

COUNCIL ACTION FORM

SUBJECT: REQUEST FROM CHUCK WINKLEBLACK FOR THE CITY TO FUND INFRASTRUCTURE IMPROVEMENTS FOR INDUSTRIAL LAND ALONG SOUTH BELL AVENUE

BACKGROUND:

On June 10, 2008 the City Council referred a letter from Mr. Chuck Winkleblack requesting the City to utilize Tax Increment Financing (TIF) to pay for the infrastructure improvements for approximately 37 acres of industrial land along South Bell Avenue adjacent the existing Ames Community Industrial Park.

The developers of the property have stressed to the staff that a financial contribution from the City is essential if industrial property is to be developed since 1) the carrying costs make industrial development financially infeasible for developers and 2) to be competitive with other cities, subsidies from the City are needed to reduce the land costs.

The developers have suggested that their land is a logical choice for the TIF incentive because it: 1) is a logical extension of the first two phases of the Ames Community Industrial Park that was supported with TIF financing, and 2) they currently have control of all the land that is needed to accomplish this industrial development expansion.

Estimates supplied by the developers indicate that the cost to the City for providing infrastructure through the site would be approximately \$1,000,000 for the 22 lots proposed in the approximately 37 acre subdivision. If these estimates are correct, the use of TIF financing would reduce the cost to the buyer by about \$27,000 per acre.

In return for the use of this incentive to finance the construction of the infrastructure, the developers are willing to cap the land sale price at \$35,000 per acre for the first year after the infrastructure is in place as well as guarantee this price will not grow by more than 5% each succeeding year.

Dan Culhane, the Executive Director of the Ames Economic Development Commission (AEDC), has informed the City Council of the lack of available land for industrial use prospects hoping to expand or relocate to Ames. A recent staff analysis verifies this situation where it is believed there are only 54 acres of vacant industrial land within the City that is available for development.

ALTERNATIVES:

1. The City Council can support Mr. Winkleblack's request and instruct the staff to initiate steps to provide TIF financing for the construction of the infrastructure to serve approximately 37 acres of industrial land along South Bell Avenue.

The steps would include:

- finalizing a Developer Agreement that would outline conditions such as maximum per acre sale price, maximum annual increase in sale price, etc.
- defining the boundaries of the Urban Renewal Area
- creating an Urban Economic Development Renewal Plan
- adopting an ordinance designating the TIF district.

This option would be supported if the Council concurs with the justification provided in this report.

2. The City Council can support the concept of utilizing TIF financing to create more available industrial land. However, rather than deciding to partner with Hunziker and Associates, the Council could first seek proposals from any interested landowner to determine the most cost-effective opportunity. The use of competitive proposals was the strategy used previously for the Ames Community Industrial Park in determining which developer would receive the benefit of this TIF incentive.

This option would be supported if the Council is not comfortable providing this incentive without giving other developers the opportunity to provide a similar proposal.

3. The City Council can deny the request from Hunziker and Associates to utilize TIF financing to fund the construction of the infrastructure for their 37 acre subdivision along South Bell Avenue.

In accordance with the Council's goals, the staff is working with the AEDC to develop a strategy to develop a 375 acre, large-lot industrial park in east Ames that will require a much larger TIF incentive commitment (G.O. bond debt) by the City. This option would be supported if the Council does not want to assume the risk of two TIF related debts at one time.

MANAGER'S RECOMMENDED ACTION:

It should be emphasized that the use of TIF to finance an industrial park in the absence of identified tenants (guaranteed increment) is risky. However, the scenario that is

being suggested by the developers is similar to the one utilized very successfully with the Ford Street Development group for the creation of the Ames Community Industrial Park on east Lincoln Way.

The one element included in our agreement with Ford Street developers that Hunziker and Associates is objecting to involves the requirement that they immediately construct a "spec" building valued at \$460,000 to guarantee an increment and continue to construct an additional "spec" building once it is sold.

Other than this issue, the requirements would be similar to the Ford Street Developer agreement whereby the land will remain under private ownership. It will be marketed and sold by the developers for an agreed upon price with an annual escalator provision. The developers will be responsible for handling all platting requirements and designing the subdivision. In return, the City will agree to install the public infrastructure for the subdivision. Not having to recoup the infrastructure cost in the sale price of land should make this industrial land in Ames more attractive to prospective entities hoping to expand or locate in our community.

Given the fact that:

- 1) It is generally agreed there is not sufficient vacant industrial land in the City, especially small lots, and
- 2) The land that is being proposed is a logical extension of the existing industrial park to the south, and
- 3) All the land necessary to complete this subdivision is currently owned by the proposing developer, and
- 4) The other logical option to expand the park to the west requires land that is not currently under the control of one developer and involves less total acres, and
- 5) The larger industrial park that is being planned for east Ames for predominately larger lots in accordance with the City Council goals will most likely take a few years to initiate,

it is the recommendation of the City Manager that the City Council support Alternative #1 and thereby instruct the staff to initiate steps to provide TIF financing for the construction of the infrastructure to serve the approximately 37 acres of industrial land along South Bell Avenue.

