daniels Midland in the SE Agrimergent Business Park. Under the agreement, DMWW would receive one-third of the proceeds from land sold in the park until the initial investment was repaid, and the property would be marketed specifically to high water and sewer users. The growth opportunities of existing Des Moines companies that are not high water and sewer users, including Helena Industries, Des Moines Cold Storage, and EP2, prompted the need to revisit the original goals of the agreement. The City of Des Moines needs to be able to offer land to companies, particularly existing businesses that will allow their investment and jobs to remain in the community. Dissolution of the agreement with repayment of the DMWW initial investment is proposed, and will be presented to City Council in the course of action on the sale of property to EP2. Due to the existing 28E Agreement, closing on the sale of the City's property to EP2 must be conditional upon either (1) mutual termination of the 28E Agreement by both City and DMWW, or (2) approval by DMWW of the

proposed land sale and payment to DMWW of its share of the land sale proceeds in accordance with the 28E Agreement.

The current action sets hearing and directs publication of said hearing for the proposed land sale to EP2, as required by Iowa law. The proposed sale and final Development Agreement are anticipated to return to City Council for public hearing and consideration on July 27, 2015. EP2 intends to provide a boundary survey legally describing the property to be sold, which survey is required for City action on July 27. In the event that EP2 needs additional time to prepare the survey and provide the survey to City staff for review and use for the Council action, the July 27 hearing will need to be continued.

PREVIOUS COUNCIL ACTION(S):

Date: June 22, 2015

Roll Call Number: [15-1092](#)

Action: [Communication](#) from City Manager regarding EP2. ([Council Communication No. 15-354](#)) Moved by Gatto to adopt. Motion Carried 7-0.

Date: June 8, 2015

Roll Call Number: [15-0928](#)

Action: [Receipt](#) and file of proposal to purchase City-owned property at SE 43rd and Vandalia Road for redevelopment and direct the City Manager to negotiate preliminary terms of agreement with EP2. ([Council Communication No. 15-286](#)) Moved by Gatto to receive and file Council Communication No. 15-286 and to direct the City Manager to negotiate preliminary terms of a development agreement with EP2. Motion Carried 7-0

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The project design and proposed financial assistance package will be reviewed by the Urban Design Review Board and the City's Good Neighbor Task Force. Under terms of the current 28E Agreement with Des Moines Water Works (DMWW), City approval is subject to DMWW Board of Trustees approval. Final review by City Council with public hearing is July 27, 2015.

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