

## COUNCIL COMMUNICATION

	Number:	<b>21-527</b>	Meeting:	<b>December 6, 2021</b>
	Agenda Item:	<b>54</b>	Roll Call:	<b>21-1846</b>
	Submitted by:	<b>Erin Olson-Douglas, Development Services Department Director</b>		

### AGENDA HEADING:

Resolution closing hearing on the sale of land and approving a revised Urban Renewal Development Agreement with Des Moines Climate Controlled Self Storage, LLC to purchase and develop City-owned property addressed as 503 SE 12th Street in the Metro Center Urban Renewal Area and accepting the conceptual development plan for the project.

### SYNOPSIS:

On June 28, 2021, by Roll Call No. 21-0980, the City Council authorized the City Manager to negotiate an urban renewal development agreement based on preliminary terms with Des Moines Climate Controlled Self Storage, LLC (represented by Mark Bockenstedt, owner, 1003 NW Ridge Road, Ankeny, IA 50023), for the phased redevelopment of two (2) 4-story indoor climate-controlled storage buildings located on a 1.97-acre site addressed as 503 SE 12th Street for \$15.5 million. This action allows for the acceptance of the Developer's proposal to construct a project on the City-owned property as assembled with the adjoining land owned by the Developer and approves the final terms of the revised Urban Renewal Development Agreement.

The revision to the development agreement that warranted a new public hearing resulted from an issue with poor soils that were discovered on the property. Des Moines Climate Controlled Self Storage, LLC's geotechnical consultant performed a study and obtained soil borings of the subject property as a part of their due diligence on the project. The results of the study indicated problematic soil conditions that included non-clean fill dirt and improper soil compaction that would not allow structures to be placed on portions of the site without the risk of long-term settlement issues. City Engineering staff have reviewed the geotechnical report and are in concurrence with the consultant's findings.

The Developer still wishes to move forward with the project on a slightly delayed schedule, with construction now commencing in the spring of 2022 instead of the fall of 2021. The solution to remedy the soil issues will be to remove the non-clean fill on the site, bring in clean soil, and properly compact for construction purposes. Staff has proposed to offer an additional credit on the purchase price of the City-owned property to help offset this unforeseen expense.

Upon the end of a required 30-day competitive bid period for the sale of property, no other development proposals were received. After the hearing and any public comment for the revised proposal at the November 1, 2021, City Council meeting, the Council will vote on the following actions:

1. The Office of Economic Development (OED) has negotiated revised final terms of an Urban Renewal Development Agreement with Des Moines Climate Controlled Self Storage, LLC, for a financial assistance package that is explained in further detail in the “Fiscal Impact” section below.
2. Approval of the “Conceptual Development Plan” for the property.
3. Resolution closing hearing and approving an Urban Renewal Agreement for sale of land for private redevelopment to Des Moines Climate Controlled Self Storage, LLC to purchase 62,559 square feet (1.42-acres) of City-owned property addressed as 503 SE 12th Street in the amount of \$520,000, for purposes of constructing a commercial self-storage development.

**FISCAL IMPACT:**

Amount: The financial terms propose a cumulative total of approximately \$1,695,738 in project generated tax increment dollars on a cash basis, or \$1,200,000 on a net-present-value (NPV) basis at a 4.5% discount rate based on the following schedule: 75% tax increment financing (TIF) in years 1-10, capped at a maximum total amount of \$1,200,000 NPV. The development agreement will stipulate that the Phase I building on the project is eligible to receive a maximum capped amount of \$900,000 NPV in tax increment dollars, and the Phase II building will be eligible to receive a maximum capped amount of \$300,000 NPV. The proposed cumulative TIF assistance comprises 7.74% of the total project costs. The project is not eligible to receive commercial tax abatement.

