

COUNCIL COMMUNICATION

	Number:	20-506	Meeting:	November 23, 2020
	Agenda Item:	27	Roll Call:	20-1882
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Items regarding the expansion of the EP2 Production, Office and Warehouse facility located at 4240 Army Post Road:

- A. Resolution approving 1st Amendment to the Urban Renewal Development Agreement with Electro Management Corp for a 60,000-square-foot warehouse addition to their existing production facility.
- B. Resolution approving Application to the Iowa Economic Development Authority (IEDA) for State of Iowa Business Financial Assistance for Electro Management Corp., and Electrical Power Products, Inc. for a business expansion project.

SYNOPSIS:

Electro Management Corp., and Electrical Power Products, Inc. (d/b/a EP2, Britt Baker, CEO, 111 Jackson Avenue, Des Moines, IA 50315), proposes to construct a 60,000-square-foot warehouse addition to their existing 242,800-square-foot production and office facility, located on a 20.8-acre parcel within the SW 42nd and Army Post Urban Renewal Area. The project is estimated to cost approximately \$5.9 million. EP2 intends to initiate construction in the fall of 2020 with the goal of completing the project in the summer of 2021.

The original Urban Renewal Development agreement for this project allowed for an economic development grant of 100% of the increment generated until an amount of \$1,600,000 is rebated, then 50% of the increment generated by the project for a total assistance period of 17 years. This first amendment allows for the same level of tax increment financing (TIF) (50%) for any future addition on the same parcel until the expiration of the agreement, which is December 10, 2035.

A roll call for Council approval of a State of Iowa Business Financial Assistance application for the Electro Management Corp. and Electrical Power Products, Inc. expansion project is included with the requested Council actions for this agenda item.

FISCAL IMPACT:

Amount: 50% of the tax revenues in each following year until December 2035 (12.5 years). Estimated value is \$1,016,267; net present value (NPV) = \$723,113, which is 13.6% of total project costs.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$660,318	\$1,760,737	\$792,332	\$968,406
Sum 20 Years	\$1,506,284	\$3,672,022	\$1,016,267	\$2,655,755
Sum 30 Years	\$2,537,288	\$6,236,274	\$1,016,267	\$5,220,07

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

*Taxes received estimates used the following assumptions: 2.5% growth in reassessment years, 1.5% growth in non-reassessment years.

Building and land valuation assumptions at completion of construction:

\$3,924,000 commercial building valuation

\$1,278,000 land assessment

Funding Source: Project-generated tax increment in the SW 42nd and Army Post Urban Renewal Area.

ADDITIONAL INFORMATION:

- EP2 provides power management systems for commercial and utility industries for power generation, transmission, and distribution. Products and services include relay panels, modular control system buildings, and wind farm equipment.
- The company has been in business for nearly 30 years and currently employs approximately 300 people, including professional engineers, logistics personnel and manufacturing management and intends to add to the workforce with the proposed warehouse addition.
- The 60,000-square-foot warehouse addition will allow the company to grow in place at their existing facility, and the company is located on a site that can accommodate additional phases of future expansion. The company is seeing significant growth due to many utility companies expanding their generating and distribution networks and modernizing their internal power management systems.
- The company is currently located on a 20.8-acre parcel, and the expansion is to be located on the existing parcel, with the addition being built onto the east side of the existing facility, which was constructed in 2016.
- The Developer will install public sidewalk on the eastern property frontage along SW 42nd Street to line up with existing walk installed on the north side of Gannett Avenue and pedestrian access to a new DART transit stop installed on SW 42nd Street.

- The Developer shall exceed the applicable Energy Code requirements by seeking participation and approval of Mid-American Energy's Commercial New Construction program. The final program verification report shall be provided to the City prior to issuance of the initial financial assistance payment. The Developer will enlist Willdan Group, Inc. (formerly the Weidt Group) to provide an energy audit for the project.
- The employee parking lot shall contain a minimum of two (2) electric vehicle charging stations capable of supplying charging capacity for at least four (4) vehicles.
- The IEDA Business Financial Assistance application for the EP2 project requests \$244,467 in State of Iowa assistance, which will consist of \$135,978 in refund of state sales and use taxes paid out during the construction of the project, and \$108,669 in state investment tax credits. The application was reviewed and approved by the IEDA Board on October 16, 2020. The expansion project will result in the addition of two (2) new jobs that pay at the High-Quality Jobs program thresholds.

