

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 96-476
NOVEMBER 4, 1996 AGENDA

| SUBJECT: | TYPE: | SUBMITTED BY: |
|---|---|--|
| DEVELOPMENT AGREEMENTS FOR AIRPORT COMMERCE PARK WEST AND AIRPORT COMMERCE PARK SOUTH | ◆ RESOLUTION ORDINANCE RECEIVE/FILE | SCOTT A. STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR |

SYNOPSIS —

On the November 4, 1996, Council agenda are two roll calls to approve Urban Renewal Development Agreements between the City of Des Moines and Airport Commerce Park, L.C. for the development of the Airport Commerce Park South and Airport Commerce Park West Urban Renewal Areas. Airport Commerce Park, L.C. (ACP) is a partnership comprised of Farm Bureau Life Insurance Company, AmerUs Properties, Inc. and the William C. Knapp Revocable Trust. ACP is the major land owner and developer of the two urban renewal areas.

On April 22, 1996, by Roll Call No. 96-1592, the Council directed the City Manager to prepare the urban renewal plans, urban revitalization plan amendments, and development agreements for the Airport Commerce Park South and West, based on the recommended *Guidelines and Principles for City Participation*. The Guidelines and Principles for City Participation included the following important points.

1. The City's participation should be structured to minimize its impact on the City's General Obligation Debt by only committing to TIF financing on an annual basis. Under this scenario, the City would not incur or guarantee long-term debt.
2. The City's reimbursement obligation should be subject to a sunset provision of a term shorter than the State Code mandated 20 years for economic development areas.
3. The City's reimbursement obligations should only be for the principal amount of the cost financed by the developer on the agreed-upon improvements (with the exception of the Fleur Drive improvements); that is, interest cost shall be borne by the developer.
4. The City's reimbursement obligation should be limited only to the extent that TIF revenues are available.

In accordance with the *Guidelines and Principles established for City Participation*, the proposed Development Agreements generally provide for the developer to be reimbursed for the cost of installing public infrastructure improvements required under the City's subdivision regulations with tax increment financing. The intent of both Agreements is to provide an impetus for the subdivision of the property into lots appropriate for commercial and industrial development. The Preliminary Development Plans for the Airport Commerce Park South and Airport Commerce Park West are attached. Also attached is the schedule for City review and approval of the urban renewal plans, development agreements and urban revitalization plan amendments pertaining to Airport Commerce Park South and Airport Commerce Park West.

FISCAL IMPACT —

The total cost of TIF reimbursable public infrastructure improvements, including Fleur Drive improvements, in Airport Commerce Park South is estimated at \$4,065,000. The total cost of TIF reimbursable public infrastructure improvements in the Airport Commerce Park West is estimated at \$3,875,000. These cost estimates will serve as not to exceed caps for City reimbursement to the developer. The Financial Condition Reports for both of the Urban Renewal Plans project that these costs will be fully reimbursed after 11 years. After taking into account three-year 100 percent tax abatement and reimbursement of eligible costs with TIF, the Airport Commerce Park South is projected to provide approximately \$16.5 million (\$6.25 million - City share) in new property tax revenue to the taxing jurisdictions after 20 years. The Airport Commerce Park West is projected to provide approximately \$19.5 million (\$7.4 million - City share) in new property tax revenue to the taxing jurisdictions after 20 years. At full development, the Airport Commerce Park South is projected to attain over \$50,000,000 of new development and 1,710 - 2,850 new jobs. The Airport Commerce Park West is projected to reach over \$80,000,000 of new development with 2,535 - 4,225 new jobs at full development.

RECOMMENDATION —

Approval of the Development Agreements.

