

## **Staff Report: Birchwood Court Development & Road Extension**

**Date:** July 10<sup>th</sup>, 2018

### **Background**

Since the initial development of western portion of the Hubbell property along Birchwood Ct. in 1998, it has been the intention of Hubbell and the City of Johnston to create a connection from Birchwood Ct. to NW 54<sup>th</sup> Ave. However, due to numerous alignment and property acquisition related issues construction of the Phase II Birchwood Court to NW 54<sup>th</sup> Ave. connection was never completed. While the agreement related to the Phase II road extension has expired, the City of Johnston's original Birchwood Court economic development objectives and desire for a safe and efficient connection between 54<sup>th</sup> Ave. and Birchwood Court remain.

### **Citizen Working Group**

Resolution 16-133 established a Citizen Working Group made up of area employees and residents concerned about traffic and connectivity near NW 54<sup>th</sup> Ave. began meeting to discuss traffic remedies and potential road alignments for the Phase II Birchwood Ct. and NW 54<sup>th</sup> Ave connection. Snyder & Associates studied traffic in the area and several traffic surveys were undertaken. Summarized, traffic counts along Foxboro saw a decline after the new high school opened while NW 54<sup>th</sup> saw an equivalent increase. Snyder also determined an extension of Birchwood to NW 54<sup>th</sup> Ave would not result in a significant increase in traffic through Foxboro. There remains ongoing discussion and evaluation regarding implementation of a "Road Diet" on NW 54<sup>th</sup> Ave. that would narrow the road, among other traffic calming measures, to create a safer crossing situation for students walking to Timber Ridge Elementary.

The Working Group met and discussed Snyder's traffic reports and evaluated several possible road alignments. While no silver bullet solution was identified, there was majority agreement a road connection to NW 54<sup>th</sup> that was off-set from Foxboro and didn't impact land-owners not participating in development would be preferred. The discussed potential road alignments are shown below.

