

**OFFICE OF THE CITY MANAGER**  
**DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-495**  
**NOVEMBER 18, 1996 AGENDA**

<b>SUBJECT:</b>	<b>TYPE:</b>	<b>SUBMITTED BY:</b>
ADDENDUM TO DEVELOPMENT AGREEMENT WITH ABC PARTNERS, L.P. FOR AIRPORT BUSINESS PARK	◆ RESOLUTION ORDINANCE RECEIVE/FILE	RICHARD CLARK DEPUTY CITY MANAGER

**SYNOPSIS —**

On the November 18, 1996, Council agenda is a roll call to approve an Addendum to the Development Agreement between the City of Des Moines and ABC Partners, L.P. (Richard Margulies, et al), pertaining to the Airport Business Park Urban Renewal Area. The Addendum represents a major revision of the Development Agreement now in effect, dated March 19, 1990, as amended by the parties. There is also a related roll call on the agenda to set the date of hearing for December 2, 1996 to consider approval of the proposed urban renewal development agreement for the Airport Business Park.

The Addendum is necessary because the City Council agreed as part of the City's recent approval of a Federal Aviation Administration (FAA) grant for Relocated Army Post Road, to provide clear title to a 110-acre parcel which is contained within the current Development Agreement with ABC Partners. The City Council pledged to provide clear title to the 110-acre parcel by not later than December 14, 1996. On September 3, 1996, by Roll Call No. 96-3112, Council approved the Terms of Agreement for an amended Development Agreement with ABC Partners and directed the City Manager to prepare the necessary documents for final approval by the City Council.

The proposed Addendum is consistent with the Terms of Agreement previously brought before the Council while meeting the primary objective of providing the City with clear title to the 110-acre Airport parcel as required under the FAA grant. The remaining land covered under the proposed Addendum consists of the area within the proposed Airport Business Park Urban Renewal Area which contains approximately 150 acres. The Addendum provides for the sale of the land within the Airport Business Park to ABC Partners, less right-of-way needed for relocated Highway 5.

As compensation to ABC Partners for eliminating its option on the 110-acre Airport parcel, the developer will be provided certain tax abatement and tax increment financing benefits in accordance with the proposed urban renewal development agreement. The tax abatement and tax increment financing benefits will be provided under terms similar to those contained in the development agreements proposed for the Airport Commerce Parks West and South.

**FISCAL IMPACT —**

The proposed Addendum to the Development Agreement will not require any expenditures by the City. The Addendum will result in revenue to the City, pursuant to an installment payment plan, of approximately \$1 million over 15 years on the sale of land within the Airport Business Park Urban Renewal Project Area. The total amount of revenue to the City may be less, reflecting an eight percent discount on payments made in advance of the established schedule.

An estimate of the total cost of public infrastructure improvements eligible for TIF reimbursement under the Urban Renewal Development Agreement will be available prior to the Council hearing on this matter. At full development, the Airport Business Park is projected to attain over \$50,000,000 of new development and 1,710 - 2,850 new jobs.

**RECOMMENDATION —**

Approval of the Addendum to the Development Agreement between the City and ABC Partners, L.P., and setting the date of hearing for December 2, 1996 for the Urban Renewal Development Agreement.

**BACKGROUND —**

Terms of Proposed Addendum to the Development Agreement

The proposed Addendum to the Development Agreement between the City and ABC Partners provides for the elimination of the developer's option to purchase the 110-acre Airport parcel while setting forth the terms for the sale of the remaining 150 acres, (less right-of-way needed for relocated Highway 5), within the proposed Airport Business Park Urban Renewal Project Area, (vicinity of Highway 28 and County Line Road).

Following is a summary of the pertinent terms of the proposed Addendum to the Development Agreement with ABC Partners, L.P.:

1. **Effective Date.** The Addendum will become effective on December 31, 1996 provided the City has designated the Airport Business Park an Urban Renewal Area and TIF District; designated the Airport Business Park Project Area as an Urban Revitalization Area for tax abatement; and executed the Urban Renewal Development Agreement for the Airport Business Park.
2. **Conveyance.** Legal title will only be conveyed in increments of one or more platted lots, except that the developer has the option to request the conveyance of the first two parcels, containing approximately 40 acres, by plat of survey. The developer must pay the City the per/acre price for the conveyed property or provide a Letter of Credit for any unpaid balance. (Previous payments made in accordance with the payment schedule will also be applied toward the purchase price.)
3. **Purchase Price.** The total purchase price is calculated by multiplying the total acreage, less the acreage of the right-of-way for relocated Highway 5, by the per/acre purchase price of \$4,146.63, together with interest from January 1, 1997 at the rate of eight percent per annum. The agreement sets forth a payment schedule with payments commencing on December 31, 1997 and ending on December 31, 2011, for total payments of \$1,021,910. The payment schedule is based on the sale of 120 acres to the developer. The developer has previously deposited with the City \$100,000 as a down payment on the property. The City will apply the down payment plus interest to the 1997, 1998, and the 1999 payments.
4. **Additional Consideration.** As additional consideration for purchase of the property, the developer will cause the construction of a commercial building containing at least 110,000 square feet of interior building space. (The Terms of Agreement had specified a building of 150,000 square feet resulting in \$7.5 million in assessed value. We believe the requirement for a building having at least 110,000 square feet, although smaller than previously indicated, is within the intent of the Terms of Agreement previously approved by Council.) Construction of the building shall be substantially completed by December 31, 2000. Failure to satisfy this obligation will result in the payment by the developer to the City of \$300,000 in liquidated damages plus interest at eight

percent per annum from January 1, 1997. The payment must be made within 90 days of the declaration of default.

