CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Amendment of the Property Tax Rebate Program **DATE:** December 12, 2016

MOTION: Approval of Finance and Administration City Council Subcommittee's recommendations for amendment of the Property Tax Rebate Program

FINANCIAL IMPACT: The cost of the program would be supported by tax increment revenues from new property valuation.

SYNOPSIS: At the November 16, 2016, Finance and Administration City Council Subcommittee meeting, the Subcommittee reviewed the first two Property Tax Rebate Program applications. During the review of the applications there was a discussion among the Subcommittee members about requiring program participants to enter into a ten (10) year minimum assessment agreement rather than the five (5) year minimum currently required. The concern expressed at the meeting was that as soon as the required five (5) year minimum assessment agreement would expire that the property owner would seek a reduction in their property assessments thus causing the City to see less property tax revenues than what had been generated during the rebate period.

The Subcommittee members were split as to whether or not the ten (10) year requirement should apply to applications currently pending. Councilmember Tremble felt that it would be unfair to require the ten (10) year commitment on currently pending applications, but he was in favor of requiring it on future applications. Councilmember Sandager asked staff to review the ten (10) year requirement with the applicants of the currently pending applications. Since the meeting, Councilmember Sandager informed staff that he was in favor of not requiring the ten (10) year commitment on the currently pending applications, and only on future applications.

The attached resolution then proposes the following amendments to Property Tax Rebate Program:

- Participating property owners must enter into a ten (10) year minimum assessment agreement with the City.
- The amendment will be in full force and effect on any application for assistance filed after the enactment of the amending resolution.

RECOMMENDATION: That the City Council approve the recommendations of the F&A City Council Subcommittee.

Lead Staff Member: Clyde E. Evans, AICP, Director of Community and Economic Development

STAFF REVIEWS

Department Director	Clyde E. Evans, Community and Economic Development Director CEE
Appropriations/Finance	
Legal	
Agenda Acceptance	

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PUBLICATION(S) (if applicable)

Published In	N/A	
Date(s) Published		
Letter sent to surrounding property owners		

SUBCOMMITTEE REVIEW (if applicable)

Committee	F&A		
Date Reviewed	November 16, 2016		
Recommendation	Yes ☐X	No ☐	Split ☐

Attachments:

Exhibit I	Finance and Administration City Council minutes of the November 16, 2016 meeting
Exhibit II	Resolution

EXHIBIT I

FINANCE & ADMINISTRATION SUB-COMMITTEE
MEETING MINUTES
Wednesday, November 16, 2016 - 7:30 AM
West Des Moines City Hall – 4200 Mills Civic Parkway
Training Room, 2nd Floor

Present: Councilmember Russ Trimble, Councilmember Jim Sandager, City Manager Tom Hadden, Deputy City Manager Jamie Letzring, City Attorney Dick Scieszinski, Finance Director Tim Stiles, Community and Economic Director Clyde Evans, ITS Director Mark Lumsden, Human Resources Director Jane Pauba Dodge, Parks & Recreation Interim Director Sally Ortgies, Communications Specialist Lucinda Stephenson, Budget Analyst Chris Hamlett, and Administrative Secretary Maureen Richmond

Guests: Mayor Steve Gaer, R & R Realty Group – Item 2
Kelly Sharp, Heart of Iowa – Item 4
Jim Miller, Historic Valley Junction Foundation – Item 4
Chris Costa, Knapp Properties - Item 5

Meeting was called to order at 7:30 AM

1. Purchase of IT Network Equipment

Mr. Lumsden presented a request for approval to purchase a replacement for Core Network Equipment. ITS needs to replace many of the current core networks systems throughout the city to ensure adequate network communications. This has become critical with all of the new cloud-based services and applications being utilized. The estimated cost for the project is $324,186.08. If approved, a FY 2016-17 budget amendment will be requested with funding to come from the Technology Replacement Fund.

ITS staff requested quotes from three companies:

- Curvature $ 343,700.00
- CDW-G $ 433,699.20
- Optimum Data Inc. $ 324,186.08

Councilmembers supported the purchase from Optimum Data Inc. It was recommended that staff present the purchase for approval at the November 28, 2016 City Council meeting.

2. Economic Development Incentive - R & R Realty (Dallas County Partners)

Mr. Evans presented a proposed project from R & R Realty (Dallas County Partners) along with their request for Economic Assistance available under the City's recently-adopted Property Tax Rebate Pilot Program. The Program provides a five year, 100% rebate of the incremental increase in property taxes on a property if the owner of the property spends a minimum of $500,000 on

building upgrades or construction in certain parts of the City. The program also required the creation or retention of a minimum of five jobs.

Dallas County Partners has filed an application with the City to be considered for the program. They are proposing construction of an 180,000 square foot office building on a 12 acre site located in the Country Club Office Park, which is within the area targeted by the City's program. The applicant is proposing to occupy a portion of the building with their own office and retain 141 full and 2 part-time positions and expects to spend $27 million on construction.

