

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

98-419

SYNOPSIS —

AGENDA:

SEPTEMBER 28, 1998

SUBJECT:

PRELIMINARY
ACQUISITION
ACTIVITIES TO
CONDUCT
REDEVELOPMENT
IN THE GUTHRIE
AVENUE BUSINESS
PARK

On the September 28, 1998, Council agenda is a roll call that requests Council to authorize land assemblage activities for several parcels in the Guthrie Avenue Business Park in order to continue redevelopment and to meet a contractual obligation to purchase and clear a salvage operation west of the Fred Nesbit Distributing Company' s new office/distribution facility at 1901 DeWolf Street. The parcels are located at the northeast corner of Mattern Avenue and DeWolf Street and generally south of Consolidated Freightways to Jefferson Avenue between East 17th and Dixon Streets. Land assemblage activities include conducting appraisals, environmental testing, acquisition through negotiation or condemnation, relocation, demolition, and related activities as necessary.

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

Ellen Walkowiak with the City' s Office of Economic Development is coordinating the City activities relative to this project.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

FISCAL IMPACT —

Land assemblage activities are projected to cost approximately \$767,000, excluding environmental remediation if warranted. Sufficient funds will be available from net proceeds resulting from the sale of land to Nesbit Distributing, the Guthrie Avenue Business Park Capital Improvements Program (CIP) account, and committed revenue from land sales by December 1998. (Special Community Development Block Grant [CDBG] flood funds were used to purchase the site for Nesbit Distributing. The net proceeds resulting from the sale of property [\$298,000] will be used to finance, in part, the additional land acquisitions in the Guthrie Avenue Business Park.) It is anticipated that redevelopment of these 7.2 acres will result in the construction of a minimum of 80,000 square feet (sf), generate at least \$96,000 in tax revenue annually after tax abatement, and create and/or retain over 70 jobs.

RECOMMENDATION —

- 1. Authorize the City Manager to begin the process for purchasing Acquisition Parcel Nos. A17-26, A29-37, A39, A42, and I7-12 as designated in the Guthrie Avenue Business Park Urban Renewal Plan and related land assemblage activities; and**
- 2. Authorize the establishment of a new CDBG account (special CDBG flood funds) with net proceeds from the sale of property to the Fred Nesbit Distributing Company Inc. and Fitz-Gold L.L.C., which funds shall be used for the land assemblage activities described above.**

BACKGROUND —

A construction boom is underway in the Guthrie Avenue Business Park. Approximately 402,000 sf of new buildings are anticipated to be constructed by spring/summer 1999. This is more than double the square footage built to date of 339,700 sf since the urban renewal area was designated. It demonstrates significant market confidence in the Business Park.

The following list of projects describes the anticipated development progress in the Guthrie Avenue Business Park during this construction season and next spring.

Company/ Business Park	Building Size	Land/Building Investment	Projected No. of Retained/Created Jobs
O' Reilly Automotive Inc. (private development) 1800 Guthrie Avenue (North of Guthrie Avenue at East 18th Street)	150,000 sf	\$5,800,000	130

DECO Tool (private development) 1801 East 17th Street (South of Consolidated Freightways)	7,150 sf	\$ 295,000	11
JJFPBI, L.C. (joint venture between Van Meter Industrial and Point Builders) 2100 Dixon Street (#11A) (South of Van Meter)	29,040 sf	\$ 850,000	35
Houghton Properties 1900 Dixon Street (#10A) (South of Van Meter Expansion)	61,200 sf	\$ 1,500,000	33
Frederick C. James (President of Corporate Image) 1901 Dixon Street (#18A) (South of Corporate Image)	39,200 sf	\$ 1,200,000	35
Nesbit Distributing 1901 DeWolf Street (#30A) (South of Quality Wine)	115,000 sf	\$ 5,300,000	85
TOTAL	401,590 sf	\$14,945,000	329

It is projected by spring/summer 1999, a total of 741,290 sf of new construction will have been completed in the Guthrie Avenue Business Park since the adoption of this urban renewal project. This represents over \$26 million of new investment and the creation and/or retention of nearly 600 full-time equivalent jobs. These job estimates are conservative.

For comparison purposes, the tax base was \$3.7 million as benchmarked in 1988 when the Tax Increment Financing (TIF) District was created. The City has experienced a significant increase in tax base and will continue to do so as more land is made available for new investment.

This redevelopment project would not have occurred without the City's commitment. To date, the City has issued bonds for \$1.4 million to cover land assemblage costs, acquired additional land through the Washington Avenue Detention Basin project, and leveraged Revitalize Iowa's Sound Economy (RISE) funds to install appropriate infrastructure. It is important to continue the success of this project.

After Frederick C. James or a competitor purchases Parcel #18A, there will be no developable parcels of land available for sale in the Guthrie Avenue Business Park. Council is requested to authorize land assemblage activities in order to allow for additional redevelopment and to meet an estimated \$220,000 contractual obligation with the Fred Nesbit Distributing Company Inc. and Fitz-Gold L.L.C. to purchase and clear a salvage operation west of Nesbit's new office/distribution facility at 1901 DeWolf Street, as required by the Agreement to Purchase Land for Private Redevelopment and its amendment both executed by Council on July 7, 1997.

Approximately 7.2 acres is proposed for acquisition and related land assemblage activities. Several developers have expressed interest in redeveloping this land during spring 1999. It is located at the northeast corner of Mattern Avenue and DeWolf Street, as well as south of Consolidated Freightways to Jefferson Avenue between East 17th and Dixon Streets. A majority of the land is vacant and has been used for illegal dumping. Other uses include a salvage yard and one single-family residence that adjoins a concrete plant.

In order to fund this estimated \$767,000 project, it is essential to establish a new CDBG account from the net proceeds of land sold to the Fred Nesbit Distributing Company Inc. and Fitz-Gold L.L.C. The City received 1994 CDBG Flood Emergency Supplemental Funds to assist in its flood recovery efforts, which included the purchase and clearance of slum and blighted properties in the Guthrie Avenue Business Park for redevelopment by a flood-impacted business. Nesbit, an eligible flood-impacted business, purchased property in the Business Park, which net proceeds in the amount of approximately \$298,000 could not be receipted into CDBG Flood Emergency Supplemental Fund accounts due to their closure. As a result, it is necessary to create an account so that these proceeds can be used for CDBG-eligible activities related to the original capital improvements project, which involved assembling land for redevelopment in the Guthrie Avenue Business Park. Land assemblage activities are CDBG-eligible and will meet the national objectives of eliminating slum and blight and making employment opportunities available for low- and moderate-income persons. The balance of funds needed will come from the Guthrie Avenue Business Park CIP account and committed revenue from land sales by December 1998.

An additional \$5.4 million is needed to complete land assemblage activities in the Guthrie Avenue Business Park, excluding environmental remediation if warranted. There is insufficient TIF revenue to cover this cost. Smaller land acquisition projects are anticipated to be proposed in the future as resources permit.

It is important to capitalize on private developers' interest and ability to construct new office/distribution and light manufacturing facilities given current market conditions and maintain the redevelopment momentum. By assembling additional land in the Business Park, the City will be able to accommodate the growth of new and existing businesses in Des Moines, as well as demonstrate its commitment to the businesses that have invested in the area to eliminate surrounding blight.