BACKGROUND —

Airport Commerce Park South

The Airport Commerce Park South Urban Renewal Project Area contains approximately 150 acres, consisting of the entire Fleur Drive right-of-way from Army Post Road extending south for a distance of 3,400 feet, and the land lying west of and adjoining Fleur Drive in the vicinity of Rittenhouse Street. The portion of the Project Area west of Fleur Drive is comprised of Airport Commerce Plat 1, containing approximately 80 acres, and approximately 70 acres of agricultural land along the south and southwest. The proposed corridor for relocated Army Post Road extends through the northwest corner of the Project Area.

The proposed Development Agreement for the Airport Commerce Park South Urban Renewal Project will apply to the property within the Project Area under the ownership of ACP. The Development Agreement will not apply to Lots 1 - 6 in Airport Commerce Park Plat 1, which includes the Accent Tag and Label facility on Lot 6. In addition, the public improvements required for Airport Commerce Park Plat 1, including the recently completed segments of Rittenhouse Street and SW 22nd St., are not part of the agreement.

Terms of Urban Renewal Development Agreement

Following is a summary of the pertinent terms of the proposed Urban Renewal Development Agreement for development of the Airport Commerce Park South.

1. Eligible Reimbursable Development Costs: The City will reimburse the developer for the actual costs incurred for the construction of public improvements upon land currently under its ownership. Such improvements include grading within the right-of-way, street paving and subgrade preparation, water mains, sanitary sewers, storm sewers, street lights, water main and sanitary sewer connection fees. Eligible development costs do not include interest or carrying charges. Eligible costs for reimbursement will be for the actual cost, certified by the developer's engineer, of the improvements required for each plat. Eligible reimbursable development costs

are capped, and shall not exceed, an estimated total cost amount for all of the improvements shown on the Preliminary Development Plan.

2. Fleur Drive Improvement Costs: The developer will finance and construct improvements to Fleur Drive, from Army Post Road to the south boundary of the Project Area, in accordance with the plans now being developed by the City Engineering Department. The developer will be reimbursed its principal and interest costs (interest at nine percent per annum on the outstanding balance) incurred from the construction of the improvements. The developer must complete the improvements to Fleur Drive within 12 months of the date the City gives notice to proceed.
3. Reimbursement Process: Reimbursements begin after submittal of certified costs expended on improvements accepted by the City in accordance with the City's platting process, and the issuance of a Certificate of Partial Completion. Verified eligible costs received before November 1st of each year will be certified by the City as a TIF obligation for reimbursement to the developer. The actual reimbursements will then be made on June 1 and December 1 of the corresponding tax year, to the extent TIF revenue is available from the proposed Airport Commerce Park South TIF District. The total principal and interest costs from the Fleur Drive improvements must be fully reimbursed before eligible development costs receive reimbursement.
4. Completion Deadline: Reimbursements are limited to those eligible costs incurred by the developer for the construction of improvements completed on or before December 31, 2004.
5. Duration of TIF Reimbursements: For the first 15 years, 100 percent of the annual increment from the Airport Commerce Park South TIF District will be available to reimburse the accrued certified eligible project costs. For the following five years, 50 percent of the annual increment will be available to reimburse the accrued certified eligible project costs.
6. Tax Abatement: Development is limited to utilizing urban revitalization tax abatement under the three-year 100 percent schedule for exemption from taxes on the value added by the improvement.
7. Development Standards: All of the property under the Development Agreement shall be zoned to the "PBP" Planned Business Park District or "PUD" Planned Urban Development District classification before it is developed. All development within the Project Area, including areas zoned to the "PUD" Planned Urban Development District, shall be in accordance with the performance standards and bulk regulations of the "PBP" Planned Business Park District, and in conformance with an approved "PBP" or "PUD" development plan. Notwithstanding the above, the "PBP" regulations pertaining to *lot frontage* and *minimum area for a conceptual plan* shall not apply to development in areas zoned "PUD" Planned Urban Development District.

Airport Commerce Park West

The Airport Commerce Park West Urban Renewal Project Area is generally located south of Park Avenue, including a 74-acre tract of land between SW 63rd and SW 56th and a 36.5-acre parcel east of SW 56th, and over 100 additional acres lying east of SW 63rd north of McKinley Avenue.

