CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Approval to Initiate a Development Agreement between Hurd Real Estate Services, Inc. and City of West Des Moines

DATE: March 4, 2019

RESOLUTION: Approval to proceed with the preparation of a Development Agreement

FINANCIAL IMPACT: The applicant has agreed to a figure of $6 million as the value of the Minimum Assessment Agreement. The company will need to sign a development agreement with the City that would include a Minimum Assessment Agreement to guarantee the investment, to guarantee the valuation for ten (10) years, and to guarantee the retention/creation of five (5) FTEs.

BACKGROUND: On September 6, 2016, the City Council adopted a resolution creating the Property Tax Rebate Pilot Program to stimulate economic development activity in certain areas of the City. The program is intended to provide a five year, 100% rebate of the incremental increase in property taxes on a property if the owner of the property would expend a minimum of $500,000 on building upgrades/construction. The program also requires the creation/retention of a minimum of five (5) FTE's.

On December 19, 2018, Hurd Real Estate Services, Inc. filed an application with the City to be considered for the program. Review of the application indicates that they are proposing to construct a 34,000 square foot office building located at 4055 Westown Parkway. Hurd Real Estate Services, Inc. is proposing new construction of a two story office building to be occupied by an undisclosed tenant that will create no less than five (5) new positions. The construction work is estimated at $7,150,000 and the applicant has agreed to a minimum assessment of $6 million. Based upon a minimum assessment of $6 million and an incremental increase of valuation of $5,384,900, the annual property tax rebate would be approximately $152,924 or $764,618 over the five years of the rebate.

Staff has reviewed their proposal and has found it to be complete. The project site is currently not within an Urban Renewal area. Staff is proposing that this parcel be added to the 4125 Westown URA and will require an amendment to the URA and Plan.

This proposal was reviewed the Finance & Administration Council Subcommittee on February 21, 2019, and the members were in agreement to bring the application request to the full Council for action, and funding through the Property Tax Rebate Program.

The site plan for the project has yet to be approved by the City Council. Since the applicant is expecting to have site plan approval in the very near future, they would like to commence construction as soon as possible after that approval. To that end the applicant is requesting authorization to be able to request and receive a building permit following approval of their site plan. The Finance and Administration City Council Subcommittee was in favor of granting that approval.

OUTSTANDING ISSUES: There are no outstanding issues.

RECOMMENDATION: Finance & Administration is recommending adoption of a resolution approving initiation of the Development Agreement, and authorization to commence building construction work.

Lead Staff Member: Rachel Wacker, Business Development Coordinator

STAFF REVIEWS

Department Director	Clyde Evans, Community and Economic Development Director CSE
Appropriations/Finance	Tim Stiles, Finance Director
Legal	
Agenda Acceptance	RTG

PUBLICATION(S) (if applicable)

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

SUBCOMMITTEE REVIEW (if applicable)

Committee	F&A Committee		
Date Reviewed	2/21/2019		
Recommendation	Yes x	No ☐	Split ☐

ATTACHMENTS:

Exhibit I - Application for assistance under the Property Tax Rebate Program
Exhibit II - Resolution

Date of Application: **December 19, 2018**

Address of Development Property: **4055 Westown Parkway**

County Assessor District/Parcel Number of Development Property: **320/04947-031-152**

Located in an existing Urban Renewal Area? If yes, please identify the Area: **The Urban Renewal Area along Westown Parkway and 42nd Street.**

Owner of Development Property (please provide the following information):

Full Legal Name: **Hurd Real Estate Services, INC**

Address (if different from above): **2000 Fuller Road, West Des Moines, IA 50265**

Nature of Entity (individual, corporation, LLC, etc.): **Corporation**

If legal entity, identify state of incorp./organization: **Iowa**

Name and title of signatory to potential Development Agreement on behalf of Owner:

Richard Hurd

Phone Number: 515-778-1000

E-Mail Address: richard.hurd@hurdrealty.com

Existing property use (commercial, industrial, retail, office, vacant, other – please specify):

Vacant Land

Proposed property use (commercial, industrial, retail, office, other- please specify): **Office**

Nature of Improvements: ☒ New Construction ☐ Addition ☐ Rehabilitation

Describe proposed Project: **A new construction two story office building that will be 34,000 square feet.**

Estimated Project Start Date: 12/31/18 Estimated Completion Date: 11/30/2019

Please complete the table below with projected expenditures related to this project.

