

ITEM #:	<u>22</u>
DATE:	<u>03-25-25</u>
DEPT:	<u>PW</u>

### **COUNCIL ACTION FORM**

**SUBJECT: PURCHASE OF PROPERTY AT 220, 306, 312, 318, AND 400 FREEL DRIVE  
FOR FUTURE RESOURCE RECOVERY AND RECYCLING CAMPUS**

**BACKGROUND:**

**The City is pursuing a new approach for the disposal of solid waste. This approach involves establishing a new Resource Recovery and Recycling Campus (R3C) to receive solid waste, recyclables, and yard waste. Under this new approach, the solid waste would be consolidated and transported to a landfill for disposal; recyclable materials would be forwarded to recyclers; yard waste material would be either composted on site or hauled off-site for disposal.**

On January 14, 2025, staff presented to Council an outline of the key characteristics of an ideal site for the R3C along with several City-owned and privately owned sites that could be considered for the location of the R3C. **At a follow-up meeting on February 25, 2025, City Council directed staff to pursue purchase agreements for sites at 220, 306, 312, 318, and 400 Freel Drive.**

**306, 312, and 318 Freel Drive:**

These three parcels are currently listed for sale by a commercial broker. **City staff has drafted and received a signed purchase agreement from the property owner, Three D LLC, in the amount of \$270,000 for three acres of real property.** The purchase agreement has a 120-day due diligence period. **The closing date for the transaction is July 18, 2025.** The purchase price per acre is in alignment with the market value and other recent purchases along Freel Drive.

**Funding for the purchase of 306, 312, and 318 Freel Drive can be taken from the balance of the Resource Recovery Fund, which has a projected balance of \$1,135,515 at the end of FY 2024/25.**

**220 and 400 Freel Drive:**

These two properties are not currently marketed for sale. They are owned by Freel Family, L.P. Staff was able to engage the property owners and negotiate a mutually agreeable installment contract in order to secure the property. The two parcels total 6.5 acres. The installment contract has an amortization schedule over five years that includes principal payments, interest, and a balloon payment at the end of the schedule. **The payments amount to a total of \$807,500, of which \$650,000 is the principal.** The purchase price per acre is in alignment with the market value and other recent purchases along Freel Drive. **The closing date for the transaction is July 18, 2025. This purchase agreement also contains a due diligence period that will expire on July 7, 2025.**

Payment Number	Payment Date	Payment Total	Principal	Interest
1	7/18/2026	\$42,500	\$10,000	\$32,500
2	7/18/2027	\$42,000	\$10,000	\$32,000
3	7/18/2028	\$41,500	\$10,000	\$31,500
4	7/18/2029	\$41,000	\$10,000	\$31,000
5	7/18/2030	\$640,500	\$610,000	\$30,500

In the proposed payment schedule, the first payment is not due to the property owner until July 18, 2026. There is a prepayment option if both parties mutually agree.

Both Freel Family properties currently have tenants with leaseholder rights. In the proposed purchase, the leases would be assigned to the City of Ames at closing, however the lease payments would be retained by the current property owner until the end of the lease. The lease for 220 Freel Drive expires on December 31, 2025. The lease on 400 Freel Drive expires within 60 days of written notice. **It is proposed that both tenants will be issued notices of termination upon closing and that the leases will expire and the site returned to the original pre-lease condition by December 31, 2025.** Of note, the 400 Freel Drive lease is the current yard waste contractor for the City of Ames, Green RU.

**The installment contract includes an addendum with a first right of refusal for the City to purchase the adjacent property to the north, 210 Freel Drive, which is also owned by Freel Family, LP. The 210 Freel Drive property is two acres in size and contains a 7,300 square foot warehouse building. Its current assessed value is \$289,700, nearly evenly divided between building and improvement values. The first right of refusal is effective through December 31, 2030.**

**Funding for the purchase of 220 and 400 Freel Drive is proposed to be taken from proceeds from the sale of bonds in 2026. Because no money is due until July 18, 2026, the installment contract favors the City's ability to finance the purchase of the real property through proceeds from bonds that would be issued in 2026.** The authorizing resolution for the bond sale will contain the required declaration language allowing the City to reimburse expenses associated with land acquisition that have already occurred using the future bond issuance.

#### **SITE EVALUATION AND NEXT STEPS:**

**Prior to the closing dates for both sets of properties, the City will perform engineering, environmental, and geotechnical investigations to ensure the land is free of environmental concerns and is suitable for the construction of the R3C.** Staff is currently soliciting proposals from firms to perform a Phase I environmental assessment and complete soil borings. Additionally, a Request for Proposals (RPF) was issued on March 19 to solicit engineering services to develop a preliminary site layout, estimated construction costs, and a preliminary financial model to be used for budgetary purposes. The results of these investigations and reports are expected to be delivered to the City Council prior to the conclusion of the due diligence periods for acquisition of both properties in July.

**Separately, staff continues to pursue an agreement with Carroll Country Solid Waste Management for a long-term partnership to handle the landfilling of solid waste that cannot be recycled. This agreement is also anticipated to be finalized before the conclusion of the due diligence period for the purchase of these properties.**

### **ALTERNATIVES:**

1. Approve the following:
  - a. A purchase agreement in the amount of \$289,000 with Three D, LLC, for the purchase of 306, 312, and 318 Freel Drive.
  - b. An installment contract in the amount not to exceed \$807,500 with Freel Family, L.P. for the purchase of 220 and 400 Freel Drive, and a first right of refusal to purchase 210 Freel Drive.
2. Reject the purchase agreements and direct staff to renegotiate the purchase agreements.
3. Reject the purchase agreements and direct staff to pursue other locations for the Resource Recovery and Recycling Campus.

### **CITY MANAGER'S RECOMMENDED ACTION:**

**Staff has identified acceptable properties that meet the criteria outlined to City Council for the construction of the Resource Recovery and Recycling Campus (R3C). The agreements for purchase contain contingencies which will allow the City to perform environmental and engineering assessments prior to closing to verify the viability of constructing the R3C. Work is underway to secure consultants to perform this work.**

**Due to staff's desire to design, construct, and open the R3C by July 1, 2027, selection of the site in a timely manner is critical to moving forward with this new approach for the recycling and disposal of the City's solid waste. Staff will return to the City Council with the results of the evaluations in the next few months, or earlier if issues arise during the due diligence period. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1a-b, as described above.**

### **ATTACHMENT(S):**

[Freel Drive Properties.jpg](#)

[Real Estate Installment Contract 220 & 400 Freel Drive.pdf](#)