The proposed Development Agreement for the Airport Commerce Park West Urban Renewal Project is very similar to the agreement for Airport Commerce Park South. The only major difference between the two agreements are the provisions relating to the Fleur Drive improvements for Airport Commerce Park South. The Development Agreement will apply to the property within the Project Area under the ownership of ACP. The Development Agreement will not apply to the property in Airport Industrial

Park Plat 1 owned by Loffredo Fresh Produce Co., Inc. and Grace Labels, Inc. In addition, the public improvements required for Airport Industrial Park Plat 1, including the recently completed segment of Watrous Avenue, are not part of the agreement.

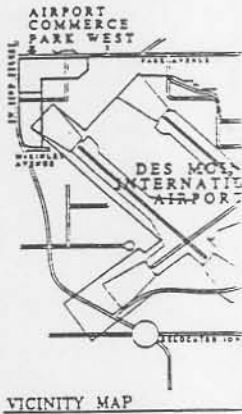
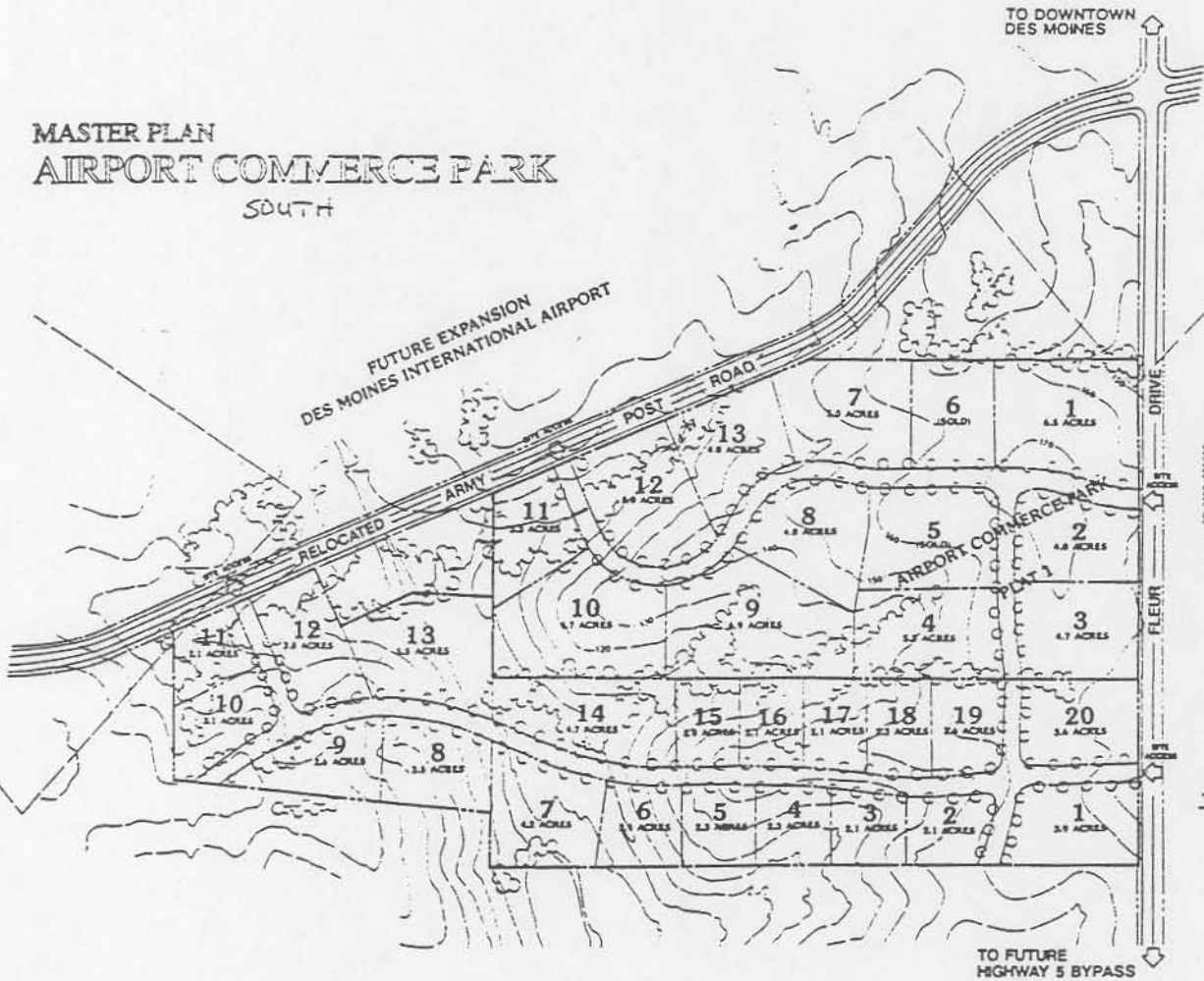
Terms of Urban Renewal Development Agreement

