

COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	21-474	Meeting:	November 1, 2021
	Agenda Item:	29	Roll Call:	21-1663
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution to accept a revised 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 the date of public hearing of the land sale for December 6, 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.

On October 18, 2021, by Roll Call No. 21-1589, the City Council dismissed the previous public hearing on the sale of this City-owned property to allow for an amendment to the Urban Renewal Development Agreement that revises the land sale price to account for poor soil conditions discovered on the property that will need to be remedied before construction can commence.

This action allows for the acceptance of the Developer's revised proposal reflecting the new land sale price and project completion timelines, 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 December 6, 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, undergrounding of overhead utilities that encumber portions of the site, and remediation of poor soil conditions. Proceeds from the sale will be allocated as follows: \$151,200 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.
- Des Moines Climate Controlled Self Storage, LLC recently hired a consultant to conduct a geotechnical study and obtain borings of the subject property as a part of their due diligence for the development 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. 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.

PREVIOUS COUNCIL ACTION(S):

Date: October 18, 2021

Roll Call Number: [21-1589](#)

Action: [Dismissing](#) hearing on the competitive bid process for sale and redevelopment of 503 SE 12th Street in the Metro Center Urban Renewal Project Area, and redevelopment proposal from Des Moines Climate Controlled Self Storage, LLC (Mark Bockenstedt, Owner). (Continued from September 13, 2021 Council Meeting). ([Council Communication No. 21- 436](#)) Moved by Gatto to adopt. Motion Carried 7-0.

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:

Approve the land sale per final terms of the Urban Renewal Development Agreement.

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