



## Memorandum

To: Chair Wallert and Members of the Moorhead EDA  
From: Peter Doll, Development Services Manager  
Date: September 24, 2012  
RE: **Sale of Tire Depot Property**

**BACKGROUND / KEY POINTS:** Beginning in 2005, this lot was used for storing tire shreds for a business known as the Tire Depot. The Tire Depot went out of business and this lot became a fire, health and safety concern for many years due to the large pile of shredded tires that were stocked piled and abandoned on this parcel. In 2010, Peter Doll, Manager of Development Services, working with Roger Rolf from the MPCA, came up with a creative and beneficial use of the tire shreds (building leachate fields in the County's Landfill). This use of the tire shreds was reviewed and approved by the MPCA. Over time, several steps were systematically implemented by the City, County and MPCA working together to eliminate this on-going hazard making it possible for the property to be productive again and available to the private sector. The synergies of multiple governments working together allowed the abatement to be completed at a lower cost which would eventually be repaid by the resale of the property. Steps included:

1. Moorhead received a Brownfields Grant to do a Phase I ESA site investigation which was completed in 2006.
2. Moorhead and Clay County entered into an agreement allowing Moorhead to deliver the tire shreds to the County Land Fill free of charge. The land fill stored the shreds until needed to build new cells.
3. The City Council approved the abatement of the tire shreds. **4,500 tons** of tire shreds were abated. Abatement costs were added to the parcel's special assessments.
4. Fall 2011 the parcel went into tax forfeiture. City Council authorized the acquisition of the tax forfeited parcel using EDA funding, for the purpose of selling the property for economic development. Minimum standards for job creation/retention and new tax base were put in place.
5. In June 2012, Moorhead listed the property for sale with Matt Durbin, Konrad Olson Commercial Real Estate Inc., as Matt was the listing agent for the remainder of the Tire Depot property to the north.
6. Shortly thereafter, Moorhead Operations Department assisted with preparing the property for sale by removing unwanted boulevard trees, removing large containers of hazardous materials, disposing of other debris left in and around the building, and removing abandoned personal property from the building.
7. Now, Mid Valley Properties, LLC, has offered to purchase the property to expand their three businesses located across the street at 1920 25<sup>th</sup> Street S.

Staff is recommending the City Council authorize a sale of the property to Mid Valley Properties LLC and the Mayor and City Manager enter into and execute documents necessary.

The agreement to sell is subject to the following terms:

**Price:** \$165,000



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**Terms:** Contract for Deed, \$30,000 down payment, payments based on unpaid principal amortized over 15 years, 4% interest, will a balloon payment due at the end of three years. No penalty for early payment. It is anticipated the Contract for Deed will be for a short period as permanent financing will be obtained when a building is built.

**Conditions of sale:**

1. Buyer will perform a Phase II ESA and retains the right to void this contract if substantial contamination issues are found.
2. The property has overhead utility and conveyor equipment that connects the building from this property to a building on the remaining Tire Depot property to the north. The City will get permission to remove these connections from the adjacent owner and seal any openings in the both buildings. These costs will be a city expense.
3. For a period of five years, the City promises to grant the buyer, if statutory authority exists, up to two property tax exemptions for the expansion of the existing building and the construction of a second building. The exemption will be based on the current property tax schedule of exemption. In the event the City modifies its exemption policy, the business would have the choice of selecting the current or modified property tax schedule. **[See Attached.]**
4. The City will pay all taxes and special due for 2011 and prior, current year taxes and specials prorated to the date of closing. The Buyer agrees to pay taxes and specials in 2013 and after.

**Mid Valley Properties:** The company began operations at 1920 25<sup>th</sup> St South, January of 2011. The owners operate three different businesses from this address: Anytime Mobil Truck Services, Franke Trucking, and Mid Valley Feed. The company has out grown its current location and is looking to relocate to a larger facility. The company has grown from 11 jobs to 15 jobs and has plans to add additional staff. If this acquisition is approved, the company plans to renovate the existing building this fall and install water, sewer and electricity to the site. They plan to expand the existing building and build a shop to the front of the lot within 1 to 3 years. The planned growth in tax base and retention of the 11 jobs clearly satisfies our minimum standards of job growth or retention or creation of tax base.

**FINANCIAL CONSIDERATIONS:**

\$165,000	Selling price
\$107,000	Acquisition cost from EDA Fund
\$ 9,900	6% Realtor fee
<u>\$ 10,000</u>	Clean-up/disposal fees, estimated abstracting, disconnection fees, closing costs
\$ 38,100	Remaining balance to EDA Fund

The EDA financed the acquisition and proceeds from the sale will be returned to the EDA. This will allow the EDA to build up fund balance, allowing future acquisitions of blighted or contaminated properties to be funded without borrowing from the general fund.

**Action:**

Make a recommendation to the City Council for the sale of this property to Mid Valley Properties