



FINANCE & ADMINISTRATION SUB-COMMITTEE
Wednesday, February 14, 2018 - 7:00 AM
West Des Moines City Hall – 4200 Mills Civic Parkway
Training Room, 2nd Floor

Present: Councilmember Russ Trimble, Councilmember Kevin Trevillyan, City Manager Tom Hadden, Deputy City Manager Jamie Letzring, City Attorney Dick Scieszinski, Finance Director Tim Stiles, Parks & Recreation Director Sally Ortgies, Community & Economic Development Director Clyde Evans, Business Development Coordinator Katie Hernandez, Communication Specialist Lucinda Stephenson, Budget Analyst Chris Hamlett, and Administrative Secretary Maureen Richmond

Guests:	Ms. Jackie Nickolaus, Benchmark Real Estate Group	Item 2 (a)
	Dr. Luke Ballenger, Ballenger Chiropractic & Acupuncture	Item 2 (b)
	Dr. Rob Burns, Jordan Creek Pediatric Dentistry	Item 2 (c)
	Mr. Heath Bullock, CREC Iowa	Item 2 (b) & (c)
	Ms. Kelly Sharp, Vino209	Item 3
	Mr. Jim Miller, Historic Valley Junction Foundation	Item 4

Meeting was called to order at 7:00 AM

1. Application for Wellmark Foundation's Matching Assets to Community Health Grant Program

Ms. Ortgies requested to approve an application for the Wellmark Foundation Large Match Grant for the Raccoon River Park Boathouse project. The application will be for the maximum of \$100,000 which will be matched by City funds. The grant application is due on February 23, 2018 and selected projects will be announced in May. The grant funds will be awarded in September of 2018 and requires the project to be completed within two years of the award date.

Councilmembers supported the submitting the grant application. If the grant is awarded, an agreement will be brought to the full council for approval.

2. Property Tax Rebate Program Applications

a. JARCOR, LLC, 1011 Office Park Road

Mr. Evans presented a Property Tax Rebate Program application filed January 19, 2018, submitted by JARCOR, LLC, 1011 Office Park Road.

On September 6, 2016, the City Council adopted a resolution creating the Property Tax Rebate Pilot Program to stimulate economic development in various parts of the City. The program would provide a five year, 100% rebate of the incremental increase in property taxes on a property if the owner of the property would meet a minimum of \$500,000 on building upgrades and construction and sign a 10-year minimum assessment agreement. The program also required the creation of a minimum of five jobs.

This application indicates that they are proposing to construct a 40,000 sq. ft. office building on a vacant parcel. The applicant is proposing to occupy a portion of the building with their own use which is a real estate development company and retain five full-time positions. The balance of the space would be occupied by other tenants. Ms. Nickolaus, representing the applicant, noted they don't have a tenant yet, but their sister companies Impact Co. and Atlas Roofing are willing to move in which will meet the minimum five employee requirement.

Based upon a minimum assessment of \$6.5 million, the annual property tax rebate would be approximately \$185, 072 per year, or \$925,360 over the five years of the rebate.

Councilmembers supported the JARCOR LLC application under the Property Tax Rebate Program and recommended to move forward to full City Council for consideration at a future meeting.

b. Ballenger Real Estate, LLC, 1121 Jordan Creek Parkway

Mr. Evans presented a Property Tax Rebate application filed December 14, 2017, submitted by Ballenger Real Estate, LLC, 1121 Jordan Creek Parkway, for consideration. This property was a former site of a used car sales lot and automotive repair facility.

The application indicates that they are constructing a 9,557 sq. ft. office building. The applicant has agreed to a minimum assessed valuation of \$1,450,000. The applicant is proposing to occupy about 3,757 sq. ft. of the building with their own use which is a chiropractic business and retain 8 full-time positions and create 10 full-time positions. The property owner has already undertaken \$3,000,000 of construction on the site.

