



TO: Michael C. VanMilligen
FROM: Gus Psihoyos, City Engineer 
SUBJECT: Bee Branch Creek Restoration Project, Acquisition of 411 E. 15th Street
CIP 7201654
DATE: June 9, 2014

INTRODUCTION

The purpose of this memorandum is to request City Council approval to purchase property at 411 E. 15th Street owned by Alvin Blum for the Bee Branch Watershed Flood Mitigation Project.

BACKGROUND

In December of 2001, the City Council formally adopted the Drainage Basin Master Plan (DBMP) prepared by HDR Engineering (Omaha, Nebraska). Based on the study, approximately 1,150 homes and businesses in the Bee Branch watershed are at risk of flood damage.

In December of 2004, the City Council established the alignment for the Bee Branch Creek Restoration Project, from 15th and Sycamore Streets to 24th and Washington Streets, and established a building permit moratorium for the properties impacted based on the alignment.

In February of 2013, the City Council adopted Resolution 30-13 approving the acquisition of property at 501 E. 15th Street owned by Mr. Alvin Blum (Blum Properties, Inc.) for the Bee Branch Creek Restoration Project. Per the terms of the acquisition agreement, the City also agreed to purchase the 1995 Al-Jon United Division AS-1500 Aluminum Melt Furnace (Smelter). Finally, the agreement delayed the actual sale of the property until April of 2014, the following year, to allow Mr. Blum time to process and sell his inventory of scrap aluminum.

In November of 2013, the City Council adopted Resolution 336-13, approving the City's application for state sales tax increment funding for the Bee Branch Watershed Flood Mitigation Project (the Project). The Project consists of twelve phases, one of which is the Flood Control Maintenance Facility.

On December 4, 2013, the Iowa Flood Mitigation Board voted to approve the City's application for construction of the Bee Branch Watershed Flood Mitigation Project.

In February of 2014 the City Council adopted Resolution 31-14 authorizing the execution of an agreement with the State of Iowa Flood Mitigation Board regarding the construction and funding of the Bee Branch Watershed Flood Mitigation Project.

The Fiscal Year 2015-2019 Five Year Capital Improvement Program Budget adopted by the City Council outlines funding for the Flood Control Maintenance Facility (Phase 9 of Bee Branch Watershed Flood Mitigation Project), including funding to acquire necessary property.

DISCUSSION

When negotiating the terms of sale for 501 E. 15th Street, there were discussions surrounding the possibility of the City acquiring 411 E. 15th Street even though the City's need for the property had not been established. Mr. Blum initially contended that he could not operate his business on 411 E. 15th Street if the City acquired 501 E. 15th Street as both are utilized as part of his scrap metal salvage operation. The City's interest in 411 E. 15th Street is related to the City's desire to establish the Flood Control Maintenance Facility which is Phase 9 of the Bee Branch Flood Mitigation Project.

Mr. Blum did eventually agree to sell 501 E. 15th Street to the City based on the City's established need for the property. The agreement delayed the actual sale of 501 E. 15th Street until April of 2014. This was to allow Mr. Blum time to process, package, and sell his accumulated scrap aluminum inventory. The City also agreed to purchase the Smelter owned by Mr. Blum at the time of closing.

As the April 2014 closing approached, Mr. Blum expressed a desire to delay the sale date to allow more time to liquidate scrap aluminum. When discussing a possible delay, Mr. Blum's voluntary sale of 411 E. 15th Street to the City again resurfaced.

Mr. Blum has voluntarily signed a Total Acquisition Agreement (Agreement) that outlines the sale of 411 E. 15th Street to the City for \$500,000.00. The property is currently being used to reclaim and recycle scrap metal for resale. Once again, the timing of the actual sale was a significant consideration. Again, delaying the closing date allows Mr. Blum to consolidate and sell accumulated scrap metal using his 372-ton Harris BS-372 Scrap Shear (Shear). Per the Agreement, the City would also purchase the Shear for \$250,000.00. The combined appraised value of the property and the Shear is \$731,040.00.

The Agreement establishes the actual sale of 411 E. 15th Street for October 1, 2016 and delays the sale of 501 E. 15th Street from April 30, 2014 until December 31, 2015.

By allowing Mr. Blum to use 501 E. 15th Street (and the Smelter) until December 31, 2015 to liquidate his aluminum inventory and 411 E. 15th Street (and the Shear) until October of 2016 will allow him to liquidate the accumulated supply of scrap metal and preclude the need to relocate any scrap metal, the Smelter, and the Shear. The cost to relocate the scrap metal, the Smelter, and the Shear would exceed the cost to purchase the property now along with either purchasing the scrap metal or paying to have it relocated to another location. Upon purchasing the Smelter and the Shear, the City

would either deconstruct them or sell it as a unit and recoup some of the expense related to purchasing the equipment.

Enclosed are the Total Acquisition Purchase Agreement and the Acknowledgment of Voluntary Negotiation, both signed by Mr. Alvin Blum on behalf of Blum Properties, Inc.

SB Development, LLC has a Right of First Refusal on the Blum Property and that matter will need to be resolved separately.

RECOMMENDATION

I recommend that the City purchase 411 E. 15th Street and the Harris BS-372 Scrap Shear for a combined total of \$750,000.00 for the Bee Branch Creek Restoration Project.

BUDGET IMPACT

The purchase price is within the budget established for the property. It will be funded from the FY2013 appropriation of \$2,723,388 for property acquisitions for the Bee Branch Creek Restoration Project (CIP# 7201654).

The City would make payment in December of 2015 for 501 E. 15th Street (& the Smelter) and in October of 2016 for 411 E. 15th Street (& the Shear).

ACTION TO BE TAKEN

I respectfully request adoption of the attached resolution authorizing the purchase of the property owned by Blum Properties, Inc. at 411 E. 15th Street legally described as the North 35 feet of Lot 255, South 15 feet of Lot 255 and Lot 256 East Dubuque Addition, all in the City of Dubuque, Dubuque County, Iowa and the purchase of the Harris BS-372 Scrap Shear.

Attach.

Prepared by Deron Muehring, Civil Engineer II

cc: Barry Lindahl, City Attorney

Jenny Larson, Budget Director

Deron Muehring, Civil Engineer