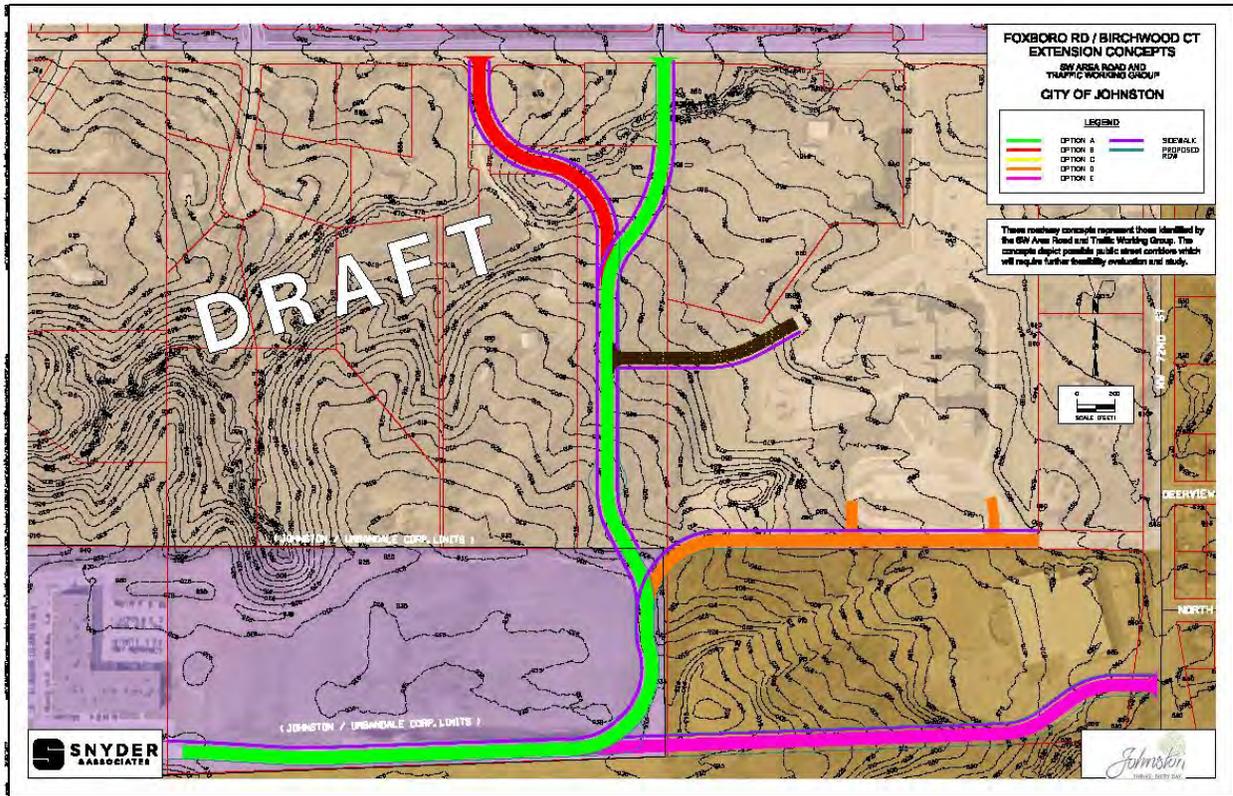


Figure 1: Working Group Discussed Road Alignments

### Proposed Road Alignment

In early 2018, an alternative alignment similar to the proposed alignment below was identified by City Staff. The alignment was shortly thereafter discussed and favorably received at a Council Work Session. The alternative alignment was also favorably received by impacted property owners (Hubbell and Wrights) and an agreement between the property that would allow for construction of the road is presently in place. This alternative alignment only directly impacts the Hubbell and Wright properties. The alignment has also been evaluated by Snyder & Associates who recommended a slight shift of the NW 54<sup>th</sup> connection to the west but otherwise found the alignment to be suitable and appeared to be responsive to many of the Working Group’s preferences. On July 9<sup>th</sup> the alternative alignment along with updated traffic report was presented to the Working Group and both of which appeared to be generally well received by attendees.