The next step in this alternative is to finalize a Developer Agreement outlining each party's responsibility related to the creation of this district. There will be no need to proceed to the next step if an acceptable agreement cannot be reached.

The agreement should include among other issues: 1) the establishment of a maximum beginning sale price of \$35,000 per acre, 2) the setting of an annual maximum increase in the sale price of land at 5%, and 3) the requirement that the developer is responsible for accomplishing and paying for costs associated with platting and designing the subdivision.

6/06/08 PKTS.

June 6th, 2008

Honorable Mayor and Council
515 Clark Ave
Ames, IA 50010

Dear Mayor and Council,

I understand that the council directed the staff to work on an industrial development for the city. I would like the city to consider extending the Ames Community Business Park to the South with TIF financing.

This park was very successful and I believe now is very close to being completely built out. I looked at the Industrial study that the city completed in 2002 and found that most of the lots and acres that were included in the report have businesses operating on those lots. We can provide information on how many jobs have been created and how much the tax base has been increased by the park if you feel that is helpful. It is also my belief that most if not all of the cost for the infrastructure has been repaid to the city and it was done ahead of time.

The land that I am suggesting contains about a little over 37 acres. I have attached a very preliminary plat of the area and a larger map showing the surrounding area. This could be done in 1 or 2 phases as indicated on the map. There is a real need for the lots and the TIF financing allows the lot price to be kept down for the end users.

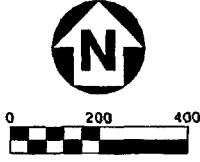
This will also provide a much needed connection between North and South Bell.

I understand that the city manager is working on a much larger project that would provide larger industrial lots. The project that I am proposing could happen in this construction year. It is my belief that if these lots are absorbed at the same rate the others in the business park was, it will be done before the larger project can happen because the new project will have to go through annexation, zoning and infrastructure improvements.

This is a great opportunity to create some more tax base and jobs in our community. I urge you to remand this request to staff to bring back to the council for formal consideration.

Sincerely,

Chuck Winkleblack



STORY CONSTRUCTION CO.

LOT 3
AMES COMMUNITY INDUSTRIAL PARK
FIRST ADDITION
ZONDED GENERAL INDUSTRIAL

PARCEL 'A' LOT 4
DILLMAN PROPERTIES INC.
1.84 AC
PARCEL 'B' LOT 4
DILLMAN PROP., INC.

LOT 1
9.76 AC
AMES COMMUNITY BUSINESS PARK
FIRST ADDITION
ZONDED GENERAL INDUSTRIAL

LOT 1
4.99 AC
FORD ST. DEVELOPMENT CO. LC

LOT 3
1.83 AC
FORD ST. DEVELOPMENT CO. LC

416 S BELL LLC

LOT 2
1.91 AC
FORD ST. DEVELOPMENT CO. LC

LOT 5
2.61 AC

LOT 6
2.96 AC

STOREY KENWORTHY CO.

SARGENT INVESTMENT LLC

SOUTHEAST 5TH ST.

LOT 2
PARCEL A
G & H PROPERTY LLC
3.55 AC

LOT 3
2.02 AC
PMD REAL ESTATE PARTNERSHIP

AMES COMMUNITY BUSINESS PARK
SECOND ADDITION
ZONDED GENERAL INDUSTRIAL

LOT 4
2.02 AC

LOT 5
11.05 AC

CLOUSER, GALEN D &
CLOUSER, GLORIA

DUNCAN LLC

RISSE, JOHN FRANKLIN &
RISSE, DIANA M

PARCEL L
ZONDED GENERAL INDUSTRIAL
27.65 AC

LOT 'A'
0.50 AC

DAYTON PARK LLC

FOUR SEASONS PARK SD
LOT 1
ZONDED RESIDENTIAL LOW
DENSITY PARK
23.39 AC

OUTLOT '2'
ZONDED GENERAL INDUSTRIAL
9.58 AC
PROJECTED SOUTH BELL AVE.

DAYTON PARK LLC

PROPOSED TIF 3RD ADDITION

OUTLOT 'Y' 1.08 AC

FLUMMERFELTS SHADY GROVE

FLUMMERFELTS SHADY GROVE

ZONDED RESIDENTIAL LOW DENSITY PARK

PARCEL 'C'
ZONDED RESIDENTIAL LOW DENSITY PARK

DAYTON PARK LLC

DAYTON PARK 5TH ADDITION

LOT 3
2.96 AC
DAYTON PARK LLC

LOT 2
7.79 AC
DAYTON PARK LLC

OUTLOT 2
ZONDED AGRICULTURE
9.92 AC
DAYTON PARK LLC

ZONDED GENERAL INDUSTRIAL

ZONDED GENERAL INDUSTRIAL

LOT 4
2.56 AC
DAYTON PARK LLC

DAYTON PARK LLC

LOT 1
5.29 AC

DAYTON PARK LLC

DAYTON PARK LLC

DMAAC

PROJECT NO.: 6241.08	DATE: 1/30/2008
DESIGNED BY: B.J.B.	DRAWN BY: K.D.N.
CHECKED BY: B.J.B.	SCALE: 1" = 400'
SHEET 1 of 2	

**PROPOSED TIF 3RD ADDITION
AMES, IA**

WHKS & CO.