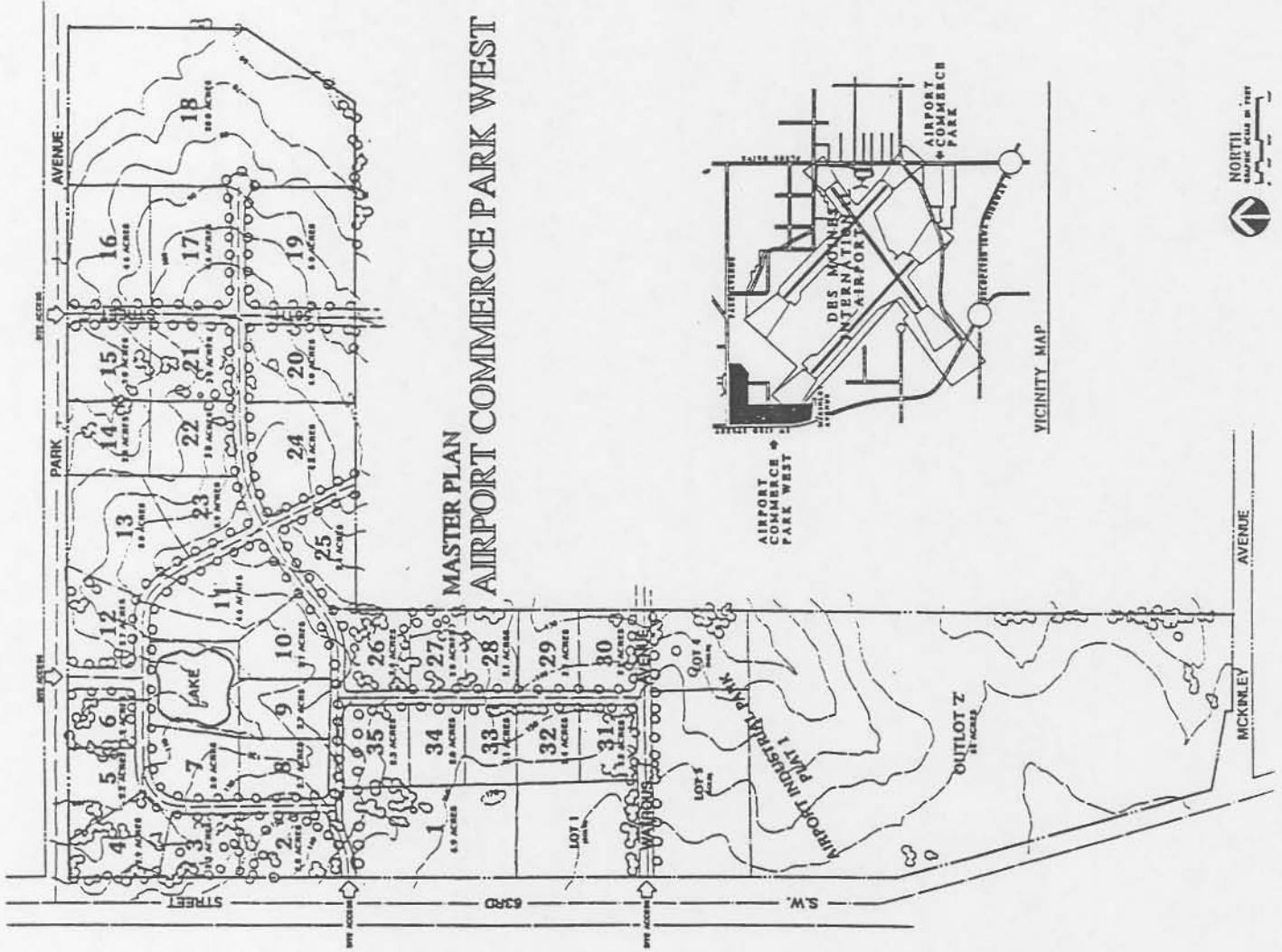
Following is a summary of the pertinent terms of the proposed Urban Renewal Development Agreement for development of the Airport Commerce Park West.