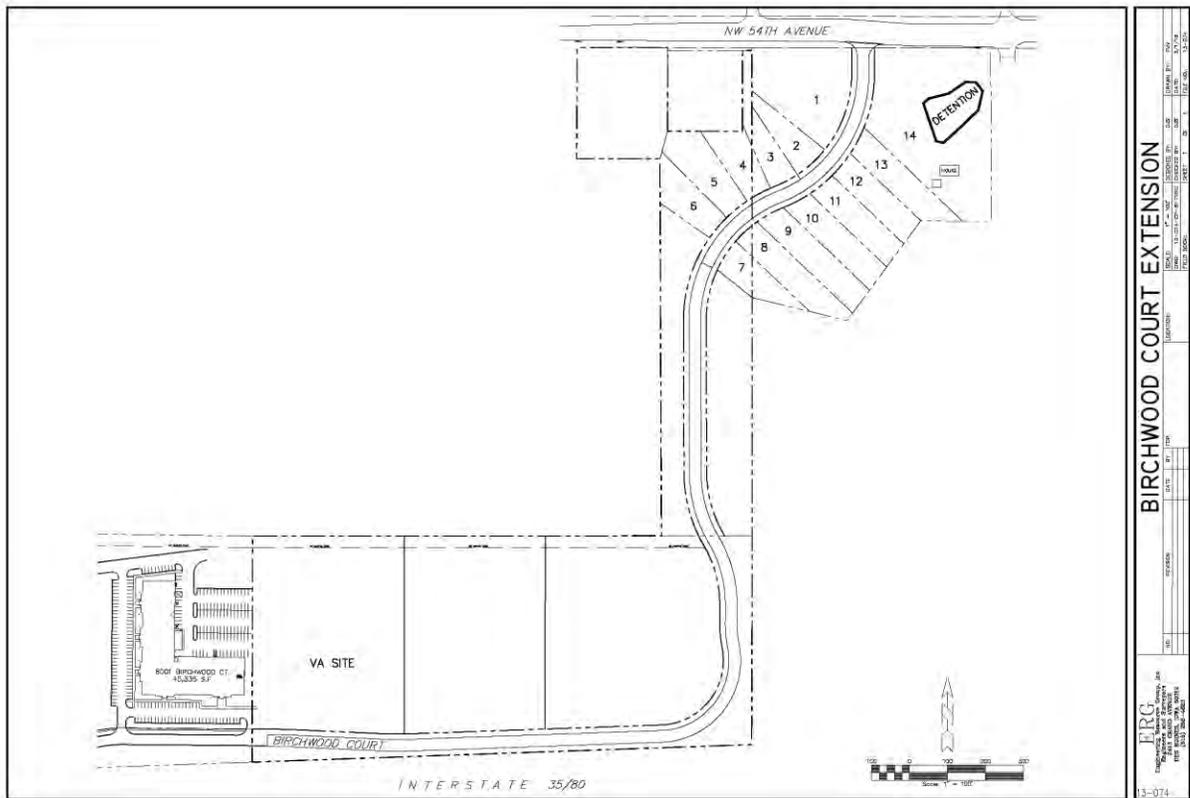
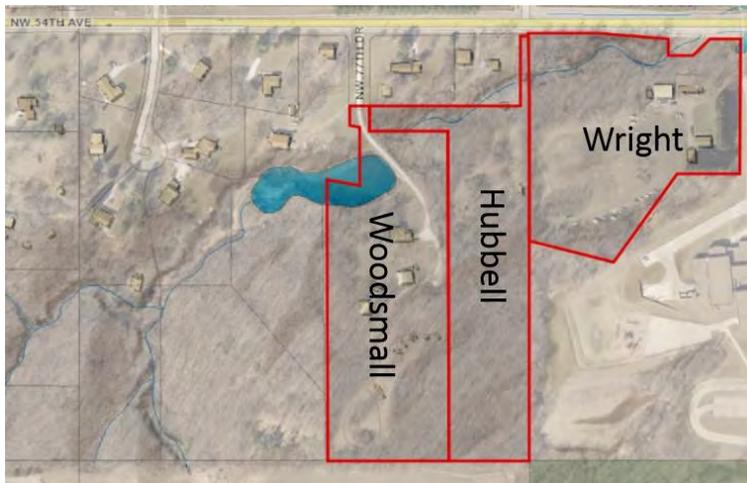


Figure 2: Proposed Road Alignment subject to minor modifications along 54<sup>th</sup> Ave. connection

### Proposed Development South of NW 54<sup>th</sup> Avenue



The three properties adjacent to the proposed alternative Birchwood Ct. extension are currently in unincorporated Polk County but designated as low-density residential in the City of Johnston's Future Land Use Map.

The Wright property is anticipated to request annexation and a zoning classification of R-1(75) which would exclusively allow for construction of single-family detached residential

structures.

The Hubbell property west of the Wright and Timber Ridge Elementary has requested annexation and a zoning classification of R-2. R-2 allows for single family detached residential or single family bi-attached. Hubbell has indicated their intent is to construct single family-detached along the east side of the property.

No other properties would be required to be annexed as part of the potential development.

The Woodsmall property has no immediate annexation or development plans. If the property were to annex and develop in the future it would be anticipated to develop at a density of R-2 or less, which is consistent with the City of Johnston Future Land Use Map.