The Developer will purchase the 62,259-square-foot City-owned property that partially comprises the development site for fair market value based upon a recent appraisal for the price of \$520,000, less credit for the costs of relocation of an existing privately-owned fiber line and the undergrounding of overhead utilities that encumber portions of the site. Proceeds from the sale will be allocated as follows: \$187,200 to ST500 to reimburse the SE Connector Project and the remainder to the Economic Development Enterprise Account.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Net Incentive Paid:	Net Taxes Received
Sum 10 Years	\$66,636	\$3,747,185	\$1,200,000	\$2,547,185
Sum 20 Years	\$143,838	\$8,496,754	\$1,200,000	\$7,296,754
Sum 30 Years	\$229,086	\$14,285,756	\$1,200,000	\$13,085,756

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

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

\*Building and land valuation assumptions at completion of construction of both phases:

- \$8,448,000 commercial building valuation
- \$249,716 land assessment

Funding Source: Tax increment generated by the project in the Metro Center Urban Renewal Area.

**ADDITIONAL INFORMATION:**

- Des Moines Climate Controlled Self Storage, LLC is proposing to construct two (2) 4-story indoor climate-controlled storage buildings with a cumulative total of 153,600 square feet on a vacant site located at 503 SE 12th Street. The construction of the second building will be phased accordingly with market demand but shall begin within four (4) years of completion of the Phase I building.
- The development is proposed on a combination of City-owned and privately assembled land that comprises a 1.97-acre site adjacent to Cohen Park, which has seen recent improvements and the construction of a new regional stormwater basin. A land swap for a small 5,454-square-foot sliver of Cohen Park is proposed between the Developer and the Parks and Recreation Department to help shore up irregular site boundaries. The land swap will be handled under separate City Council action.
- The land will be sold for fair market value of \$520,000, less the costs to relocate a privately-owned fiber line that currently transects the site and cannot be built over and for remediation of soil issues that were discovered during a geotechnical study. Additionally, OED staff have requested that the Developer underground the existing north-south running overhead utility lines that are on or adjacent to the development site and partially within Cohen Park, which is an expense that will also be deducted from the final land sale price.
- The proposed TIF assistance for this project is intended to help offset the expenses related to enhancing the architectural quality of the storage buildings, as well as construct the facility with durable high-quality materials such as brick, stone or masonry cladding, and the addition of window glazing that is not common on storage projects of this nature.
- The project will be steel frame construction, utilize full dimension brick, and include closed cell foam insulation on exterior walls, light-emitting diode (LED) lighting, and high efficiency heating and cooling equipment.
- This project is participating in the MidAmerican Energy Commercial New Construction Program and is expected to exceed the minimum applicable energy codes; however, the specific percentage above energy code is still being determined by the project design team.

**PREVIOUS COUNCIL ACTION(S):**

Date: November 1, 2021

Roll Call Number: [21-1663](#)

Action: [Accepting](#) revised development proposal from Des Moines Climate Controlled Self Storage, LLC (Mark Bockenstedt, Owner) to develop City-owned property in the vicinity of 503 SE 12th Street in the Metro Center Urban Renewal Area and setting public hearing, (12-6-21). ([Council Communication No. 21-474](#)) Moved by Gatto to adopt. Motion Carried 6-1. Absent: Cownie.

**BOARD/COMMISSION ACTION(S):**

Board: Plan and Zoning Commission

Date: October 7, 2021

Resolution Number: N/A

Action: Plan and Zoning Commission voted 10-0 to approve a site plan for property located at 503 SE 12th Street, with Type 2 Design Alternatives in accordance with City Code.

Board: Urban Design Review Board

Date: September 21, 2021

Resolution Number: N/A

Action: Motion to recommend approval of the final design as presented with the addition of arched windows on the first floor by Ward. Seconded by Hielkema. Motion carried. Yes – 6, No – 0, Absent – 4, Abstain – 0.

Motion to recommend approval of the financial assistance as presented by Wilke-Shapiro. Seconded by Weisenbach. Motion carried. Yes – 6, No – 0, Absent – 4, Abstain – 0.

Board: Urban Design Review Board

Date: July 20, 2021

Resolution Number: N/A

Action: Motion to recommend approval of the preliminary design as presented noting the Boards comments by Hielkema. Seconded by Wilke-Shapiro. Motion carried. Yes – 6, No – 0, Absent – 4, Abstain – 0.

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- City Council- Certificate of Completion upon finishing each phase of project construction.

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