5. Relocated Highway 5 Right-of-Way. Until such time that the right-of-way for relocated Highway 5 is defined the developer will only be permitted to acquire legal title to the north 80 acres of the project area.

Terms of Proposed Urban Renewal Development Agreement

The proposed Urban Renewal Development Agreement generally provides 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 the agreement is to provide an impetus for the subdivision of the property into lots appropriate for commercial and industrial development. The Preliminary Development Plan for the Airport Business Park is attached.

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

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 Business Park TIF District.
3. Duration of TIF Reimbursements. For the first 15 fiscal years after the base fiscal year, 100 percent of the annual increment from the Airport Business Park TIF District will be available to reimburse the accrued certified eligible project costs.
4. 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.
5. Development Standards. All of the property under the agreement shall be zoned to "PBP" Planned Business Park District classification prior to development. All development within the project area 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" development plan.
6. City Engineering Fees and Charges. Expenses incurred by the City for engineering, surveying and planning activities related to the Airport Business Park Urban Renewal Project Area are eligible for reimbursement from the first available tax increment revenue from the Airport Business Park TIF District.

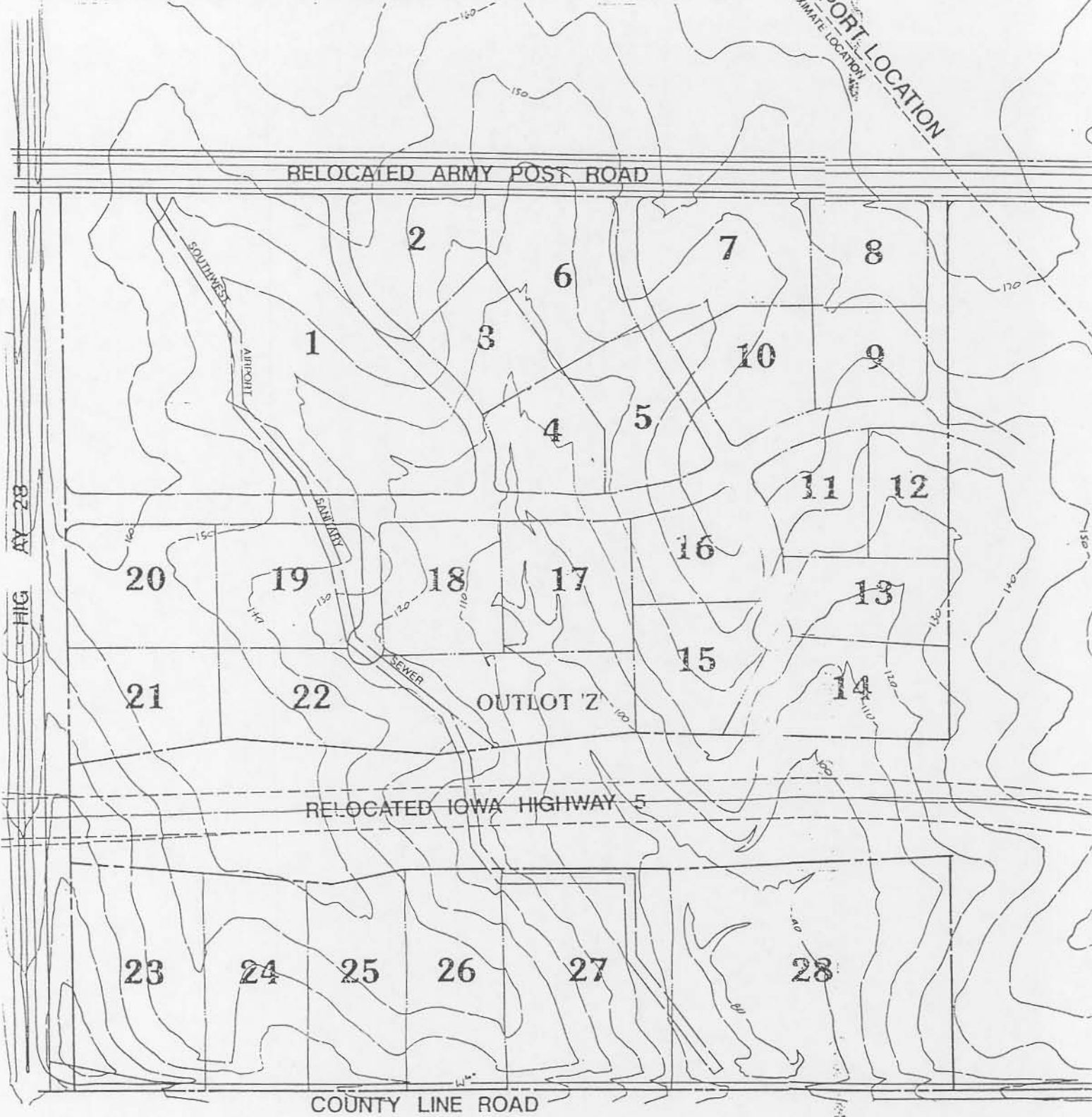
On November 18, 1996, the Council is being asked to set the date of hearing for the Urban Renewal Development Agreement (as distinct from the Addendum to the Development Agreement) for December 2, 1996.

Urban Renewal Board Recommendation

The Urban Renewal Board reviewed the proposed Addendum to the Development Agreement and the proposed urban renewal development agreement at its meeting on October 15, 1996 and recommended approval of both documents.

# MASTER PLAN AIRPORT BUSINESS PARK

ULTIMATE AIRPORT LOCATION  
APPROXIMATE LOCATION



## NOTE

- LOTS 23 THROUGH 28 WILL HAVE ACCESS FROM COUNTY LINE ROAD.
- OUTLOT 'Z' IS INTENDED FOR STORM WATER DETENTION.