

COUNCIL COMMUNICATION

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|  | Number: | 21-357 | Meeting: | August 9, 2021 |
| | Agenda Item: | 27 | Roll Call: | [] |
| | Submitted by: | Erin Olson-Douglas, Development Services Department Director | | |

AGENDA HEADING:

Resolution to accept the development proposal from Des Moines Climate Controlled Self Storage, LLC, to develop City-owned property in the vicinity of 503 SE 12th Street in the Metro Center Urban Renewal Area and setting date of public hearing of the land sale for September 13, 2021.

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 of agreement 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 a \$15.5 million of two (2) 4-story indoor climate-controlled storage buildings located on a 1.97-acre site addressed as 503 SE 12th Street.

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 Urban Renewal Development Agreement. It will also set forth the necessary actions for the City Council to take regarding the property, including authorizing publication of notice of the required competitive land sale process following public hearing on September 13, 2021, at 5:00 p.m., if no competing proposals are received.

The Office of Economic Development (OED) has negotiated the final terms of an Urban Renewal Development Agreement with DSM Climate Controlled Storage, LLC for a financial assistance package that provides payment of an economic development grant to be paid out upon project completion, and 75% of the project-generated tax increment to be provided in semi-annual payments for a period of 10 years. Additional information on the terms of the deal is found below.

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% 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 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 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 at a later date.
- 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. 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 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 City 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; however, the specific percentage above energy code is still being determined by the project design team.

PREVIOUS COUNCIL ACTION(S):

Date: June 28, 2021

Roll Call Number: [21-0980](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with Des Moines Climate Controlled Self Storage, LLC (Mark Bockenstedt) for the construction of a new 4-story, 153,600 square foot storage complex at 503 SE 12th Street. ([Council Communication No. 21-305](#)) Moved by Gatto to adopt. Motion Carried 7-0.

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.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Final design and financial assistance recommendations.
- City Council – Approve land sale per final terms of the Urban Renewal Development Agreement.

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