

## **Staff Report: City of Johnston & Ignit Term Sheet**

**March 12<sup>th</sup>, 2020**

### Project Scope

30-acre project site along the western Johnston Gateway (See attached project map).

Private construction of a \$20-\$25 million 189,000 sq. ft. recreation facility, outdoor field space and parking sufficient for weekday operations. The minimum improvements are anticipated to have an assessed value of \$18.5 million which will generate \$5 million in TIF increment over ten years.

City construction of adjoining public outdoor sports fields and regional stormwater detention. Overflow public parking for surrounding area will be constructed by the city underneath existing powerlines on City and Childserve property.

### Project Objective and Background

The Ignit project has been under discussion for approximately two years. The Gateway recreational concept was originally conceptualized in the 2014 Gateway Plan and prioritized at the 2018 City Council Strategic Planning Session. While the Gateway Plan conceptualized a public recreation facility, the proposed public-private partnership model expands on the original vision while reducing city overall investment and operational costs relative to the creation of a regional attraction that will pay property taxes and energize redevelopment in the Gateway area. The project would also result in the demolition of Imperial Storage which does not currently comply with building design standards or the zoning code.

### Land Acquisition Status

The project site area is currently under the ownership of six landowners. The status of the properties' ownership and/or future partnerships with the landowners are stated below.

1. Imperial Storage property is under contract by Ignit.
2. Pagalias Pizza west property is under contract by Ignit.
3. The City of Johnston has entered into a lease for the City of Urbandale property along the west section of the project site.
4. Childserve has indicated a strong willingness to partner on the parking and stormwater issues. Additional conversations will take place with Childserve leadership and Ignit during the due diligence period.
5. ACCO has signed a purchase agreement for the west 5.1 acres of their property. Consideration for City acquisition of the property is on this evening's agenda.
6. The northern property west of Childserve is currently owned by the City of Johnston.

### Nonbinding Term Sheet Summary

Due to the project's complexity, in particular the number of properties and the substantial grading needing to occur on the development site, a nonbinding Term Sheet is being presented to set expectations prior to investment by the City and Ignit into site grading, engineering and design work that will occur during the ongoing due diligence period. The key business points proposed in the nonbinding Term Sheet are discussed below. Upon the end of the due diligence period and completion of the due diligence work, refined cost estimates will be incorporated into a binding Development Agreement between the City of Johnston and Ignit prior to the project proceeding.

#### Cross Utilization

The City will utilize the Ignit facility for City Park and Recreation programming and/or providing subsidized rates for Johnston recreation clubs. The City will commit to a maximum of 10% of the facility's rentable time. 10% utilization equates to 144 hours of annual primetime use of the entire facility and 144 hours of annual non-primetime use of the entire facility. Actual city usage would be contained to various areas within the building and be based on needs over the duration of any given day. Ignit has indicated they are agreeable to a portion of this 'utilization' being in the form of Ignit staff time to referee or assist in City recreation operations, this would allow for a slower build-up of City recreation staffing and programming. Ignit would utilize the City's regional parking during weekend tournaments and have some exclusive rights to some adjoining city fields during specific weekends. The cost of this Ignit utilization of some adjacent City fields would be deducted from the cost of City utilization of Ignit space and is discussed in further detail in the utilization section below.

#### Parking

The City will construct and maintain the north public parking on Childserve and City property which would be utilized for large events at Terra Park, the City fields and for Ignit tournaments. Ignit will construct and maintain their own parking lot of approximately 300 stalls, which is anticipated to be sufficient for average daily use of the Ignit facility. Due to parking lot and sports field proximity, Johnston residents would generally be able to utilize the southern Ignit parking to access City sports fields and Ignit customers would be able to utilize the north City parking lot for access to the Ignit sports fields. Childserve does not typically utilize their south parking on lot weekends, which is expected to allow for a potential utilization agreement for a portion of their existing parking lot.

#### City Park

The City park component is not currently designed or accounted for in the City CIP. Concepts include a cricket field, the first in the metro, a small playground and several multipurpose sports fields. Some use of the City sports fields by Johnston Urbandale Soccer Club has been discussed but no determination has been made.

#### Road Construction and Road Access

The Term Sheet proposes City construction of a continuation of Johnston Drive west to the Sonic and Jimmy John west property lines. City involvement on this section is due to the need for collaboration with these adjoining property owners and the need to reconfigure their parking lots to allow for better stacking cars at the MHR and west Johnston Dr. intersection. Ignit is anticipated to construct the remaining portion of Johnston Drive west through the project site. The entirety of the road will either be open to public use or become City ROW.

Ignit and City Park users will have access to the facilities through the extended Johnston Dr. and from the existing Childserve parking lot north of Johnston Dr. A secondary right in right out access to MHR south of Johnston Dr., likely on the ACCO development property, is desirable but will likely have to be completed at the time of development of the ACCO development property. A road connection from the Pagalias parking lot is also possible but may not be desirable by Pagalias.