Table 167.04 Setback, Bulk and Density Standards by District							
	Maximum DU/AC	Maximum Building Height (in feet)	Minimum Lot Area (square feet)	Minimum Lot Width (feet)	Minimum Setback (in feet)		
					Front	Side/Sum	Rear
<b>Single family detached</b>							
A-R Agriculture Reserve	0.033	none	30 ac.	660	75	50/100	75
CD Conservation District	0.046	none	80,000	200	50	50/100	50
R-E	0.33	35	3 ac.	225	50	15/35	50
R-1(150)	0.875	35	40,000	150	40	12/30	50
R-1(100)	1.97	35	15,000	100	40	10/21	40
R-1(90)	2.60	35	12,500	87	35	9/19	35
R-1(75)	3.44	35	9,500	75	35	8/17	35
R-1(60), R-2	4.35	35	7,500	60	30	7/15	35
<b>Single-family bi-attached</b>							
R-1(75) (with special use permit)	5.4	35	16,000	100	35	10/20	35
R-2	7.0	35	12,500	100	30	10/20	35
R-3, R-4	7.0	35	12,500	100	50	10/20	35

The School District has been encouraged to submit an annexation petition for Timber Ridge School and Staff has advised School District staff and the School Board on the Road Diet study and proposed road alignment. Potential action regarding annexation may occur at the next School Board meeting. The petition of annexation from the school is not necessary for the project to progress but it is preferred and anticipated. Annexation of the Wright, Hubbell and school property would decrease the island of unincorporated property in the area leaving the properties to the west as unincorporated but able to request annexation into Johnston as desired and the area east of the school along NW 72<sup>nd</sup> St. to eventually annex into Urbandale when/if desired. The state has reviewed this proposed annexation plan and indicated it would acceptably reduce the existing unincorporated island.

Annexation would take 4-6 months, during which Polk County could subjugate infrastructure design and sub-division proceedings to the City of Johnston if desired. However, development of structures in the currently unincorporated portion of the area would be unlikely until annexation is complete.

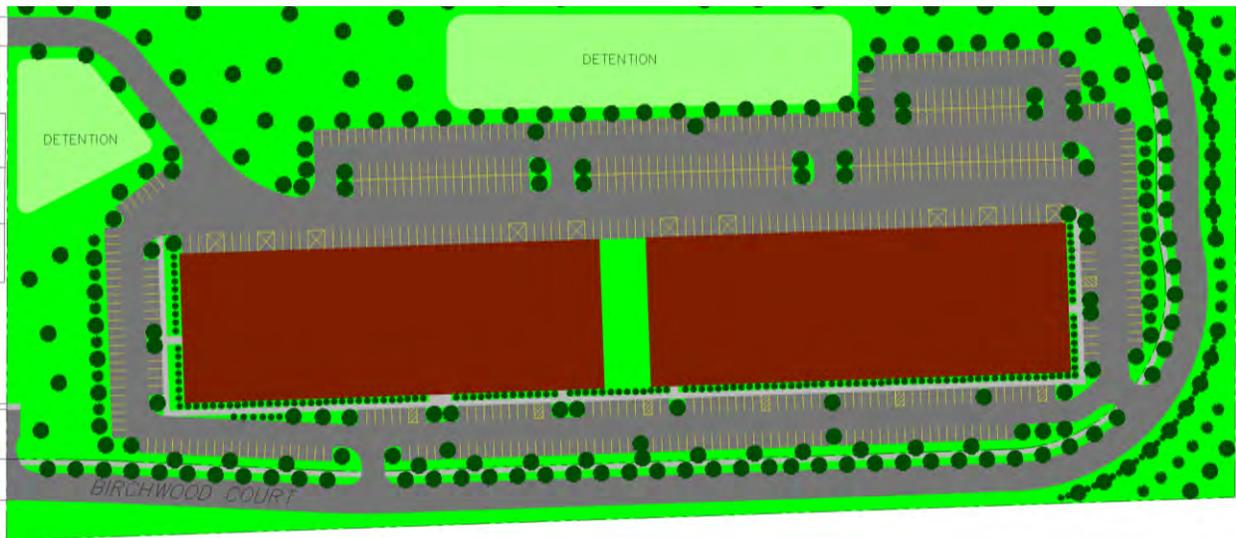
**Anticipated Commercial Development South of NW 54<sup>th</sup> Ave**

Hubbell has expressed a desire to construct two speculative 75,000 sq. ft. commercial tech-flex buildings east of the existing commercial buildings along the north side of Birchwood Ct. The first of which could

begin construction as early as late 2018. The buildings are anticipated to be similar in nature to the existing adjacent office-flex buildings with office uses and limited interior warehousing space. No site-plans have been submitted to the City at this time, but a draft site layout and façade rendering are shown below. The property is currently zoned as a Planned Unit Development which allows for C-2, Community Retail Commercial, Professional Commerce Park and limited C-3 uses. Development of this property, which is currently within City limits, could begin upon completion of the site-plan approval process.