After reviewing the application, it was inconsistent with the policy in that construction has been substantially started on the building prior to them filing an application for assistance under the Property Tax Rebate Program.

The policy states: *"If the project is approved for funding, the property owner will be required to submit documentation of the estimate of project expenses before the start of construction or renovation activities."*

Councilmembers Trimble and Trevillyan unanimously denied the application. Since the Finance Committee is for recommendation only, an alternative for the applicant is to bring the application to full Council at a future meeting for consideration.

c. LRR Pointe, LLC, 1111 Jordan Creek Parkway

Mr. Evans presented a Property Tax Rebate application filed December 18, 2017, submitted by LTR Pointe, LLC, 1111 Jordan Creek Parkway, for consideration. This property was a former site of a used car sales lot and automotive repair facility.

The application indicates that they are constructing an 8,119 sq. ft. office building. The applicant has agreed to a minimum assessed valuation of \$925,000. The applicant is proposing to occupy about 5,125 sq. ft. of the building with their own use which is a dentistry business and will retain

8 full-time positions. The property owner has undertaken construction on the site.

After reviewing the application, it was inconsistent with the policy in that construction has been substantially started on the building prior to them filing an application for assistance under the Property Tax Rebate Program.

The policy states: *“If the project is approved for funding, the property owner will be required to submit documentation of the estimate of project expenses before the start of construction or renovation activities.”*

Councilmembers Trimble and Trevillyan unanimously denied the application. Since the Finance Committee is for recommendation only, an alternative for the applicant is to bring the application to full Council at a future meeting for consideration.

d. Wolfe Eye Clinic, 6200 Westown Parkway

Mr. Evans presented a Property Tax Rebate application filed February 8, 2018, submitted by Wolfe Eye Clinic, 6200 Westown Parkway, for consideration.

The application indicates that they are proposing to construct a 24,000 sq. ft. office building on a portion of their property located at 6200 Westown Parkway; the same site as their current building. The applicant is proposing to occupy all of the building for their own use which is for a new surgery center and retain 25 full time positions. The construction is estimated at \$10,000,000 and the applicant has agreed to a minimum assessment of \$3,600,000. Based upon a minimum assessment of \$4,000,000, the annual property tax rebate would be approximately \$96,285 per year, or \$481,425 over the five years of the rebate.

Councilmembers supported the Wolfe Eye Clinic application under the Property Tax Rebate Program and recommended to move forward to full City Council for consideration at a future meeting.

3. Vino209 Property Improvement Award – Consideration of Loan Adjustment

Mr. Evans and Ms. Hernandez presented the Vino209 Property Improvement Program loan agreement. They indicated that the borrower, Vino209, has asked for reconsideration of terms of the agreement. Ms. Evans and Ms. Hernandez provided a brief summary of this particular project and also of the City’s Property Improvement Fund (PIF) program in general.

On February 6, 2017, the City Council approved Resolution 17-02-06-20, initiating the original Property Improvement Fund (PIF) program. In May 2017, Council approved Resolution 17-05-30-16 amending the PIF to account for progress payments and a new structure for loan repayment. The original structure of the PIF loan changed: A loan to amortize over 5-10 years, which would be paid back in full through property taxes using a Minimum Assessment Agreement. Because of the debt service levy from the taxing entities and the service fee, this would have realistically resulted in the property owner paying 22% additional in order to pay back the full loan to the City.

When the City discovered this information, the City amended the program prior to signing any Development Agreements to account for a change to the structure of the PIF: a 5 to 10 year 0% interest loan payable monthly directly to the City. This amendment took place in May 2017. Rather than repaying the loan along with their property tax payment, bi-annually, the payments are to be made each month and payable directly to the City.

