

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: January 8, 2018
	Agenda Item No. 37 Roll Call No. <u>18-0058</u> Communication No. <u>18-007</u> Submitted by: Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution approving preliminary terms of an urban renewal agreement with KOK Vermont Street, LLC, for sale of City-owned real estate in the vicinity of 1300-1350 Vermont Street.

SYNOPSIS:

Recommend approval of the Resolution and authorize the Office of Economic Development (OED) to negotiate a final urban renewal development agreement following the preliminary terms of agreement for final review and approval by City Council at a later date; and referral to the Urban Design Review Board and other City Boards and Commissions as appropriate for recommendation to City Council.

KOK Vermont Street, LLC, represented by Todd Mendenhall, Officer, (hereinafter referred to as “Developer”) proposes to purchase the City-owned land at 1300-1350 Vermont in Central Place Industrial Park for the construction of a new 60,000-square-foot, high cube warehouse and related site improvements, at an estimated investment of \$3.9 million. The warehouse’s main tenant will be Storey-Kenworthy, which will consolidate warehouse operations at the site that is adjacent to its existing operations at 1333 Ohio Street. To facilitate the sale of the City-owned land and construction of the new warehouse on the site, OED has negotiated and recommends City Council approval of the preliminary terms of agreement outlined below in Additional Information.

FISCAL IMPACT:

Amount:

- (A) Revenue: \$210,000 sales proceeds from Developer
- (B) \$210,000 Forgivable Loan
- (C) \$200,000 Economic Development Grant
- (D) \$25,000 City participation in environmental remediation costs
- (E) \$395,000 Property Tax Abatement

Funding Source:

- (A) Purchase price to be paid to City
- (B) Proceeds from land sale at appraised fair market value
- (C) Non-project generated tax increment revenues, as available, from the Central Place Industrial Park Urban Renewal Tax Increment District. One-time payment to be paid December 1st in the year following issuance of the certificate of completion for the project. Anticipated payment date December 1, 2019.

- (D) Maximum amount to be matched by Developer for payment of costs paid to unrelated, third-party contractors for investigation and remediation of environmental conditions on the City-owned site at 1300-1350 Vermont.
- (E) Estimated gross value of property tax abatement on the proposed value-added improvements under the City-wide Urban Revitalization Plan 10-year declining commercial tax abatement schedule.

ADDITIONAL INFORMATION:

Site History and Site Conditions:

- The site located at 1300-1350 Vermont was acquired by the City in various parcels between 1988 and 1991 as part of the Central Place Industrial Park Redevelopment Program Urban Renewal Plan established on May 20, 1985. The site, prior to the City's purchase, was used as an auto salvage yard from the 1940s through the 1980s.
- A geotechnical exploration of the City-owned site at 1300-1350 Vermont prepared by Allender Butzke Engineers, Inc. revealed various concentrations of cinders, brick, wood, and metal debris at depths of up to 4.8-feet below the existing grades. Additionally, soft to medium stiff soils were encountered beneath the fill. The explorations concluded that the site's existing fill, consisting of debris and soft soils, will not provide adequate support for the proposed building foundations and floor slabs, and recommended complete over-excavation and replacement with controlled engineered compacted fill or the use of compacted aggregate piers, such as Geopiers, to improve the ground support conditions beneath the proposed building footings and floor slabs. The complete over-excavation and replacement with controlled engineered compacted fill, would also require the fill materials to be properly disposed of in a construction/demolition landfill or recycling center as they are excavated from the site. Contractor bids to over-excavate, landfill and replace with controlled engineered compacted fill were between \$809,000 and \$963,000. Cost estimates to improve the ground support conditions beneath the building footings and floor slab using Geopiers were received at \$400,000.
- Phase I and Phase II Environmental Site Assessments were completed for the City-owned property. The Phase II Environmental Site Assessment consisted of five (5) test borings and laboratory chemical analysis of soil and groundwater samples. The results of the Phase I and Phase II Environmental Site Assessments were submitted to the Iowa Department of Natural Resources (IDNR) that made a determination that a potentially hazardous condition does not exist at the site and the IDNR will not require any follow up action be taken at this time.

Preliminary Terms of Agreement:

- Sale of land at the appraised fair market value of \$210,000, with the land conveyance subject to the Developer compliance with the Central Place Industrial Park Redevelopment Program Urban Renewal Plan that directs the proposed new 60,000-square-foot warehouse be built in substantial compliance with the Third Restated City-wide Urban Revitalization Plan Construction and Sustainability Design Standards and all applicable City site plan and construction codes.

- In recognition of the site's existing geotechnical conditions that require additional costs to improve the ground support conditions beneath the proposed warehouse footings and floor slabs for the building to be built on the site, staff recommends:
 - A \$210,000 forgivable loan to be funded from the land sale proceeds, and forgiven upon the issuance of a certificate of completion for the value-added improvements.
 - A \$200,000 economic development grant to be funded from non-project generated tax increment revenues, as available, from the Central Place Industrial Park Tax Increment Financing District. The grant would be paid in one (1) payment on December 1st of the year following the issuance of the certificate of completion for the value-added improvements, with an anticipated payment date of December 1, 2019.
 - The City and Developer will split on a dollar for dollar basis up to \$25,000 each, out-of-pocket costs paid to un-related third-party contractors for the costs associated with environmental investigations (Phase I and Phase II), and any subsequent remediation of environmental contaminated materials discovered on the site prior to the issuance of a certificate of completion for the value-added improvements.
 - It is anticipated the project will qualify for commercial tax abatement under the Third Restated City-wide Urban Revitalization Plan and be eligible for commercial tax abatement under either the 3-year, 100% exemption schedule or the 10-year, declining percentage exemption schedule.

- The Developer, KOK Vermont Street, LLC has agreed to move forward with the proposed project under the above outlined preliminary terms of agreement.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Review and recommendation by Urban Design Review Board on appropriate use of tax increment financing district revenues, and a conceptual design plan, and review by other City Boards and Commissions as appropriate.

- Review and approval of a final Urban Renewal Development Agreement by City Council.

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