

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	April 11, 2016
	<b>Agenda Item No.</b>	<b>41</b>
	<b>Roll Call No.</b>	<b><u>16-0584</u></b>
	<b>Communication No.</b>	<b><u>16-169</u></b>
	<b>Submitted by:</b>	<b>Matthew A. Anderson, Assistant City Manager</b>

**AGENDA HEADING:**

Resolution Authorizing City Manager to complete negotiation of an Urban Renewal Development Agreement with Crossroads Cold Storage, LLC based on preliminary terms for sale of land in the SE Agrimergent Business Park.

**SYNOPSIS:**

On June 22, 2015 by Roll Call No. 15-1091, City Council approved to receive and file a proposal from Des Moines Cold Storage, Inc. (John Paul Muelhaupt, President, Des Moines Cold Storage, Inc. 800 New York Avenue Des Moines, Iowa 50313) to purchase land from the City of Des Moines in the SE Agrimergent Park for their relocation and expansion project.

The purchase of City-owned land will provide the area necessary for construction of a modern and efficient sustainably designed and constructed facility while retaining the business in the City of Des Moines. The first phase of development is proposed to include an estimated \$18M project with an estimated 110,913-square-foot facility. Facilities owned by the company at 800 New York Avenue and 4770 NE 17<sup>th</sup> Court in unincorporated Polk County will remain operational for now, with future expansion and growth planned at the SE Agrimergent Business Park.

The company would like to get started on their project in May 2016 in order to meet financing obligations. In the interest of keeping momentum going on this significant opportunity for both the business and the City, a progress report of the elements in discussion is offered below for Council consideration at this meeting. A recommendation on this information will allow Crossroads Cold Storage, LLC to move forward with greater confidence and allow staff to finalize a development agreement that will return for Council approval in May.

**FISCAL IMPACT:**

Amount: To be finalized; discussion has included 75% of project generated TIF for 10 years or 50% of project generated TIF for 15 years to respond to extraordinary development costs for earthwork and rail, and possible 5-year graduated industrial tax exemption under Iowa Code Chapter 427B, or TIF equivalent. Costs to be quantified in regard to current 28 E Agreement with Des Moines Water Works (DMWW).

Funding Source: Land sale proceeds; project generated tax increment in the SE Agribusiness Park Urban Renewal Area.

**ADDITIONAL INFORMATION:**

- Des Moines Cold Storage was established in Des Moines in 1910 and is one (1) of the Midwest Region's largest refrigeration and processing companies, operating five (5) USDA approved facilities in Iowa.
- The company, now recognized as Crossroads Cold Storage, LLC for the new project, evaluated their existing facilities, and determined a need to divest of two (2) older facilities in Mason City and Marshalltown that are no longer able to meet operational needs for the business.
- The company has over 500 customers and provides storage for meat, vegetables, seafood, frozen meals and juice. They also provide value added services such as specialized boxing, order picking and international export processing via rail and truck.
- Variables in the negotiation are:
  - Preparation and elevation of the site with fill material from City owned land currently estimated at \$760,000. 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 that have impacted negotiations;
  - Construction of rail track to serve the business as well as future development to the west, currently estimated at \$550,000, but still under evaluation;
  - Proposed project generated tax increment finance (TIF) assistance for these extraordinary development costs and retention of the company in Des Moines; and
  - Requirements under the current 28 E Agreement between the City and DMWW for sale of the property.
- Crossroads Cold Storage proposes purchase of an estimated 24.25 acres of land at \$22,000 per acre (\$533,500), with \$15,000 per acre (\$363,750) to be provided at closing on the sale of land. Approximately \$169,750 would be required to be paid by the company to the City if construction of the Phase I improvements have not been completed within 18 months after initiation of work.
- Phase I will be the construction of an estimated 110,913-square-foot rail served facility with offices and state of the art refrigeration space, and the construction of rail track approved by BNSF to serve the building. An additional 244,000 square feet of expansion is programmed to the east of this building; timing to be determined for final terms of agreement.
- An additional 18.71 acres will be proposed for option to purchase to facilitate future expansion phases, with an additional 400,000 square feet of building space possible.
- Subject to suitability and quantity available, provision of fill material from City owned land to elevate the property to quantities specified by the company's civil engineer and construction company.
- Crossroads Cold Storage, LLC will retain a minimum of 30 employees and add 13.
- The current 28 E Agreement requires both the DMWW Board of Trustees and the City Council to review and approve proposed sales of property for approximately 236 acres of land located south and north of Vandalia Road in the SE Agrimergent Park. DMWW contributed approximately \$625,000 to the City's original purchase of property from Archer Daniels Midland, and is to receive one-third of the proceeds from any transaction on the land.

**PREVIOUS COUNCIL ACTION(S):**

Date: June 22, 2015

Roll Call Number: [15-1091](#)

Action: Items regarding the proposed sale of City-owned property in the vicinity of SE 43<sup>rd</sup> Street and Vandalia Road in the SE Agrimergent Business Park:

- (A) [Receive](#) and file proposal for redevelopment and direct the City Manager to negotiate preliminary terms of agreement with Des Moines Cold Storage. ([Council Communication No. 15-348](#)) Moved by Gatto to receive and file the communication, and to direct the City Manager to negotiate preliminary terms of a development agreement with Des Moines Cold Storage. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Set hearing for sale of land to Crossroads Cold Storage, LLC on April 25, 2016.
- Set hearing for the SE Agribusiness Urban Renewal Plan 7<sup>th</sup> Amendment on April 25, 2016.
- Set hearing regarding agreement with DMWW on April 25, 2016.
- Resolution of support for business assistance application from Iowa Economic Development Authority.
- Preliminary and final review of the proposed design and financial assistance by the Urban Design Review Board in April.
- Review of proposed amendment to the Vision Fuels PUD by the Plan and Zoning Commission.
- Review of the proposed project by the Good Neighbor Task Force in April/May.
- Final terms of agreement with Crossroads Cold Storage, LLC in May.
- Closing on sale of land to Crossroads Cold Storage, LLC.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).