

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	September 24, 2018
	Agenda Item No.	16
	Roll Call No.	[_____]
	Communication No.	<u>18-476</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Bell Avenue Properties, Inc., for the new construction of an office and production building for the Waldinger Corporation and setting the date of hearing for the Southwest Gateway Urban Renewal Plan.

SYNOPSIS:

The Waldinger Corporation, acting through an affiliated company known as Bell Avenue Properties, Inc., (represented by Tim Koehn, President, 2601 Bell Avenue, Des Moines, IA 50321), proposes to purchase the 28-acre property located in the 4701 block of SW 63rd Street at Scout Trail to construct a new 149,000-square-foot office, production and warehouse facility that will be leased to the Waldinger Corporation. The project is anticipated to cost \$21 million and would begin construction in the late fall of 2018.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Bell Avenue Properties, Inc., which provides for tax increment generated by the proposed project to serve as the core mechanism for responding to a financing gap presented by the developer. Additional details are provided in the fiscal impact section below.

This action will also set the date of public hearing for the proposed approval of the Southwest Gateway Urban Renewal Plan for the October 22, 2018 City Council meeting and authorizes the required consultation meeting with representatives from Polk County, Des Moines Public Schools, Des Moines Area Community College and Des Moines Area Regional Transit in the interim. The Southwest Gateway Urban Renewal Plan is intended to guide the development of the Urban Renewal Area and to activate new economic investment leading to increased taxable valuation.

FISCAL IMPACT:

Amount: The project will be eligible to receive 3-year, 100% Commercial Tax Abatement. The project will otherwise receive 100% of the new tax increment generated by the project of an anticipated timeframe of four (4) years to respond to the identified construction funding gap of \$1.8 million (\$1.4 million NPV), which will commence once the term of tax abatement has expired. The assistance is estimated at 12.6% of total project costs, and the Tax Increment Finance (TIF) Economic Development Grant will be capped at a maximum total of \$1.8 million dollars.

There will also be an economic development forgivable loan in the amount of the fair market value purchase price for the vacated SW Connector roadway easement that will need to be vacated and conveyed to accommodate this project.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$16,121	\$3,894,323	\$1,817,254	\$2,077,069
Sum 20 Years	\$32,242	\$10,078,375	\$1,817,389	\$8,260,986

*Taxes include all property taxing authorities (not just City property taxes).

*Taxes received estimates used the following assumptions:

2.5% growth in re-assessment years.

Building and Land Valuation Assumptions at Completion of Construction:

- \$12 million Building Assessment
- \$47,990 current Land Assessment (includes current Agricultural exemption)

Funding Source: Project generated tax increment in the new Southwest Gateway Urban Renewal Area as the sole source for the proposed assistance. The developer will also seek a 3-year, 100% tax abatement upon completion of the project.

ADDITIONAL INFORMATION:

- The Waldinger Corporation is a full-service mechanical, electrical and sheet metal contractor that designs, fabricates, installs, maintains and repairs HVAC, refrigeration, electrical, plumbing, piping and kitchen equipment systems for commercial, institutional and industrial facility customers with annual revenues around \$400 million. The company has a long-standing history in Des Moines dating back over 110 years.
- The company is headquartered at 2600 Bell Avenue in Des Moines, and employs over 2,000 professionals across the country, including 295 office and production jobs and 500-600 construction field and truck based service technicians in Central Iowa.
- Bell Avenue Properties, Inc. is proposing the development of a new 149,000-square-foot corporate office building, production and warehouse facility on currently undeveloped ground located in the 4701 block of SW 63rd Street at Veteran’s Parkway. The new facility will allow the company to continue their growth and expand into new markets around the United States, while solidifying their operations here in Des Moines. The project will have a total capital investment of \$21 million, and the company is anticipated to grow their office and production staff employees to an estimated total of 410 staff by 2021, an increase of 115 employees in these sectors from current staffing levels.
- As a component of the project, Bell Avenue Properties, Inc. will be reconstructing the adjoining segment of McKinley Avenue with an urban cross section and public sidewalk. The project will be constructed in two (2) phases, and will be completed prior to the receipt of the Economic Development Grant.

- A roadway easement that was held for the SW Connector property transects the property currently. The City will vacate and convey the land to Bell Avenue Properties, Inc., upon approval of the final development agreement, and will provide a forgivable economic development loan to Bell Avenue Properties, Inc. to be applied in payment for the land. The loan will be forgiven upon the satisfactory completion of the project.
- The Plan and Zoning Commission will provide recommendation on the vacation of the SW Connector roadway easement at the October 4th, 2018 meeting. Staff will provide the Plan and Zoning Commission's recommendation to the City Council on October 5th, 2018 prior to the October 8th, 2018 City Council meeting.
- The project is expected to be constructed of durable, high quality materials such as insulated precast concrete panels and energy efficient insulated glass panels.
- The existing land valuation subject to the roadway easement as of January 1, 2018 is \$47,990, with the property currently receiving an agricultural tax exemption. It is anticipated that the valuation of the property upon project completion will be \$12 million dollars.
- The purpose of the SW Gateway Urban Renewal Plan is to encourage commercial and industrial development of the site due to the site's appropriateness for commercial or industrial enterprises in accordance with Chapter 403 of the Code of Iowa. The urban renewal area consists of three (3) parcels and adjacent rights-of-way, encompassing approximately 45.5-acres. There is one (1) project identified within the Plan: a commercial and industrial project that will be built by Bell Avenue Properties, Inc. The duration of the urban renewal plan is limited by Iowa law to 20 years from the calendar year in which the City first certifies the amount of any loans, advances, indebtedness, or bonds which qualify for payment from the division of property tax revenue within the urban renewal area. It is anticipated that the urban renewal plan will expire on June 30, 2044.

**PREVIOUS COUNCIL ACTION(S):**

Date: July 9, 2018

Roll Call Number: [18-1186](#) , [18-1187](#) and [18-1188](#)

Action: [On](#) request from Waldinger Corporation to rezone the 4701 block of SW 63rd Street from Ltd. “C-2” (General Retail) to Ltd. “M-1” (Light Industrial) to allow the development for the headquarters and warehouse/distribution center for a mechanical, electrical and sheetmetal contractor. Moved by Mandelbaum to adopt. Motion carried 7-0.

- (A) [First](#) consideration of ordinance above. Moved by Mandelbaum that this ordinance be considered and given first vote for passage. Motion carried 7-0.
- (B) [Final](#) consideration of ordinance above (waiver requested by applicant), requires six votes. Moved by Mandelbaum that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#15,683](#). Motion carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Plan and Zoning Commission

Date: June 7, 2018

Resolution Number: N/A

Action: Plan and Zoning Commission voted 11-0-1 (1 abstention) that the proposed rezoning from “C-2” General Highway-Oriented Commercial to “M-1” Light Industrial is in conformance with the existing PlanDSM Creating our Tomorrow Future Land Use Map designation of “Business Park” and approval of the proposed rezoning subject to conditions.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board- Preliminary and Final Design Review and Financial Assistance, Review of the Southwest Gateway Urban Renewal Plan.
- Approving the final terms of the Urban Renewal Development Agreement and acceptance of the Conceptual Development Plan with Bell Avenue Properties, Inc.

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