### Public Participation

Three public participation components are proposed and described in detail below.

1. Predevelopment Grants and regional infrastructure construction. These are primarily to address site-specific challenges and are necessary to make the project feasible in the preferred location as well as financeable for Ignit. Specific amounts and timelines for these incentives will be finalized during due diligence period and defined in the future development agreement.

Estimates are provided below:

- (1) above market-value property acquisition costs or premiums estimated at \$600,000-\$800,000,
- (2) environmental remediation costs estimated at \$25,000-\$50,000;
- (3) demolition costs estimated at \$200,000;
- (4) grading costs (including fill material not provided by the City) associated with bringing the Development Property out of the floodplain, estimated at between \$600,000-\$1,000,000;
- (5) construction of Ignit portion of road network estimated at \$400,000-\$600,000;
- (6) City 10% 5-year utilization down payment estimated at \$200,000;
- (7) Due diligence predevelopment assistance estimated at \$100,000-\$200,000;

The value of predevelopment grants is not expected to exceed \$3,100,000.

The City will also undertake development of regional infrastructure including stormwater detention serving Childserve, Ignit and City facilities and parking serving Terra Park, the City sports park and Ignit facility. A value based on 50%-75% of these costs in relation to the direct benefit to Ignit for these public improvements will be assigned and the proposed post development grants discussed below will be reduced by this dollar amount.

The timing for payment and amount of the individual predevelopment grants will be tied to completion of tangible milestones such as property closing, completion of demolition, grading and construction of the road network. Grants will be dependent on the availability of City funds and the completion of all necessary approval processes. Predevelopment grants for due diligence and utilization will be secured by the City's right to purchase the development property at 85% of Ignit's purchase price with deductions for any utilization or due diligence payments made by the city.

2. 5-10 Year Utilization Agreement

1. The future Development Agreement will provide the City or city partners use of the Minimum Improvements for a percentage of time that will not exceed 10% of typical daily programming time for the Ignit facility. Some utilization may be provided in the form of Developer staff assisting in City recreation programming. The cash cost, not accounting

for city revenues generated from city recreation programming or charges to Ignit for their utilization of the City park, is not expected to exceed \$400,000 annually or \$2,000,000 in total over five years. The final development agreement will also secure the right for the City of Johnston to extend City utilization of the Ignit facility at the agreed upon rate plus a CPI adjustment.

- i. Possible sources of funds for the City utilization include revenues generated by the recreation programming (\$40,000-\$77,000 annually), reallocation of community education dollars (\$87,000), offsets from Ignit use of City field space (\$20,000-\$35,000), TIF increment, revenue generated from Johnston based recreation clubs purchasing time at a subsidized rate and/or any revenue derived from new hotel motel tax resulting from the project.
  2. The cross-utilization agreement will provide Developer with exclusive use of city owned outdoor recreation space during specific times not to exceed 15 weekends a year, and the use of a portion of available public or partner parking for high volume events. The value of this park utilization is yet to be determined and will be based on need and the nature of the City Park improvements but is not expected to exceed \$35,000 annually which will be deducted from any City utilization payments for use of the Ignit facility.
  3. The Johnston Parks Department has provided attached information regarding potential city programming and other similar city's subsidization of city recreation services. These City recreation services are not expected to compete with Ignit's services but instead provide opportunities at the recreational level, not competitive level, to all Johnston residents, regardless of their membership to the Ignit facility.
3. TIF Rebate. The Gateway Area has a Targeted Redevelopment TIF Policy in place providing for up to a 10-year 75% rebate for project's furthering City objectives in the area. The Ignit project is expected to generate approximately \$5 million in TIF increment over ten years. 75% of this increment equates to approximately \$3.75 million. A portion of the city regional infrastructure investment for the road, stormwater detention and public parking will be deducted from the estimated \$3.8 million TIF rebate in accordance with Ignit's direct benefit for these improvements. Considering these deductions, the expected range for TIF rebate incentives is between \$2 and \$2.5 million.
  - a. TIF Variables
    - i. While no façade has currently been designed, architectural requirements have been discussed and there is an understanding the east building will need to meet or exceed these requirements. The fieldhouse to the west is anticipated to be a polyurethane material. The anticipated zoning classification for the project is a Planned Unit Development.

### Total City Investment

The estimated committed City investment into the Ignit project is expected to be between \$7 and \$8.3 million, in total, over ten years. This estimate includes the cost for an initial 5 years' worth of 10% utilization of the Ignit space by the City along with predevelopment and post development incentives and public infrastructure. The \$7-\$8.3 estimate excludes; future City investment into the City Park and acquisition of the City Park along with any optional utilization extensions beyond the initial five year commitment. The City's Financial Advisor has prepared a Return on Investment Analysis regarding the

Tax Increment Revenues and that document is included. Difficult to measurement is the economic intangible this development is going to provide in spurring development in the Johnston Gateway.