

MINUTES OF THE SPECIAL MEETING OF THE AMES CITY COUNCIL

AMES, IOWA

MAY 15, 2007

The Ames City Council met in special session at 7:00 p.m. on the 15th day of May, 2007, in the City Council Chambers in City Hall, 515 Clark Avenue, pursuant to law with Mayor Ann Campbell presiding and the following Council members present: Doll, Larson, Mahayni, Popken, and Rice. *Ex officio* Member Luttrell was also present. Council Member Goodman was absent. Others present were: Allyson Walter, Interim Director of the Main Street Cultural District (MSCD); Scott Bauer, Chairman of the Board of Directors for the Chamber of Commerce; Mike Roof, Ames Economic Development Commission (AEDC) Chairman; Dan Culhane, President and Chief Executive Officer of the AEDC; Tim Coble, Vice-President of the MSCD; Catherine Scott, Smart Growth Alliance; Merlin Pfannkuch, citizen; Sharon Wirth, President of the League of Women Voters; Dick Johnson, Responsible Growth; Jim Gaunt, AMOS; Steve Carter, Past Chairman of AEDC and President of the ISU Research Park.

REVIEW OF 2002 INDUSTRIAL STUDY: City Manager Steve Schainker advised that the City Council had held a Goal-Setting Session on May 5, 2007. One goal that was reinforced at that Session was to support Iowa's bio-economy, and one task for that goal was to review the 2002 Industrial Study to ensure that Ames would be able to provide adequate locations for new companies and/or industries.

Ames Planning & Housing Director Steve Osguthorpe advised that the Industrial Land Study was completed in July 2002 to review the amount of industrial land available in the City and the projected need to the Year 2030. The Study provided an inventory of both General Industrial (G-I) and Planned Industrial (P-I) land existing at that time and also outlined the availability of vacant land in each category.

Director Osguthorpe stated that the Study projected a need for an additional 340 acres [224 acres for General Industrial (G-I) growth and 116 acres for Planned Industrial (P-I) growth]. It also identified an area of 2,850 acres on the east side of I-35, which was divided into three phases for future development. The first phase consisted of 824 acres with estimated infrastructure costs of \$6,200,000 (based on 2002 costs). Phase 2 represented 794 acres, with estimated infrastructure costs of approximately \$14,000,000, and Phase 3 included 1,232 acres with infrastructure costs of approximately \$20,000,000. According to Mr. Osguthorpe, the Urban Fringe Plan was incorporated in the Land Use Policy Plan (LUPP) Map by the City Council in August 2006 to designate the Phase 1 area for industrial use and Phases 2 and 3 areas for Long-Term Industrial Reserve. Mr. Osguthorpe pointed out that the site of the proposed Lifestyle Center is located in the Phase 1 area. The Lifestyle Center site consists of only 289 acres, leaving a balance of 535 acres in the area still available for industrial development, which far exceeds the projected need of 340 acres for total industrial land area. However, since part of that area had been designated as P-I, Phase 1 does not specifically satisfy the G-I land deficiency, and future amendments to the LUPP might be necessary to facilitate those industrial uses not otherwise permitted in the P-I zone.

Mr. Osguthorpe said that there are few differences between the P-I and G-I designations. Primary differences are that the Planned Industrial zone does not allow for concrete and asphalt operations and requires a higher degree of development standards than the G-I zone.

Those present were told by Director Osguthorpe that, except for the elimination of 289 acres of industrial land from the Phase 1 area to account for the proposed Lifestyle Center, the conclusions of the 2002 Industrial Lands Study appear to be current and relevant. Again, the only issue that might require further consideration is the lack of land specifically designated for General Industrial. The Phase 1 area is characterized by 40-plus acre parcels, making it attractive for industrial uses requiring large expanses of land. This finding is significant because the vacant industrial land currently available within existing City limits is primarily characterized by smaller parcels of one to ten acres in size with only six parcels of 20 acres or more. These totals do not account for potential infill of redevelopable parcels; however, the number of redevelopable parcels of any size appears to be relatively low. Charts showing the industrial parcel sizes and vacant parcels by size were shown.

Mr. Osguthorpe said that, since the City Council had already taken action to amend the LUPP to reflect the industrial expansion east of I-35, the question now is whether the City should actively pursue annexation of the Phase 1 area as a means of attracting industrial development into the City. It is likely that development will ultimately depend either upon the City's willingness to provide the required infrastructure within the next four years to serve the property or the timing of the extension of utilities by private parties.

City Manager Schainker stated that, in order to support the bio-economy, it appears that additional land needs to be added to the inventory to accommodate larger lots and attract industrial businesses. He said that, while the City could move immediately to annex and extend utilities east across the highway to enhance its ability to market the area for industrial development, it is expected that infrastructure would be extended if the developer of the lifestyle center moves forward.

