CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Approval to Initiate a Development Agreement between Cutler Development and the City of West Des Moines **DATE: June 17, 2019**

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

FINANCIAL IMPACT: The applicant has proposed a figure of $410,000 as the value of the Minimum Assessment Agreement. Based upon that figure, the property tax rebate over five (5) years would not exceed $27,760. 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 May 22, 2019, Cutler Development 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 312 5th Street. The applicant has secured a retail tenant, which will occupy the ground floor and will create 5 full-time jobs. The construction is estimated at more than $655,000. The applicant has proposed a minimum assessment of $410,000. Based upon a minimum assessment of $410,000, the annual property tax rebate would be approximately $5,552, and will not exceed $27,760 over the five years of the rebate.

Cutler Development has requested a waiver for the allowance to pull building permits prior to the approval of the Development Agreement. Staff has no issue with this allowance, as this is consistent with all other projects under this program.

Staff has reviewed their proposal and has found it complete.

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

Due to a lack of other items on the Finance & Administration Subcommittee meeting agenda on June 5, 2019, an email was sent to the Subcommittee members with information on this project. No questions or comments were received.

OUTSTANDING ISSUES: There are no outstanding issues.

RECOMMENDATION: Adoption of the resolution approving initiation of the Development Agreement, and authorization to pull necessary permits and 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 CEE
Appropriations/Finance	Tim Stiles, Finance Director
Legal	JDS
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			
Date Reviewed			
Recommendation	Yes ☐	No ☐	Split ☐

ATTACHMENTS:

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

Property Tax Rebate Program

Date of Application: 5/22/2019

Address of Development Property: 312 5th Street, WDM

County Assessor District/Parcel Number of Development Property: 320/04594-000-000

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: Cutler Development

Address (if different from above): 1307 50th Street, WDM

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 312 5th Street, West Des Moines (LOT 6 BLK 19 1ST ADD TO VALLEY JUNCTION). The property will be developed by Cutler Development, and would provide five additional apartment units to tenants of diverse income and also a renovated retail bay with frontage on historic 5th Street.

Proposed renovations would be thorough and complete to the building exterior and interior. Exterior improvements would include new roof, siding, windows, landscaping, parking, etc. Interior improvements would include all new mechanical, electrical, plumbing and fire; and also all new finishes and fixtures.

Estimated Project Start Date: 9/1/2019 Estimated Completion Date: 6/1/2020

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

Budget Item	**Amount**
Building Construction	
Building Addition	
Building Remodeling	$655,000
Machinery & Equipment	
Tenant Improvements (if applicable)	
Technology Investments	
Furniture & Fixtures	
Other Major Investments (specify below)	
Building Acquisition	$330,000
TOTAL	$985,000

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): TBD

How many jobs will this project create or retain?

Create: Full-Time 2 Part-Time 3
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:

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: 333 5th Street, West Des Moines

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 CUTLER DEVELOPMENT AND THE CITY OF WEST DES MOINES FOR ASSISTANCE UNDER THE PROPERTY TAX REBATE PROGRAM.

WHEREAS, Cutler Development proposes to undertake the renovation of the property located at 312 5th Street for a retail user; and,

WHEREAS, Cutler Development, filed a formal application on May 22, 2019, with the City for financial assistance under the City's Property Tax Rebate Program; and,

WHEREAS, the application for assistance from Cutler Development has been found complete; and,

WHEREAS, by third party contract, the tenant will commit to create five (5) full-time equivalent jobs; and,

WHEREAS, Cutler Development has requested the allowance to pull necessary building permits to initiate the redevelopment project prior to the approval of the Development Agreement; 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 Cutler Development, and approves of the allowance for Cutler Development to pull necessary building permits prior to the approval of the Development Agreement.

PASSED AND ADOPTED this 17th day of June, 2019.

_____
Steven K. Gaer, Mayor

Attest:

_____
Ryan T. Jacobson, City Clerk