

**CITY COUNCIL
COMMUNICATION:**

02-629

AGENDA:

DECEMBER 16, 2002

SUBJECT:

SECOND
AMENDMENT TO
AGREEMENT WITH
2001 PARTNERSHIP,
L.L.C. FOR
DISPOSITION
PARCEL NO. 31A
(2001 DEWOLF
STREET)/
GUTHRIE AVENUE
BUSINESS PARK

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

ITEM _____

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

SYNOPSIS —

On the December 16, 2002 Council agenda is a roll call that authorizes the Mayor to execute the Second Amendment to the Agreement to Purchase Land for Private Redevelopment with the 2001 Partnership, L.L.C. for Disposition Parcel No. 31A (2001 DeWolf Street) in the Guthrie Avenue Business Park. Officers of the Quality Wine Company are partners in the 2001 Partnership, L.L.C. Quality Wine was required to develop a total 65,000 square foot office/distribution facility by December 1, 2000 or to pay the equivalent taxes as though it had constructed the additional improvements. The company completed a 45,000 square foot building in March 1997, but has not constructed the additional 20,000 square feet. Council granted two one-year extensions until December 1, 2002.

The Second Amendment requires the redeveloper to construct a minimum of 50% of the remaining 20,000 square feet by June 1, 2003 and 100% by September 1, 2003. If the first deadline is not met, on *July 1, 2003*, the redeveloper shall pay the City the total taxes that would have been due to all taxing jurisdictions for the period *December 1, 2002 to June 30, 2003*. If the second deadline is not met, on *January 1, 2004*, the redeveloper shall pay the City the total taxes that would have been due for the period *July 1, 2003 to December 31, 2003*. The City shall deduct the taxes due from the redeveloper's good faith deposit until exhausted and, subsequently, obtain taxes due directly from the redeveloper until the 20,000 square foot building is completed as evidenced by a Certificate of Occupancy.

Jack Goldenberg is the President of the Quality Wine Company, headquartered in Bloomington, Minnesota. The company has 45 full-time employees at 2001 DeWolf Street and pays an average wage of \$17.49/hour plus benefits, excluding supervisory personnel. Ellen Walkowiak with the City's Office of Economic Development is coordinating the City activities for this project.

FISCAL IMPACT —

The City has retained \$21,888, including accrued interest, of the Quality Wine Company's good faith deposit, which represents the proportionate balance of good faith deposit funds for the additional improvements. Tax revenue generated from the additional 20,000 square feet is estimated at \$31,685 per year, based on Quality Wine's assessment and the current tax rate. Funds will be deposited into the Economic Development Enterprise Account.

RECOMMENDATION —

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Approval.

BACKGROUND —

In March 1997, the Quality Wine Company completed a 45,000 square foot office/distribution facility at 2001 DeWolf Street in the Guthrie Avenue Business Park. This \$1.8 million project represented an expansion of the company's only location in Iowa. Quality Wine was required to build a total of 65,000 square feet by December 1, 2000, or to pay the equivalent taxes as though it had constructed the improvements. Council granted two one-year extensions until December 1, 2002.

Quality Wine is requesting that the Council grant it an additional extension to meet its contractual requirements. During the past year, the company has explored several alternatives to meet the building density requirement but has been unsuccessful in completing the project. It has worked with real estate brokers, potential interested businesses, the City Office of Economic Development, and the Greater Des Moines Partnership.

Quality Wine does not need additional space currently. It changed its listing of the site to a new real estate brokerage—the Cross Corporation. Strategies have involved selling the property to a user-owner business or to a developer. Quality Wine has been exploring the sale and redevelopment of the site with LADCO Development Inc. LADCO built the 73,000 square foot Interstate Battery warehouse/distribution facility in the Guthrie Avenue Business Park in 1999. The developer is in the process of identifying a build-to-suit tenant. It is not interested in constructing speculative space because there are over 3.1 million square feet of warehouse space for lease or sale in greater Des Moines. Some of this vacant space is located in the Guthrie Avenue Business Park.

Quality Wine will continue to pursue prospective purchasers to redevelop the site and meet its contractual requirements. The company has developed an attractive project and has acted in good faith during the term of its contract. The extension will enable Quality Wine to work with a developer to complete the required construction and minimizes the impact on its cash flow by using the good faith deposit to pay taxes due. It compels timely performance and provides for immediate payment of full taxes to the City until the building is constructed.

