CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Approval to Initiate a Development Agreement between Dalton Partners, LLC and the 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 proposed a figure of $1.2 million as the value of the Minimum Assessment agreement. The applicant 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 creation of at least five (5) full-time equivalent employees.

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. Essentially, the program provides a five-year, 100% rebate of the incremental increase in property taxes on a property if the owner of the property expends a minimum of $500,000 on building upgrades/construction. The program also requires the creation/retention of a minimum of five jobs.

On November 26, 2018, Dalton Partners, LLC filed an application with the City to be considered for the program. Review of the application indicates that they are proposing to renovate an existing commercial property located at 333 5th Street. The applicant has secured a restaurant tenant, which will occupy this entire property and will create 16 full-time jobs. The construction is estimated at more than $2 million. The applicant has proposed a minimum assessment of $1.2 million. Based upon a minimum assessment of $1.2 million, the annual property tax rebate would be approximately $26,070, or $130,350 over the five years of the rebate.

Staff has reviewed their proposal and has found it complete.

The project site is within the Historic West Des Moines Urban Renewal Area.

This proposal was reviewed by the Finance & Administration Council Subcommittee on February 21, 2019, and funding from the Property Tax Rebate Program has been recommended for approval. The Committee also authorized the applicant to commence building construction and pulling necessary building permits upon site plan approval prior to the approval of the Development Agreement.

OUTSTANDING ISSUES: There are no outstanding issues.

RECOMMENDATION: The Finance and Administration City Council Subcommittee is recommending adoption of a resolution approving initiation of the Development Agreement, and authorization to commence building construction upon site plan approval.

Lead Staff Member: Katie Hernandez, Business Development Coordinator

STAFF REVIEWS

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

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	Finance & Administration		
Date Reviewed	February 21, 2019		
Recommendation	Yes ☒	No ☐	Split ☐

ATTACHMENTS:

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

EXHIBIT I

Property Tax Rebate Program

Date of Application: 11/26/2018

Address of Development Property: 333 5th Street, WDM

County Assessor District/Parcel Number of Development Property: 320/04589-000-000

Located in an existing Urban Renewal Area? If yes, please identify the Area:
Valley Junction Urban Renewal Area.

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

Full Legal Name: Dalton Partners, LLC

Address (if different from above): 108 3rd Street #219, DM 50309

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

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

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

Phone Number: 515-518-9345

E-Mail Address: scott@cutlerdevelopment.com

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

Commercial

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

Nature of Improvements: ☐ New Construction ☐ Addition ☑ Rehabilitation

Describe proposed Project:

Subject property is located at 333 5th Street and was built in 1914 as an auto dealership. Redevelopment will utilize State and Federal Historic Tax Credits to renovate the building into a high-end, full-service restaurant with a bakery.

Estimated Project Start Date: April 2019 Estimated Completion Date: April 2020

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

Budget Item	Amount
Building Construction	$1,025,474
Building Addition	
Building Remodeling	
Machinery & Equipment	$450,000
Tenant Improvements (if applicable)	
Technology Investments	
Furniture & Fixtures	
Other Major Investments (specify below)	
Acquisition Cost	$375,000
Tenant Improvement Cost	$793,658
TOTAL	$2,644,132

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):

How many jobs will this project create or retain?

Create: Full-Time 12 Part-Time 0
Retain: Full-Time 0 Part-Time 0

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?

_____

Which entity will be entitled to receive the Tax Increment Rebates?

_____

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

_____

Is the owner leasing the building to another entity that is operating the business? ____ If,

yes, please explain:

*Current owner is CSL Properties, LTD. Dalton Partners, LLC has the property secured via purchase agreement, and will acquire the property prior to commencement of any redevelopment. The scheduled closing date for the transaction is 4/15/19.

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

Have you applied for any other property tax exemption or rebate for the Development Property? Yes _____. If yes, explain: Redevelopment Funding Program (11/2/18)

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:

EXHIBIT II

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 DALTON PARTNERS, LLC, AND THE CITY OF WEST DES MOINES FOR ASSISTANCE UNDER THE PROPERTY TAX REBATE PROGRAM.

WHEREAS, Dalton Partners, LLC, proposes to undertake the renovation of the property located at 333 5th Street for a restaurant user; and,

WHEREAS, Dalton Partners, LLC, filed a formal application on November 26, 2018, with the City for financial assistance under the City's Property Tax Rebate Program; and,

WHEREAS, the application for assistance from Dalton Partners, LLC, has been found complete; and,

WHEREAS, by third party contract, the tenant will commit to create sixteen (16) full-time equivalent jobs; and,

WHEREAS, the Finance and Administration City Council Subcommittee at their meeting on February 21, 2019, recommended that the City Council approve Dalton Partners, LLC's request for approval under the Property Tax Rebate Program and allow Dalton Partners, LLC to pull necessary permits prior to the approval of a Development Agreement between Dalton Partners, LLC, and the City of West Des Moines; and,

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

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 Dalton Partners, LLC.

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

_____
Steven K. Gaer, Mayor

Attest:

_____
Ryan T. Jacobson, City Clerk