1. Eligible Reimbursable Development Costs: The City will reimburse the developer for the actual costs incurred for the construction of public improvements upon land currently under its ownership. Such improvements include grading within the right-of-way, street paving and subgrade preparation, water mains, sanitary sewers, storm sewers, street lights, water main and sanitary sewer connection fees. Eligible development costs do not include interest or carrying charges. Eligible costs for reimbursement will be for the actual cost, certified by the developer's engineer, of the improvements required for each plat. Eligible reimbursable development costs are capped, and shall not exceed, an estimated total cost amount for all of the improvements shown on the Preliminary Development Plan.
2. Reimbursement Process: Reimbursements begin after submittal of certified costs expended on improvements accepted by the City in accordance with the City's platting process, and the issuance of a Certificate of Partial Completion. Verified eligible costs received before November 1st of each year will be certified by the City as a TIF obligation for reimbursement to the developer. The actual reimbursements will then be made on June 1 and December 1 of the corresponding tax year, to the extent TIF revenue is available from the proposed Airport Commerce Park West TIF District.
3. Completion Deadline: Reimbursements are limited to those eligible costs incurred by the developer for the construction of improvements completed on or before December 31, 2004.
4. Duration of TIF Reimbursements: For the first 15 years, 100 percent of the annual increment from the Airport Commerce Park West TIF District will be available to reimburse the accrued certified eligible project costs. For the following five years, 50 percent of the annual increment will be available to reimburse the accrued certified eligible project costs.
5. Tax Abatement: Development is limited to utilizing urban revitalization tax abatement under the three-year 100 percent schedule for exemption from taxes on the value added by the improvement.
6. Development Standards: Except for existing M-1 and C-2 zoned areas, all of the property under the agreement shall be zoned to "PBP" Planned Business Park District or "PUD" Planned Urban Development District classification prior to development. All development within the Project Area, including areas zoned to the "M-1" Light Industrial District and "PUD" Planned Urban Development District, shall be in accordance with the performance standards and bulk regulations of the "PBP" Planned Business Park District, and in conformance with an approved "PBP" or "PUD" development plan. Notwithstanding the above, the "PBP" regulations pertaining to *lot frontage* and *minimum area for a conceptual plan* shall not apply to development in areas zoned "PUD" Planned Urban Development District and "M-1" Light Industrial District.

