


COUNCIL COMMUNICATION

	Number:	21-305	Meeting:	June 28, 2021
	Agenda Item:	31	Roll Call:	21-980
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution accepting development proposal and approving preliminary terms of an Urban Renewal Development Agreement with Des Moines Climate Controlled Storage, LLC, for the construction of a new 4-story, 153,600 square foot storage complex located at 503 SE 12th Street.

SYNOPSIS:

The Office of Economic Development (OED) has negotiated preliminary terms of an Urban Renewal Development Agreement with Des Moines Climate Controlled Storage, LLC (Mark Bockenstedt, Owner, 1003 NW Ridge Road, Ankeny, IA 50023), for project generated tax increment financing (TIF) to assist with the extraordinary development costs related to the redevelopment of a \$15.5 million 4-story indoor climate controlled storage facility located on an 1.97-acre site at 503 SE 12th Street. The agreement provides for the Developer to purchase excess City-owned property at fair market value and to receive economic development assistance upon completion of each phase of the project on the assembled site.

The property is at a highly visible location along East Martin Luther King Jr. Parkway and sits on the southern fringe of the Market District redevelopment area. For these reasons, staff has worked closely with the Developer and their architect to ensure a high-quality finish and appearance is implemented on the proposed project. Staff believes that the indoor climate-controlled storage use is a proper transition between the industrial uses to the east and anticipated mixed-use development to the west. The Developer has designed the building to resemble an older warehouse that was prevalent in the nearby industrial area proximate to the Des Moines River.

Construction of first of two (2) buildings is anticipated to begin with grading work and site preparation in late 2021 with completion expected in late 2023. The second phase is anticipated to begin within four (4) years of the completion of the first building. Additional details on the preliminary terms are provided in the fiscal impact and additional information sections below.

FISCAL IMPACT:

Amount: The financial terms propose approximately \$1,695,738 in project generated tax increment dollars on a cash basis, or \$1,279,545 on a net-present-value {NPV} at a 4.5% discount rate based on the following schedule: 75% TIF in years 1-10, capped at a maximum total amount of \$1,200,000 NPV. The proposed capped 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 \$150,800 to the General Fund.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$66,636	\$3,747,185	\$1,200,337	\$2,546,848
Sum 20 Years	\$143,838	\$8,496,754	\$1,200,337	\$6,222,056
Sum 30 Years	\$229,086	\$14,285,756	\$1,200,337	\$12,011,059

*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:

\$8,448,000 multi-residential 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 Storage, LLC is proposing to construct two (2) 4-story indoor climate-controlled storage buildings with a 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 Council action at a later date.
- The land will be sold for fair market value, less the costs to relocate a privately-owned fiber line that currently transects the site and cannot be built over. Additionally, OED has 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. The Developer is working on obtaining final costs for this work and will be taking on the construction responsibility of the fiber line relocation and utility line undergrounding.
- The purchase agreement of the City-owned land will be valid until May 1, 2022, with the expectation that the Developer will diligently pursue site plan approval for the first phase of the project prior to closing.
- 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 exceeds minimum code requirements.

- 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.

Vicinity Map



Conceptual Building Elevations



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S):

Board: Plan and Zoning Commission

Date: June 17, 2021

Resolution Number: N/A

Action: Plan and Zoning voted 12-0 to approve a recommendation for the vacation of the north/south segment of alley Right-Of-Way east of, and adjoining, the property located at 1106 Scott Avenue in the block bounded by East MLK Jr. Parkway on the north, Scott Avenue on the south, Southeast 12th Street on the east, and Southeast 10th Street on the west, to allow the property to be assembled with adjoining property for purposes of commercial redevelopment, subject to reservation of any existing utilities until such time that they are abandoned or relocated at the applicant's expense.

*The Plan and Zoning Commission will review and approve the minutes with the above action at their next meeting.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Final design and financial assistance recommendations
- City Council – Approve land sale and final terms for urban renewal development agreement

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