Mr. Schainker said that land projections were based on the past absorption rate, and it could be argued that those were "boom years," and that type of growth might not occur again. Mr. Osguthorpe indicated that Ames is currently absorbing land faster than originally anticipated. Dick Johnson advised that there have been industries initially interested in locating in Ames, but Ames could not meet their requirements, and they located elsewhere. Dan Culhane advised that a large distribution center looking to establish in Ames needed 75 acres. The only site at that time that could accommodate that development was off of Dayton, which was not a desirable location for the developers, and the company ultimately developed elsewhere.

Council Member Larson pointed out that in order to attract large industries, it appears that the site needs to be developed with infrastructure, and a decision will need to be made on how the City will finance those improvements across the Interstate unless the development of the Lifestyle Center comes to fruition.

Mr. Pfannkuch asked if Ames has a Standard Industrial Tax Abatement program and if it could be discontinued if the City provided the infrastructure improvements. City Manager Schainker advised that that program was administered by the state. If the City adopted it, it would be in place for all eligible projects; the City cannot “pick and choose” when to use it and when not to use it. Mr. Schainker also explained how Tax Increment Financing (TIF) had been used in the past in the City, and listed the benefits and risks to the City when TIF is given.

Catherine Scott asked if supporting the bio-economy necessitated large lots. Mr. Carter explained that the types of businesses that would fall under the category of “bio-economy,” e.g., processing plants, resource and development, would need lots larger than 40 acres. Mike Roof added that those types of companies also want enough land to expand in the future should the need arise. City Manager Schainker explained the need for the City to analyze the benefits and drawbacks of each company prior to offering incentives. Elaborating, he said that if a company would have a high demand for water, electricity, or sewer, it would put too much strain on the City’s system and would necessitate the need for expensive expansions, so the City would not recommend offering incentives. Mr. Carter pointed out that the proximity to the interstate and rail line is very important for processing plants.

Dick Johnson said that he believed one thing that needed to be dealt with, in addition to providing larger lots for industrial growth, is how the future industrial land is going to be owned after the construction of infrastructure. He also stated that private developers might have a difficult time competing with large companies that receive incentives from the City. Council Member Popken said that he had heard that the No. 1 reason for a company to locate in a particular site was to have it fully developed with infrastructure. Mr. Johnson agreed, stating that most companies/industries have a tight time frame for development and want the infrastructure in place prior to committing to a location.

Mr. Culhane, on behalf of the Ames Economic Development Commission, offered no recommendation other than they need large fully developed parcels soon. He said that Ames had already lost good companies to other communities, citing particularly a research and development company that had chosen to develop in Ankeny, and that city was now receiving its benefits. Jim Gaunt asked how that company benefitted Ankeny. Mr. Culhane stated that the company had brought 100 scientists, and their families, with annual salaries in excess of \$100,000, plus those persons, and their families, who filled the processing jobs. Ankeny schools benefitted from the increased enrollment, and Ankeny’s economy benefitted from the salaries. Mr. Culhane suggested that it would be best to allow the land to accommodate mixed uses, i.e., general and industrial. Steve Carter suggested that the AEDC bring a proposal back to the City Council in the near future.

The meeting adjourned at 8:05 p.m. and reconvened at 8:12 p.m.

USE OF HOTEL/MOTEL TAX RECEIPTS RELATED TO ECONOMIC DEVELOPMENT:

A letter from Gregory Vitale, 2510 Pierce Avenue, Ames, was distributed around the table.

City Manager Schainker stated that the City Council had requested that this topic be scheduled for a round-table discussion with interested parties. He gave the history behind the Hotel/Motel Tax. It was pointed out that, according to the referendum that established the Hotel/Motel Tax, 14.285% of the proceeds, which equates to 1% of the 7% tax, must be utilized to promote economic development in Ames; the City Council annually appropriates a substantial portion of these funds to the Ames Economic Development Commission (AEDC) to accomplish that goal. Mr. Schainker said that two questions have been raised as a result of that practice: (1) What is the definition of “economic development” and (2) Are there other entities that could be receiving those funds.

Mr. Schainker added that, of the 7 cents per-dollar, 5 cents is provided to the Ames Convention & Visitors Bureau for community attractions, 1 cent replaces the Local Option Tax and is split 60% for tax reduction and 40% for community betterment projects, and the remaining 1 cent remains in the Hotel/Motel Fund for economic development activities.

A summary of the Hotel/Motel Tax Fund was given by Mr. Schainker. Alluding to the \$940,000 projected to be distributed to the Ames Convention & Visitors Bureau in 2007/08, Dale Brentnall, 429-25th Street, Ames, said he felt that was a large allocation. Mr. Schainker advised that the percentage was set by referendum, which passed in a Special Election. He added that the ACVB’s mission is to bring people to the community; thus, increasing profits for businesses and revenues for the City through Local Option and Hotel/Motel Taxes.

Scott Bauer pointed out that it is difficult to define “community betterment” and “economic development.” It is his belief that bike paths, performing arts, and other improvements that enhance quality of life, could all fall under those categories.

Julie Weeks, Executive Director of the Ames Convention & Visitors Bureau (ACVB), advised that several annual requests, such as 4th of July fireworks, Iowa Special Olympics, and the Iowa Games, are now funded by the ACVB. She said these activities help market the community.