*Existing Aerial*



*Possible Building Configuration*



*Possible Façade Rendering*

## Use of Tax Increment Financing

### Background

*The City of Johnston and Birchwood Crossing Business Park, L.C. entered into an Agreement for Private Development dated December 7, 1998, by which the City agreed to make economic development grants to Birchwood Crossing Business Park, L.C. or its successors or assignees at the rate of \$1.00 for each \$7.61 of taxable value it added to this area of the project. Phase I of the project provided up to \$1,054,000, to be paid in one or more installments as a certificate of occupancy is issued for each building and a minimum assessment agreement is entered for that building. The buildings referenced in Phase I were to be occupied before December 31, 2009. Phase II of the agreement increased the rebate amount if the developer extended Birchwood Court (including water and sewer) to NW 54th Avenue. The developer would be rebated the lesser of the costs of such street construction or \$797,214, upon acceptance of the completion of such construction.<sup>1</sup> The termination date of the agreement was January 1, 2010.*

*On August 17, 2009 the City of Johnston and Birchwood Business Park, L.C. approved Amendment No. 1 to the agreement for Private Redevelopment which extended the deadline for the Phase I minimum improvements and the Phase II Public Improvements to November 1, 2016. The amendment also extended the termination date of the agreement to December 31, 2018.*

As of November 1, 2016, the City had rebated \$837,977 of the \$1,054,000 portion of the Phase I economic development grants which represents the entire obligation of the City based on the terms and conditions of the Development Agreement. There was \$216,023 of potential rebates from Phase I that were not rebated since there were no additional buildings constructed and occupied prior to November 1, 2016. Since there were no public improvements constructed per Phase II of the agreement that portion of the rebate (\$797,214) was not provided

The City has met all the financial obligations required in the original agreement and amendment No.1.

Again however, due to numerous alignment and property acquisition related issues the Phase II Public improvements, construction of the Birchwood Court to NW 54<sup>th</sup> Ave. connection, was never completed. While the agreement related to the Hubbell road extension has expired, the City of Johnston's original Birchwood Court economic development objectives and desire for a safe and efficient connection between 54<sup>th</sup> Ave. and Birchwood Court remain.

In Spring 2018 the currently proposed alignment along with Option B (RED) in Figure 1 were brought to City Council Work Session for discussion along with the following comments and proposed method of financing the road connection and TIF assistance.

*In anticipation of Hubbell constructing the buildings and public improvements contemplated in the original Development Agreement, the City collected tax increments in excess of what was rebated to Hubbell. The tax increments were to be rebated to Hubbell as additional buildings were constructed and*

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<sup>1</sup> Per Hubbell Presentation on Birchwood Crossing History

*occupied and the public improvements constructed. Since Hubbell did not and or was unable to construct the buildings or install the public improvements, the additional tax increments collected were not rebated to them, therefore, the funds are in the Beaver Creek West Urban Renewal Area account. Use of the funds toward the construction of a road connection from Birchwood Crossing to NW 54<sup>th</sup> Avenue would provide significant public benefit to the community. Staff recommends the City Council honor the intent of the original agreement to pay the developer the lesser of the costs of such street construction (including utilities) or an inflation adjusted maximum of \$1,306,328<sup>2</sup> upon acceptance of the completion of such construction conditioned on the building development.*

*Additionally, staff recommends City Council consider helping reduce the financing gap for the proposed Hubbell spec buildings if the buildings' percentage of finished space exceeds the PUD's original 30% requirement. Increasing the percentage of finished space will create additional tax base and raise the likelihood of a significant employer locating in the structure. The spec buildings should also adhere to or improve upon Hubbell's currently expressed building design.*

