

Memorandum #09-20

To: Doug Russell, City Manager
From: Dave Mingo, AICP Community Development Director
Subject: YAPG request for Fox Run Industrial Park Property in Support of a Technology Based Economic Development Project
Date: January 21, 2009

Attached is correspondence from Mike Dellinger, President of Yankton Area Progressive Growth describing a proposal for a technology based economic development project. The proposal describes a data center project also known as "Project MIDY." MIDY stands for Mount Marty, IBM, Dataware and Yankton. The project would entail the construction of a 5,000 square foot building that would be expandable to 40,000 square foot for future compatible development purposes.

Planning and Development District III has an open \$400,000 grant from the Economic Development Administration (EDA) for another project that did not come to fruition. District III is in the process of requesting an amendment from EDA that would allow those funds to be used for the described project. Upon completion, the tenant of the project would make lease payments to YAPG and District III that would be directed back to the Area Wide Business Council's Revolving Loan Fund to help support future economic development projects. District III provides the administrative support for the Council.

YAPG is asking that the City of Yankton donate the 7.72 acre parcel in the southwest corner of the Fox Run Industrial Park to them for the project (see attached map). The value of the property would be eligible to provide match for the grant if approved by the EDA. In past "spec building" projects in the Fox Run Industrial Park, the City has held the property while YAPG constructed the building until an occupant was identified. In this instance, the tenant has been identified on the front end of the project so the transfer from the City to the owner could take place more quickly.

The proposed project could work in concert with the future technology based development of the five acre site in the northwest corner of Fox Run at the intersection of 31st Street and West City Limits Road. A project located at that site would have a more community entrance and retail sector architectural feel than the project under consideration now. As proposed, this project would have a more industrial look to it that has been determined to best fit at the site in the industrial park.

Respectfully submitted,



Dave Mingo, AICP
Community Development Director

Recommendation: It is recommended that the City Commission review the proposal / presentation form YAPG. Any action to transfer the subject property should authorize the City Manager to execute the necessary documents for the transfer and be contingent upon the EDA grant being made available for the project.

_____ I concur with this recommendation.

_____ I do not concur with this recommendation.

Doug Russell, City Manager

Dave Mingo

From: Mike Dellinger [Mdellinger@yanktonsd.com]
Sent: Tuesday, January 20, 2009 10:33 AM
To: Dan Specht; Doug Russell; Dave Mingo
Subject: Project MIDY proposal - real estate transaction Lot 7 Fox Run Industrial Park

Gentlemen,

On January 12, 2009, the board of directors of Yankton Area Progressive Growth, Inc. (YAPG) met in support of efforts to move Project MIDY toward commercialization.

Project MIDY is the data center proposal put forth by Scott Sandal et al. YAPG is interested in constructing and owning a building that would be leased for data center operations and other IT sector opportunities. Please see the points below for the details of our proposal:

1. The United States Economic Development Administration (EDA) has indicated subjective approval of our interest in acquiring a \$400,000 grant* to be used for the construction of a 5,000 sf facility for information technology business development. (This is a grant to Planning & Development District III that would generate lease revenues to District III and YAPG; in essence, the District then "loans" the EDA money to YAPG with the understanding that both entities would share lease revenues.)
2. In order to obtain the EDA revenue, the local community must provide a \$100,000 match to the project.
3. The comparable value of real estate in Fox Run Industrial Park is \$14,400 per acre (see YAPG spec building development later acquired by L&M Radiator).
4. YAPG is requesting that the City deed to YAPG the property known as Lot 7 Fox Run Industrial park, approximately 7.72 acres of real estate at the common location known as the southeast corner of West City Limits Road and West 21st Street. Based upon the aforementioned comparable real estate value, this investment would be valued at approximately \$115,000.
5. Approximately one-half of the value of the disposed real estate would be applied to the requirement of the \$100,000 grant match. This acreage would be subjected to federal guidelines on the "mortgaging" of the EDA grant revenue for the project; these guidelines would be followed by YAPG as the owner of the proposed building.
6. YAPG will apply the remainder of the required \$100,000 grant match as a cash commitment using resources committed by XYZ, Inc. to YAPG's YES! Campaign.
7. The City's disposition of the real estate will not occur until after EDA acceptance and approval of the project.
8. YAPG would construct a 5,000 sf building with engineering designs to a maximum of 25-40,000 sf of future floor space.
9. Project MIDY would lease the building from YAPG for data center operations and other IT sector uses.

We appreciate your consideration of our request that the City of Yankton would provide Lot 7 Fox Run Industrial Park to YAPG for Project MIDY and so as to secure the EDA revenue that is available to assist Yankton with the development and commercialization of this project. It is herewith requested that the City of Yankton would consider and approve this request at the City Commission meeting on Monday, January 26, 2008.

Thank you for your assistance and, on behalf of YAPG's board of directors and investors, we remain

Sincerely yours,

Mike Dellinger, President
Yankton Area Progressive Growth, Inc.

Proposed Data Center Project MIDY Location Map