Council Member Popken asked how agencies may request funding from the City from the Local Option Sales Tax Fund. Mr. Schainker advised the mechanism that the City prefers is for applicants to bring their one-time requests to the Town Budget Meeting. Although there are some requests that are ongoing, those types of requests are usually for larger one-time projects.

Jim Gaunt advised that he represented AMOS: A Mid-Iowa Organizing Strategy, and specifically the Ames Cluster of AMOS. He defined AMOS as a non-partisan faith-based community organization that seeks to build a community where all can succeed. Mr. Gaunt explained that the Ames issues were derived from stories heard from 607 people at 80 house meetings sponsored by seven religious congregations and two social services organizations. Based on those meetings, the main concerns of the participants were health care, economic justice, poverty, youth and education, immigration, and the environment.

Mr. Gaunt pointed out that economic development was not included in the list of issues; however, AMOS considers desirable economic development to be that which builds a community where all can succeed and which supports its agenda. More specifically, it is:

- (1) Companies that provide well-paying jobs with good healthcare benefits and retirement benefits and that allow persons to save for the future and for their children's future
- (2) Enables people who work in Ames to live in Ames
- (3) Results in increases in tax revenues so that municipal and county governments can provide social services to the needy in the community
- (4) Results in the growth of tax revenues and student population that is beneficial to the public schools
- (5) Does not degrade the environment or place unsustainable demands on natural resources or municipal infrastructure

Mr. Culhane stated that all of those goals are in line with those of the AEDC.

Scott Bauer added that the Chamber of Commerce believes economic development means enhancing economic opportunities to attract and retain businesses in the community.

Jan Beran, 304-24th Street, Ames, present as a neighborhood representative, pointed out that, in the past, community betterment has always seemed to have meant tangible items, e.g., a playground. She asked if there were an avenue to apply for proceeds to fund an initiative, i.e., to make Ames "one community." Mayor Campbell suggested that this type of initiative be brought forward at the Town Meeting in October. City Manager Schainker suggested that perhaps some money could be set aside for community initiatives. Joe Lynch, 3700 Onion Creek Lane, Ames, said that it was time to come up with a more formal process for citizens to bring their initiatives forward.

Council Member Rice pointed out that ASSET is funded out of the same "pot of money" as the AEDC and ACVB. He noted the accountability required of Human Service agencies and asked how the Ames Economic Development Commission and the Ames Convention & Visitors Bureau are held accountable. AEDC President Culhane advised that it provides receipts and detailed descriptions of all activities for which it is requesting reimbursement. In addition, two members of the City Council and the City Manager sit on the Board. City Manager Schainker added that the AEDC will be asked to sign an Agreement for Services in the future. Mr. Culhane also said that the AEDC will communicate better in the future on its operational funding and projects.

Dick Johnson said he believes that, in the future, the AEDC should show the link between quality-of-life issues and a vibrant economic development plan working in the City. Scott Bauer added that diversity in the community is important, and that should include industry.

Merlin Pfannkuch, 1424 Kellogg Avenue, Ames, advised that he was very disappointed when the AEDC issued a public statement that it was not in support of the proposed Rec Plex, especially after the City Council had recommended it. Mayor Campbell pointed out that none of the current representatives from the AEDC were in those positions when that decision was made. Steve Carter, former President, explained that the leadership at the AEDC was being pushed to take a stand on the issue. At that time, they listened to its membership in making its recommendation. Council Member Doll questioned whether the AEDC was justified to take a public stand on an issue since 20 – 30% of the AEDC's budget comes from public funds.

Joe Rippetoe, 419 Pearson Avenue, Ames, stated that he views the AEDC as a support group to the City's economic development issues and never wants to see the two at odds again. He also referenced ads in the Ames Tribune supporting Wolford's mall and said that was totally inappropriate (for AEDC funds to be used for that purpose). Dan Culhane advised that no funds have been used for such a purpose since he became the President and Chief Executive Officer. It was Mr. Rippetoe's opinion that the AEDC has failed to take responsibility during the past six years. He does not believe that the AEDC has been very effective in the past six years and hopes that its efforts will yield "more bang for the buck" in the future.

Catherine Scott said that new energy issues and initiatives such as "Cool Cities" could be considered community betterment and economic development. She acknowledged that job creation is important; however, there is only a certain amount of money, and it is a matter of priorities what gets funded.

Sue Ravenscroft, 455 Westwood Drive, Ames, raised the issues of sustainability and accountability. Ms. Ravenscroft said that she had tried to get a copy of the financial statement for the AEDC in the past and was denied access to that information. She pointed out that it is state law that non-profits release that information; it is public information.

COMMENTS: Moved by Doll, seconded by Mahayni, to refer to staff the request from Phinn, LC, requesting approval of a Lease Subordination Agreement for a hangar at the airport.
Vote on Motion: 5-0. Motion declared carried unanimously.

ADJOURNMENT: Moved by Doll, seconded by Popken, to adjourn the meeting at 9:21 p.m.

Diane R. Voss, City Clerk

Ann H. Campbell, Mayor