Based upon a valuation of $27 million, the five year 100% scale would amount to approximately $3.1 million. Staff does not anticipate valuation to match the investment.

Mr. Evans noted that staff recommends negotiating a minimum assessment agreement to guarantee the retention / creation of at least five full time employees.

Mr. Sandager suggested requiring R&R to agree to an additional five-year period beyond the initial five-year rebate period, where R&R would agree to have the county carry forward a minimum assessment. Mr. Trimble disagreed with that approach, saying that the City did not include that additional burden when approving the policy, so it would not be appropriate to ask the applicant for additional consideration at this time. Other than that difference, Councilmembers supported the application and directed staff to ask the applicant if the additional terms were acceptable and, if agreed, finalize negotiations and bring forward an agreement for approval at a future City Council meeting.

3. Economic Development Incentive – Steffes Holdings, LLC

Mr. Evans presented an Economic Development Incentive for Steffes Holdings, LLC. Steffes filed an application with the City to be considered for the Property Tax Rebate Pilot Program. The application indicates that they are constructing a 5,846 square foot retail/warehouse building at 515 Railroad Avenue. The applicant is proposing to occupy the entire building and retain 3 full positions and add 2 full-time positions. The total costs of the five-year 100% property tax rebate is approximately $78,795.

The project site is within the Valley Junction Urban Renewal which will soon expire; staff recommends the creation of a new Urban Renewal Plan and area. Staff is recommending that the City would include a minimum assessment agreement to guarantee payment and guarantee the retention/creation of a least five full time employees.

Councilmember Trimble did not support the application because the project was well underway before the City's program was created, but Councilmember Sandager supported the application because their project met the specific rules of the program. It was recommended that staff move forward to a City Council meeting for consideration.

4. Economic Re-Development Policies

Mr. Evans noted that he and other staff have been working with Council and the Finance

Committee on economic development policies targeted specifically for the Historic West Des Moines area. The focus has been on developing two policies:

- Regulatory Compliance Fund (to fund compliance with building, health, and fire code issues)

- Property Improvement Fund (to fund repairs and additions to existing structures)

Mr. Evans noted that many of the details of the policy have been largely undefined and this was a forum to define terms, practices, and procedures going forward. The following list of items were discussed (issues are listed along with recommendations of Finance Committee Councilmembers):

Application Submittal Timeframes -- Applications would be accepted twice a year

Project Rating and Scoring –Scoring will be determined by a Due Diligence Committee. Extra weight will be given for:

- Creation of additional tax base
- Creation/retention of jobs
- Percentage of outside dollars being invested

Submittal of Multiple Applications by the same Property Owner – The discussion was that loans were granted on a "per building" basis (as opposed to "per person").

Timeliness of Applications – Councilmembers defined an eligible project as one where no occupancy permit has been issued.

Maximum Award – Each of the policies states that the maximum award for this program could be at a lower maximum award amount that what is currently earmarked ($150,000) for the program. Councilmembers reduced the amount to $75,000 for both policies.

Timing of Payments from City – Payments would be made in two installments; 50% to be paid at the halfway point and 50% when the job is completed.

Program Boundaries – Four maps were presented:

Map #1: The boundaries of the original study area for the Historic West Des Moines Master Plan, which exclude the commercial area along Grand Avenue, Including the ValGate area, the Normandy Plaza Shopping Center at Grand and Railroad, and Holiday Park area.

Map #2: The boundaries of the original study area for Historic West Des Moines Plan and the area added by Teska south of Railroad Avenue.

Map #3: An area bounded by 1st Street on the east, Lincoln Street on the south, and the center line of Grand Avenue as the north and west boundaries of the eligible area.

Map #4: An area bounded by 1st Street on the east, Grand Avenue on the north and west, including all of the ValGate Study area and any commercial/office area that fronts on Grand Avenue, and Railroad Avenue on the south, including any commercial/office/industrial area that has frontage on Railroad Avenue.

The two Councilmembers favored Maps 1 and 2, but recommended scheduling a workshop to discuss the program boundaries.

Project Timing – The Councilmembers were in favor of the recommendation that a project must start within six months of contract signing and be completed within 18 months of that date.

Claw-back Provisions –Councilmembers supported support the job creation/retention requirement, which will be in effect for the life of the development agreement.

Due Diligence Committee Size, Make-Up, and Responsibilities

Councilmembers recommended a 7-9 member committee from the suggested groups:

- 3 members to be recommended by the Chamber (with consideration for banking / real estate / finance professionals)
- 3 members at-large from the community
- 3 residents of the Historic Valley Junction area

Staff would not serve as voting members of the Committee but would act in a supporting role.

Councilmembers will schedule a workshop to discuss the project area, and once the area is determined, the policies will be finalized and presented to Council for approval.