PREVIOUS COUNCIL ACTION(S):

Date: August 17, 2020

Roll Call Number: [20-1392](#)

Action: [On](#) request from Electro Management Corporation (Owner) for review and approval of a PUD Final Development Plan Amendment, "City Gateway-Phase 1A", for property located at 4240 Army Post Road to allow expansion for the existing warehouse with 60,000 square foot building addition and on-site surface parking expansion. Moved by Mandelbaum to adopt. Motion Carried 7-0.

Date: April 9, 2018

Roll Call Number: [18-0582](#)

Action: [Issuance](#) of Certificate of Completion for Phase 1 Improvements to Electro Management Corp. and Electrical Power Products Inc. for relocation and expansion of an industrial facility on property at SW 42nd Street and Army Post Road. Moved by Gatto to adopt. Motion Carried 7-0.

Date: December 21, 2015

Roll Call Number: [15-2165](#), [15-2166](#), [15-2167](#), [15-2168](#), [15-2169](#), [15-2170](#), and [15-2171](#)

Action: Items regarding the proposed SW 42nd and Army Post Urban Renewal Area and development: ([Council Communication No. 15-646](#)).

- (A) [Communication](#) from the Plan and Zoning Commission regarding the proposed Urban Renewal Plan for the SW 42nd and Army Post Urban Renewal Area. Moved by Hensley to receive and file the attached communication from the Plan and Zoning Commission. Motion Carried 7-0.
- (B) [Resolution](#) of Necessity for the SW 42nd and Army Post Urban Renewal Area. Moved by Hensley to adopt. Motion Carried 7-0.

- (C) [Resolution](#) closing the hearing on the proposed Urban Renewal Plan for the SW 42nd and Army Post Urban Renewal Area and adopting same. Moved by Hensley to adopt. Motion Carried 7-0.
- (D) [First](#) consideration of tax increment financing ordinance for above. Moved by Hensley that this ordinance be considered and given first vote for passage. Motion Carried 7-0.
- (E) [Final](#) consideration of ordinance above (waiver requested by the City Manager), requires six votes. Moved by Hensley 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, #15,440. Motion Carried 7-0.
- (F) [Approving](#) Urban Renewal Development Agreement with Electro Management Corp. and Electrical Power Products, Inc., for the redevelopment of property within the SW 42nd and Army Post Urban Renewal Area, and approving Conceptual Development Plan. Moved by Hensley to adopt. Motion Carried 7-0.
- (G) [Approving](#) support for an application by Electro Management Corp. and Electrical Power Products, Inc. to the Iowa Economic Development Authority (IEDA) for financial assistance under the High Quality Jobs (HQJ) Program. Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Plan and Zoning Commission

Date: July 16, 2020

Resolution Number: N/A

Action: Plan and Zoning Commission has advised that at a public hearing held on July 16, 2020, its members voted 13-0 in support of a motion to recommend APPROVAL of a request from Electro Management Corporation (Owner), represented by Britt Baker (Officer), regarding property located at 4240 Army Post Road, to for review and approval of a PUD Final Development Plan Amendment, "City Gateway- Phase I", to allow expansion of the existing 242,800-square foot Workshop/Warehouse building with a 60,000 square foot addition and on-site surface parking expansion.

Board: Plan and Zoning Commission

Date: December 17, 2015

Resolution Number: N/A

Action: Plan and Zoning Commission has advised that at a public hearing held December 17, 2015, its members voted 10-0 in support of a motion to recommend APPROVAL of a request from Electro Management Corporation (developer), represented by Britt Baker (officer), to rezone real property located at 4640 Army Post Road from "R1-80" One-Family Residential District to "PUD" Planned Unit Development District, and to recommend APPROVAL of the "City Gateway PUD 2" Conceptual Plan to allow redevelopment of the Property with a 162,500-square foot, pre-cast concrete building for "PBP" Planned Business Park and "M-1" Light Industrial District uses.

Board: Urban Design Review Board

Date: December 1, 2015

Resolution Number: N/A

Action: Motion to approve as presented with details of the landscape plan, finalization on entryway and phased implementation of the site and facility by Reynolds. Seconded by C. Nagle. Motion carried. Yes – 10, No – 0, Absent – 0, Abstain – 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board to provide review and approval of project design.
- Issue Certificate of Completion upon satisfactory construction and inspection of the project.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.