

COUNCIL COMMUNICATION

	Number:	21-166	Meeting:	April 5, 2021
	Agenda Item:	21	Roll Call:	21-0544
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with ILEX Group, Inc. for the construction of two (2) new warehouse buildings – one (1) at 164,026 square feet and one (1) at 186,350 square feet.

SYNOPSIS:

ILEX Group, Inc. (Ben Schultes, 5101 Vernon Avenue South, Edina, MN, 55436-2586) is proposing to construct two (2) spec warehouse buildings (Building B and Building C) at the northeast corner of E 14th Street and Broadway Avenue. The proposed Planned Unit Development (PUD) Conceptual Plan shows that there will eventually be five (5) buildings at this location; Buildings B (164,026 square feet) and C (186,350 square feet) would be located in the southwest corner of the site. Total project costs for the two (2) buildings are estimated to be approximately \$29 million. Construction of the two (2) buildings is expected to take approximately nine (9) months. While initiation of construction is dependent on the steel market, it is hoped that the project will be completed in third quarter of 2022.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with ILEX Group, Inc. which provides for project-generated tax increment to respond to the extraordinary development costs of the project.

FISCAL IMPACT:

Amount: The project will be eligible to receive a 3-year, 100% Commercial Tax Abatement per the City’s adopted Third Restated Urban Revitalization Plan. Once the term of the tax abatement has expired, the project will also receive 100% of the project generated tax increment from the taxable building valuations (exclusive of land) for five (5) years to respond to the identified construction gap of \$3.1 million. The total Tax Increment Finance (TIF) assistance is estimated at \$4.3 million, or a net present value (NPV) of \$3.1 million, and is estimated at 10.7% of total project costs. The TIF Economic Development Grant will be capped at a maximum of \$3.1 million NPV.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$690,344	\$8,384,468	\$4,300,997	\$4,083,471
Sum 20 Years	\$1,531,769	\$22,131,058	\$4,300,997	\$17,830,061
Sum 30 Years	\$2,557,338	\$38,886,061	\$4,300,997	\$34,585,064

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

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

Building and land assumptions at completion of construction:

- \$27,610,000 building assessment (total of two {2} buildings)
- \$1,690,000 land assessment (total site)

Funding Source: Tax increment generated by the project in the Northeast Gateway 1 Urban Renewal Area. The developer will also seek a 3-year, 100% tax abatement upon completion of the project.

ADDITIONAL INFORMATION:

- This site – commonly referred to as the Northridge site – was originally slated for a regional shopping center. The City entered into a development agreement in 1987 with then-owner Northridge Limited Partnership, LLC, but that project did not go forward. The property remains vacant.
- The extraordinary redevelopment costs on the site include relocation of utility work and considerable earthwork due to the high-water table and soil type for the site to be developable.
- Two (2) small parcels of the total development site located along the E 14th Street frontage are currently outside of the City of Des Moines, but are in the process of becoming annexed into the City of Des Moines. The property upon which the two (2) warehouse buildings are proposed to be built are wholly within the City of Des Moines.
- The proposed PUD Development Plan illustrates a total of five (5) buildings on the site:
 - Building A: 195,504 square feet
 - Building B: 164,026 square feet
 - Building C: 186,350 square feet
 - Building D: 194,084 square feet
 - Building E: 262,524 square feet
- The developer has registered this project for MidAmerican’s Commercial New Construction program.

PREVIOUS COUNCIL ACTION(S):

Date: July 13, 2020

Roll Call Number: [20-1129](#)

Action: [Termination](#) agreement with ILEX Group, Inc. for development in the vicinity of 4600 NE 14th Street. ([Council Communication No. 20-312](#)) Moved by Gatto to adopt. Motion Carried 6-1.
Absent: Boesen.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Preliminary and Final Design and Financial Assistance
- Plan and Zoning Commission – PUD Development Plan
- City Council – PUD Development Plan and Final Development Agreement

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.