5. Property Tax Rebate Program-Request to Expand Eligible Areas

Mr. Evans presented a request from Knapp Properties, represented by Mr. Costa, to amend eligible areas of the Property Tax Rebate Program. Specifically, Knapp Properties submitted a request with the City to consider adding areas west of I35 and north of I80, in the West Lakes Business Park area.

Mr. Stiles explained that this area is included in the Westown V Urban Renewal Area, and that there may be some difficulty extracting any increment because the valuation of these properties are well below their 2009 frozen base levels due to the recession and other factors.

After discussion, it was decided that staff would delve deeper into the financial ramifications of expanding the eligible areas, specifically reviewing the areas requested by Knapp, and come back with a recommendation to the committee.

6. Grand Avenue Veterinary Hospital

Mr. Scieszinski brought forward a letter from Attorney David J. Helstern representing the Grand Avenue Veterinary Hospital located at 108 Grand Avenue.

Grand Avenue Veterinary Hospital has been located at this location as a tenant for 39 years. The owners of the property voluntarily sold the property to the City earlier this year, forgoing requiring the City to initiate to eminent domain procedures due to a sewer project on Grand Avenue. The City offered a lease in the amount of $1,000 per month to Grand Avenue Veterinary Hospital

giving them the opportunity to remain in the building until the City until the building is demolished in 2017. The business would like to stay in the neighborhood and has negotiated relocation to leased space at 312 Grand Avenue. The letter explained that relocation will cost $80,000. Mr. Helstern, in his letter, requested that the rent be reduced to $1 per month in order to give them additional funds need to complete the move.

Councilmembers were not supportive of reducing the rent altogether, but suggested that if the clinic's rent prior to the City purchasing the building was lower than $1,000, they would support reducing the rent to that amount.

7. Rates, Fees, and Charges – Schedule Update

Mr. Sandager left the meeting prior to this item. Mr. Stiles and Ms. Ortgies presented the Rates, Fees, and Charges Schedule Update to Mr. Trimble. Ms. Ortgies explained Parks and Recreation recently evaluated their fees as part of a conversion to new software system. The proposed fee structure better reflects current "market" conditions, and also correct some previous inconsistencies across their various facilities.

Ms. Ortgies mentioned that the rates would also be presented to the Parks Advisory Board this week for their input and recommendation. Councilmember Trimble supported the adjusted fee schedule, and assuming similar support would be forthcoming from the Parks Advisory Board, directed staff to bring the rate schedule forward to Council for approval at a future meeting.

8. Official City Depositories

Mr. Stiles presented an updated list of Official City Depositories. He pointed out that this list is updated to include the recently-opened University of Iowa Credit Union as they have expressed interest in deposits and investments. The revised list also reduces the maximum exposure at most institutions to $35 million which is consistent with IPAIT's maximum exposure.

Councilmember Trimble supported the updated list of Official City Depositories and recommend that staff move forward and present final document for Council for approval.

9. 2017 Finance & Administration Sub-Committee Meeting Proposed Schedule

Councilmember Trimble agreed with the proposed 2017 meeting schedule with an exception to adjust the regular and special January meetings to start at 7:00AM. This schedule will also be confirmed with Mr. Sandager prior to finalizing.

10. Staff Updates

Mr. Stiles mentioned that the Finance Staff has several critical year-end deadlines approaching, and that recent staffing changes and system changes have the staff working extra to complete items.

Mr. Stiles also noted that staff has begun work on the FY 17-18 Budget. Staff input is being considered over the next month through a series of meetings with all departments.

11. Other Matters

None

Meeting was adjourned at 9:30 AM.

Respectfully Submitted,

Maureen Richmond
Administrative Secretary

Prepared by: Clyde Evans, Community & Economic Development, PO Box 65320, W.D.M., IA 50265-0320, 515-273-0770
When Recorded, Return to: City Clerk, City of West Des Moines, PO Box 65320, West Des Moines, IA 50265-0320

RESOLUTION

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST DES MOINES, IOWA AMENDING THE ECONOMIC INCENTIVE POLICY FOR REDEVELOPMENT IN CERTAIN AREAS OF THE CITY

WHEREAS, the City Council of the City of West Des Moines, Iowa wishes to promote economic development within the City of West Des Moines;

WHEREAS, the continued quality growth of retail/office/mixed use/industrial users within the City aids in the creation of jobs; increase in tax base; and the general economic well-being of the City;

WHEREAS, the City Council has the opportunity to influence the location and/or expansion decision of the owners of property in certain older areas of the City;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WEST DES MOINES DOES ENACT THE FOLLOWING AMENDMENTS OF THE ECONOMIC DEVELOPMENT INCENTIVE POLICY:

The City of West Des Moines City Council hereby amends the Property Tax Rebate program to require participating property owners to enter into a ten (10) year minimum assessment agreement with the City.

This amendment will be in full force and effect on any application for assistance filed after the enactment of this resolution.

Passed and approved by the City Council on the 12th, day of December, 2016

_____
James Sandager, Mayor Pro Tem

ATTEST:

_____
Ryan T. Jacobson, City Clerk