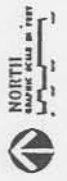
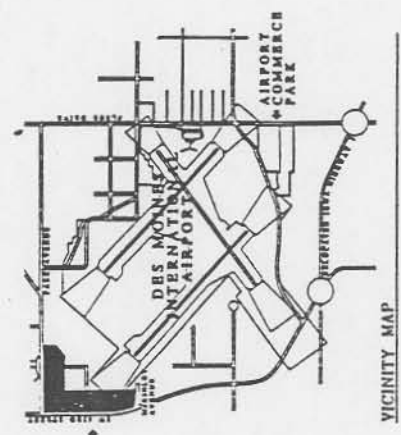
It is intended that "C-2" zoned development conform as closely as possible to the site development and building performance standards of the "PBP" Planned Business Park District.

MASTER PLAN
AIRPORT COMMERCE PARK
 SOUTH





**MASTER PLAN
AIRPORT COMMERCE PARK WEST**



MCKIMLEY AVENUE

**Airport Commerce Park South and Airport Commerce Park West
Schedule for Review and Approval Process**

| <u>Date</u> | <u>Action</u> |
|---------------|--|
| Oct. 15, 1996 | Urban Renewal Board review and recommendation on: <ul style="list-style-type: none">• The proposed Airport Commerce Park South Urban Renewal Plan and Tax Increment Financing District.• The proposed Airport Commerce Park West Urban Renewal Plan and Tax Increment Financing District. |
| Oct. 21, 1996 | City Council approval of: <ul style="list-style-type: none">• Setting date of public hearing for:<ul style="list-style-type: none">- Airport Commerce Park South Urban Renewal Plan and TIF Ordinance- Airport Commerce Park West Urban Renewal Plan and TIF Ordinance- Nineteenth amendment to the City-Wide Urban Revitalization Area Plan to expand the Airport Commerce Park Industrial Park Area- Second Amendment to the Airport Commerce Park West Revitalization Area Plan |
| Oct. 29, 1996 | Urban Renewal Board review and recommendation on: <ul style="list-style-type: none">• Development Agreement with Airport Commerce Park, L.C. for the Airport Commerce Park South Urban Renewal Project• Development Agreement with Airport Commerce Park, L.C. for the Airport Commerce Park West Urban Renewal Project |
| Nov. 1, 1996 | Publication of Notice of Hearings |
| Nov. 4, 1996 | City Council approval of: <ul style="list-style-type: none">• Development Agreement with Airport Commerce Park, L.C. for the Airport Commerce Park South Urban Renewal Project• Development Agreement with Airport Commerce Park, L.C. for the Airport Commerce Park West Urban Renewal Project |
| Nov. , 1996 | Consultation Meeting |
| Nov. 21, 1996 | Plan and Zoning Commission review and recommendation on: <ul style="list-style-type: none">• Airport Commerce Park South Urban Renewal Plan• Airport Commerce Park West Urban Renewal Plan• Nineteenth amendment to the City-Wide Urban Revitalization Area Plan to expand the Airport Commerce Park Industrial Park Area• Second Amendment to the Airport Commerce Park West Revitalization Area Plan |

Dec. 2, 1996

City Council Hearing to adopt:

- Airport Commerce Park South Urban Renewal Plan, Resolution of Necessity and TIF Ordinance
- Airport Commerce Park West Urban Renewal Plan, Resolution of Necessity and TIF Ordinance
- Nineteenth amendment to the City-Wide Urban Revitalization Area Plan to expand the Airport Commerce Park Industrial Park Area
- Second Amendment to the Airport Commerce Park West Revitalization Area Plan

City Council approval of:

- Ratify Development Agreement with Airport Commerce Park, L.C. for the Airport Commerce Park South Urban Renewal Project
- Ratify Development Agreement with Airport Commerce Park, L.C. for the Airport Commerce Park West Urban Renewal Project

Note: The above schedule will result in a base valuation date of 1/1/95 for the two proposed TIF districts, provided Council gives final approval on the adoption of the TIF Ordinances on or before its December 16, 1996 meeting. However the 12/1/96 deadline for certifying debt in the TIF Districts with the County Auditor for payment in FY 97/98 will be missed.