

AGENDA ITEM #: _____

DATE: April 22, 2019

CAR #: 2019-6602



CITY COUNCIL ACTION REPORT

SUBJECT: Approval of Development Agreement for the Elwood Logistics Center

STAFF PRESENTER(S): Rebecca Zook, Engineering Director

OTHER PRESENTER(S): Harry Paxton, Economic Development Project Manager

Summary: Staff is recommending the adoption of a Resolution and approval of a Development Agreement regarding the development of 78 acres of land at the southeast corner of Sarival Avenue and Elwood Street. In addition to the construction of an industrial building, the owner is offering to construct non-required street improvements that will complete a section of Elwood Street from Estrella Parkway to Sarival Avenue and is seeking reimbursement for these improvements.

Recommendation:

ADOPT RESOLUTION NO. 2019-1946 CONDITIONALLY APPROVING THE DEVELOPMENT AGREEMENT FOR ELWOOD LOGISTICS CENTER; PROVIDING CONDITIONS OF APPROVAL AND AN EFFECTIVE DATE OF SUCH APPROVAL; PROVIDING DIRECTIONS FOR EXECUTION OF THE DEVELOPMENT AGREEMENT FOR ELWOOD LOGISTICS CENTER BY THE CITY MANAGER, PROVIDING DIRECTIONS REGARDING THE RECORDATION OF THE DEVELOPMENT AGREEMENT FOR ELWOOD LOGISTICS CENTER; PROVIDING FOR AN EXPIRATION; AUTHORIZING AND DIRECTING FUTURE ACTIONS; AND PROVIDING FOR AN EFFECTIVE DATE OF THE RESOLUTION.

Fiscal Impact: The city will reimburse the cost of the non-required street improvements through plan review and permit fees reimbursements or waivers in the amount not to exceed \$1,314,502.20. These fee adjustments would be reduced by the Arizona Galvanizing Elwood Adjacent Improvements Reimbursement of \$458,040.00 and/or the Sun DS Farms Elwood Adjacent Improvements Reimbursement of \$736,962.00. The reimbursement and waiver period is up seven years from the effective date of the agreement.

Background and Previous Actions

This request is related to the development of approximately 78 acres of land generally located at the southeast corner of Sarival Avenue and Elwood Street. The Owner is offering to construct non-required street improvements if the Owner can be reimbursed for such improvements. The reimbursement would be for improvements that Owner's development is not required to make that will complete a section of Elwood Street that will provide the connection of Elwood Street from Estrella Parkway to Sarival Avenue. The Owner plans to eventually construct a 650,000-1.3 million square foot industrial building suitable for use as advanced manufacturing, internet

fulfillment, distribution or other light industrial uses prior to having a purchaser or lessee for the building. This facility will generate truck traffic into and out of the property. Truck traffic on Sarival Avenue is restricted.

The completion of Elwood Street from the eastern portion of the property to Estrella Parkway requires the construction of half-street improvements within the alignment for the north-half of Elwood Street adjacent to property not owned by the Owner and also construction of improvements to complete the half-street improvements within the alignment of the south-half of Elwood Street adjacent to property also not owned by the Owner.

The proposed agreement requires the Owner to complete the construction of the Elwood Street Adjacent Improvements within one year of the effective date of this agreement. The deadline may be extended, without benefit of a formal amendment to this Agreement, for up to six months upon the written approval of the City Engineer if the owner has made substantial progress on the completion of the improvements. In no event shall the deadline be extended longer than eighteen months. In addition, a building of at least 650,000 square feet and street improvements required for such building must be completed within three years from the effective date of the agreement.

The total estimated cost of construction of the two segments of adjacent street improvements is \$1,195,002 with a 10% contingency. Thus, assuming the cost of both segments exceed the estimated costs, the total amount of the Elwood Adjacent Improvements reimbursement will not exceed \$1,314,502.20.

The reimbursement funding is contemplated to come from three potential sources. Two of those sources may come from adjacent property owners whose property fronts along the proposed Elwood Adjacent Improvements and would be required to make such street improvements when their property develops. This includes the Arizona Galvanizing Elwood Adjacent Improvements Reimbursement of \$458,040.00 and the Sun DS Farms Elwood Adjacent Improvements Reimbursement of \$736,962.00. Because the Arizona Galvanizing property already developed, the City will not be in a position to require a contribution from the owner of the Arizona Galvanizing property unless some redevelopment occurs on the property. A third source would be the waiving/reimbursement of plan review and permit fees pertaining to the construction of a 650,000-1.3 million square foot building. The agreement provides up to seven years from the effective date of the agreement for the Owner to be reimbursed from plan review and permit fees incurred pertaining to the construction and tenant improvements of a building(s). Should reimbursement be received from Sun DS Farms and/or Arizona Galvanizing paid to the Owner then the waiving/reimbursement of plan review and permit fees will be reduced by the corresponding amount.

To further enhance the attractiveness of the building to potential buyers and/or lessees, the owner is seeking a commitment of support from the City, that the City will support for a period of seven years from the effective date of the agreement an application for the activation of a User Driven Foreign Trade Zone (FTZ) Site for a user on the Property providing all the following conditions are satisfied:

- Owner has completed the Elwood Adjacent Improvements and completed the construction of at least a 650,000 square foot building.

- The City is provided documentation from Avondale Elementary School District and Agua Fria High School District supporting the User Driven Foreign Trade Zone site.
- Must enter into a Payment in Lieu of Taxes (PILOT) Agreement if the building is fully assessed on the Maricopa County tax rolls before the User Driven FTZ Application Date.
- Eligibility is limited to: (i) high wage employers who have a minimum of 75 full-time employees with at least 51% of whom are paid 125% of the median annual wage computed by the Arizona Department of Commerce and who offer all full-time employees health insurance of which the employer pays at least 75% of the premium or membership costs of such health insurance; (ii) companies that commit to a minimum of \$25,000,000 of end user sales in Arizona from the site (between January 1st and December 31st; (iii) companies that operate a data center on the Property that employs a minimum of thirty-five (35) Full-Time Employees at least 51% of whom are paid at least 125% of the median annual wage computed annually by the Arizona Department of Commerce and all of whom are offered health insurance for which the employer pays at least 75% of the premium or membership costs of such insurance
- All of the foregoing will be required to enter into agreements that will require them to pay the full amount of the property taxes that would be owed in the absence of the foreign trade zone status during the period of non-compliance.

In addition, the agreement imposes a limitation on the amount of water the City is committed to serving the property to the unit demand for the applicable usage class as reflected in the City of Goodyear Integrated Water Master Plan in effect at the time of development, it prohibits certain types of air cooled chillers on the property, and it imposes a noise limit not to exceed 65 dB at the property line.

Staff Analysis

Staff recommends that City Council approve the Development Agreement for Elwood Logistics Center.

Attachments

Resolution 2019-1946
 Elwood Logistics Development Agreement
 Exhibit A – Elwood Logistics Legal Description
 Exhibit B – Arizona Galvanizing Property
 Exhibit C – Sun DS Farms Property
 Exhibit D – Lender Consent