Budget Item	Amount
Building Construction	**$5,750,000**
Building Addition	
Building Remodeling	
Machinery & Equipment	
Tenant Improvements (if applicable)	**$1,400,000**
Technology Investments	
Furniture & Fixtures	
Other Major Investments (specify below)	
TOTAL	**$7,150,000**

Define and indicate the approximate value of the Project upon completion (only the building and improvement costs that will affect taxable valuation, NOT land, equipment or machinery): _____$7,000,000_____

How many jobs will this project create or retain?

Create: Full-Time_____ Part-Time _____
Retain: Full-Time_____ Part-Time _____

Will you be applying for a High Quality Jobs or other Agreement with the State? **No.** If so, has an application been filed? _____If yes, please provide a copy.

Does this Project involve the relocation of a business enterprise (or substantial portion thereof) from another Iowa county or city? No. If yes, please explain:

_____

Is the Owner of the Development Property also the Developer for this Project? **Yes.** If not, in response to each item below, please identify the full legal name of the entity, the nature of the entity, its state of incorporation (if applicable) and the name and title of that entity's signatory to any Development Agreement):

Which entity will be responsible for constructing the building/improvements on the Development Property? **Hurd Real Estate Services, INC**

Which entity will be entitled to receive the Tax Increment Rebates? **Hurd Real Estate Services, INC**

Which entity will occupy and operate the business in the building/improvements?
_____Financial Services Firm_____

Is the owner leasing the building to another entity that is operating the business? **Yes.** If, yes, please explain: **The owner is going to lease the building to multiple tenants.**

Is the Development Property currently subject to any property tax exemption or any other property tax rebate? **No.** If yes, explain: NO

Have you applied for any other property tax exemption or rebate for the Development Property? **No.** . If yes, explain: NO

Does any public official or employee of the City who exercises or has exercised any responsibilities or discretion with respect to the Project, or who is in a position to participate in a decision-making process or gain insider information with regard to the Project, have interest, direct or indirect, in the Project or any contract or subcontract (actual or proposed) in connection with the Project? **NO.** If yes, explain:

RESOLUTION

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST DES MOINES, IOWA, AUTHORIZING STAFF TO INITIATE THE PREPARATION OF A DEVELOPMENT AGREEMENT FOR ECONOMIC DEVELOPMENT ASSISTANCE CONTRACT BETWEEN HURD REAL ESTATE SERVICES, INC. AND THE CITY OF WEST DES MOINES FOR ASSISTANCE UNDER THE PROPERTY TAX REBATE PROGRAM.

WHEREAS, Hurd Real Estate Services, Inc. proposes to undertake the new construction of a two story office tenant-occupied building at 4055 Westown Parkway.

WHEREAS, Hurd Real Estate Services, Inc. filed a formal application on December 19, 2018, with the City for financial assistance under the City's Property Tax Rebate Program;

WHEREAS, the application for assistance from Hurd Real Estate Services Inc., has been found complete;

WHEREAS, by third party contract, the tenant will commit to retaining and/or creating no less than five (5) new positions;

WHEREAS, the City is prepared to offer property tax rebates under the Property Tax Rebate Program;

WHEREAS, the City authorizes Hurd Real Estate Services, Inc. to obtain building permits following approval of site plan.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WEST DES MOINES, IOWA HAS directed staff to initiate the preparation of a Development Agreement on behalf of the City with Hurd Real Estate Services, Inc.

PASSED AND ADOPTED this 4th day of March, 2019.

_____
Steven K. Gaer, Mayor

Attest:

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Ryan T. Jacobson, City Clerk