*A draft rebate template follows below:*

<i>Percentage of Finished Space</i>	<i>5 Year TIF Rebate based on taxable value</i>
30%	0%
40%	10%
50%	20%
60%	30%
70%	40%
80%	50%
90%	60%
100%	70%

At prior Economic Development Committee Meetings and Council Work Session there was a consensus to support the above means of financing the road and for the draft rebate template along with further exploration of the two viable road alignments

With Hubbell and the Wrights having arrived at what appears to be an acceptable road alignment and Hubbell having further evaluated cost, market demand and cash-flow projections, the intention for this evening's discussion is to confirm each parties' current intentions are in-line with City Council expectations.

Hubbell's development intentions have shifted slightly in the preceding six months going from one 125,000 sq. ft. building and a smaller 25,000 sq. ft. building to two 75,000 sq. ft. buildings with updated facades. Hubbell's current request is for the \$1.3 million to enable construction of the spec building in conjunction with a 100% rebate for five years for each of the 75,000 sq. ft. buildings.

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<sup>2</sup> Reflects 20 years of inflation at 2.5%

Below are the general parameters for TIF Incentives.

## Economic Development Incentives Information Sheet



*Interested parties should contact the City of Johnston Economic Development Department during the initial stage of project planning at 515-727-7774 or [aplage@cityofjohnston.com](mailto:aplage@cityofjohnston.com).*

<p><b>To Qualify for the TIF Program the Proposed Project Must:</b></p> <ul style="list-style-type: none"> <li>◆ Be located within an Urban Renewal District (Map on page 2)</li> <li>◆ Create new taxable valuation and have a job component</li> <li>◆ Be primarily office or industrial in nature</li> <li>◆ Be compatible with community environment, existing businesses and infrastructure</li> </ul> <p><i>Or Support Objectives Within the Merle Hay Road Targeted Areas:</i></p> <ul style="list-style-type: none"> <li>◆ <u>Gateway</u>: North of I80/I35 and south of NW 55th Ave.</li> <li>◆ <u>Town Center</u>: North of NW 61st Ave. and south of NW 63rd Pl.</li> </ul> <p><b>Additional Considerations For Determining Incentive Package:</b></p> <ul style="list-style-type: none"> <li>◆ Infrastructure expansion needs</li> <li>◆ Value of new tax base and quality of employment being created or retained</li> <li>◆ Whether City architectural standards are met or exceeded</li> <li>◆ Whether the project is in a targeted area</li> <li>◆ Whether TIF has already been utilized to improve the property site</li> </ul>	<p><b>Incentives</b></p> <p><i>Base TIF Program</i></p> <p>50% of available incremental property taxes generated by the project for up to 5 years.</p> <p><i>Expanded TIF Program</i></p> <p>100% of available incremental property taxes generated by the project for up to 5 years.</p> <p><i>Targeted Area TIF Program</i></p> <p>75% of available incremental property taxes generated by the project for up to 10 years.</p> <p><b>Payment Structures</b></p> <p><i>Typical: Annual rebate.</i></p> <p><i>Subject to availability: Forgivable loan of provided upon occupancy certificate. 20% forgiven each year for five years.</i></p> <p>Other payment alternatives may be considered by City Council</p> <p><b>Other Incentive Programs</b></p> <p>Additional incentives may be available through Iowa Economic Development Authority's High Quality Job Program.</p>
<p>City Council reserves the right to take additional considerations into account when determining a final incentive package and is not limited to the guidelines contained within this brochure.</p>	

*A full list of TIF program qualifications and the TIF Application are available at <http://www.cityofjohnston.com/DocumentCenter/View/5103>*

If Council is preliminarily supportive of the road alignment, proposed development and a mutually acceptable financial assistance package, annexation proceedings, site-plan and a development agreement will proceed forward for Council review and consideration.