ENGINEERS PLANNERS LAND SURVEYORS

1421 SOUTH BELL AVENUE, SUITE 103 AMES, IOWA 50010
515-663-9997

AMES COMMUNITY
BUSINESS PARK
SECOND ADDITION

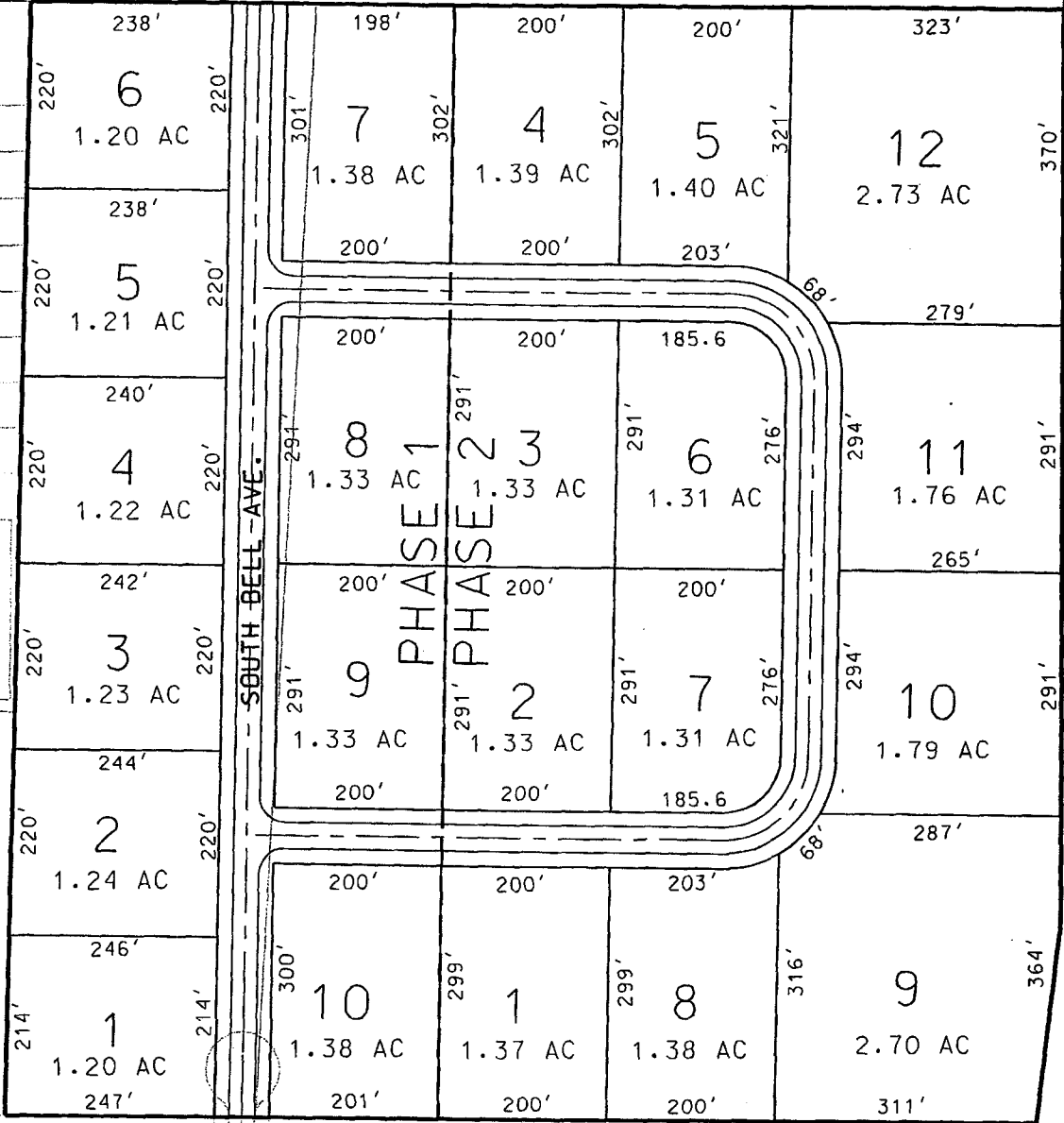
FOUR SEASONS PARK

PARCEL 'C'

SOUTH BELL AVE.

PHASE 1
PHASE 2

I-35



DAYTON PARK 5TH ADDITION



PROJECT NO.: 6241.08	DATE: 1/30/2008
DESIGNED BY: B. J. B.	DRAWN BY: K. D. N.
CHECKED BY: B. J. B.	SCALE: 1" = 200'
SHEET 2 OF 2	

PROPOSED TIF 3RD ADDITION
AMES, IA

WHKS & CO.

ENGINEERS PLANNERS LAND SURVEYORS
1421 SOUTH BELL AVENUE, SUITE 103 AMES, IOWA 50010
515-663-9997