Ms. Sharp, owner of Vino209, was granted approval by the City Council for a PIF loan. The construction on the project began May 1, 2017, prior to signing the final agreement. Ms. Sharp indicated that she understood that the Development Agreement would be under the same (original) with the same basic terms and conditions as had been previously approved by the City Council. Ms. Sharp indicated that she and her attorney had relied on the language in the first draft, assumed the loan was forgivable, and had made subsequent decisions based on that assumption. Ms. Sharp did not sign the original agreement but signed the amended agreement which included the new PIF loan structure (5 to 10 year, 0% interest loan).

According to Ms. Sharp, the signed amended Development Agreement noted there is an indication of a 'Forgivable Loan'. Mr. Evans believed that to be false, and explained that there is possibly confusion because this term was used in the initial draft. This language had been included due to a recommendation from legal counsel during the drafting of the initial (non-executed) agreement because the loan would be "repaid" through increased property taxes. Mr. Evans confirmed that the intent was never to make this program a true 'forgivable loan' – originally it included the condition of an increased assessed value and later called for regular monthly principal repayments.

Ms. Sharp is requesting to revert to the original program with a reasonable minimum increase assessment. She would like the PIF loan to amortize over 10 years and be forgiven at a 10% rate over 10 years.

Both Councilmembers denied the request and indicated that Ms. Sharp should begin repayment per terms of the signed PIF Development Agreement.

4. Future Funding for Historic West Des Moines Redevelopment Programs

Mr. Evans is requesting direction on the dollar amount for the FY 18-19 allocation to continue Future funding for Redevelopment Funding Programs in Historic West Des Moines.

At the Council Meeting of January 22, 2018, Council was asked to consider future funding for the program, and was given three options:

- To discontinue the PIF and RCF programs and put remaining funds (\$243,000) back into the City's General Fund for a quality of life project;
- To continue the PIF and RCF programs until all remaining funds have been depleted, and following depletion of funds, discontinue the PIF and RCF programs; or
- To continue the PIF and RCF programs until all remaining funds have been depleted, and allocate additional monies in the FY 18-19 budget to these programs for future rounds.

Council resolved to option #3 – to continue the PIF and RCF programs until all remaining funds have been depleted, and allocate additional monies (amount undetermined) in the FY 18-19 budget to these programs for future rounds, but the Mayor directed the Finance & Administration

Subcommittee to determine the amount of future allocations and the source of said allocations.

The program originally was considered a pilot program with a \$1,000,000 budget to end December 31, 2018, or earlier, if all funds were depleted. Currently there is approximately \$243,000 remaining in the program.

Councilmember Trimble stated that he would support a suspension of the program until such time that its benefits can be evaluated – he indicated a preference for a minimum suspension of one year. Councilmember Trevillyan stated that he preferred to continue the program until the current funds are spent. He also supported additional funding of \$250,000 from the FY 2018-19 budget to be used for another round of funding to occur late in 2018. Due to this split view, the item will be placed on a future Council agenda with no recommendation from the Committee.

5. Staff Updates

Mr. Stiles noted the Des Moines Register neglected to publish several public notices in the correct edition of their newspaper, including the FY 2018-19 Budget notice, so numerous public hearings will be delayed from February 20 to March 5, and two other notices of bid items will require a special council meeting due to the timing of the projects.

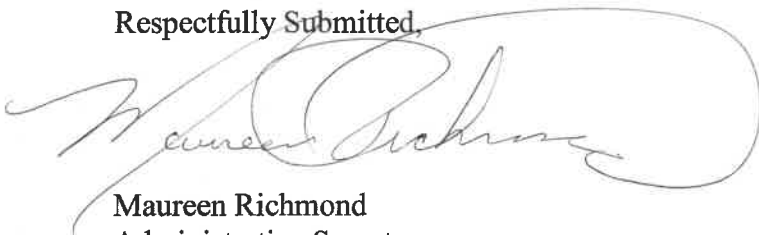
The City Clerk has re-submitted all the notices for publication.

6. Other Matters

None

Meeting was adjourned at 8:03 AM.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Maureen Richmond", is written over a large, light-colored oval shape.

Maureen Richmond
Administrative Secretary