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Memo

City Manager's Office

TO: **Mayor and Ames City Council**

FROM: Steven L. Schainker, City Manager SLS

DATE: April 24, 2009

SUBJECT: Industrial Park

At a prior goal-setting retreat the City Council directed me to develop recommendations regarding the development of a large-lot industrial park. This goal was established by the Council in response to information presented by the Ames Economic Development Commission indicating that in order to be a leader in the bio-economy the community needs large industrial lots at a competitive price. An analysis by the City staff concurred that only smaller industrial lots were available to companies who wished to expand or locate in Ames.

In response to this directive I began working with Dan Culhane, Executive Director of the Ames Economic Development Commission to develop possible alternatives to accomplish this goal. The list of possible approaches includes:

Option I – The City pays for the cost of the infrastructure, while a developer purchases the land and sells it to a company at some pre-determined price

Under this option, a developer partners with the City to provide the land necessary for a new park, while the City agrees to install the required infrastructure. The City is ultimately reimbursed for this investment in infrastructure through revenues generated from a Tax Increment Financing District.

The developer will purchase land for the new park and will be paid by the company that purchases the land based on some pre-determined amount per acre. This cost is agreed to between the City and Developer prior to initiating infrastructure construction. The amount should recognize the actual purchase costs incurred by the developer, plus some reasonable margin of profit. In addition, an inflation rate is negotiated with the City so that the revenue per acre that can be expected by the developer increases each year.

The developer is selected based upon a competitive selection process to assure that all interested parties are given the opportunity to submit a proposal to the City Council. Selection of the preferred developer

is based on the location of the proposed development, the per acre cost of the infrastructure, and the number of acres made available for development.

The only cost to the company seeking to expand in Ames or relocate to Ames under this option is the cost of land, free of any development costs. This is the financing model used for the creation of the Ames Community Industrial Park located off East Lincoln Way.

Under this option, the developer takes the lead on designing the park, subdividing the land, marketing the project, and finalizing land purchase agreements.

PROS

- The risk of investment is shared through a public/private partnership. This option takes the current land owners out of the equation.
- A competitive selection process offers an opportunity for all developers to offer a proposal to be selected as the preferred developer for this type of development.
- This arrangement is more typical from the standpoint that the developer takes the lead in creating the subdivision.
- Low-cost land can be made available to prospective companies, since the only cost to be recovered will be related to the land acquisition price.
- Developers have more flexibility in purchasing land than the City.

CONS

- There is no guarantee that the most attractive proposal, in terms of all selection criteria, received by the City from developers in a competitive process will involve the preferred site for the new park.
- Other industrial property owners who are not selected for the partnership with the City will be at a competitive disadvantage in terms of developed land costs and, therefore, might not be happy with this situation.
- If the value of the land increases, the private investors in the land will have to pay higher property taxes.

Option II – The City pays for the cost of the infrastructure, while a group of interested of developers purchase the necessary land and sell it to a company based on a pre-determined price

Under this option, the City pays for the infrastructure costs associated with the development of the new park and will be reimbursed for this investment in the infrastructure from revenue generated through a Tax Increment Financing District.

The Economic Development Commission will attempt to attract the interest of a number of developers to partner with the City to purchase the land necessary to develop a park. Because all interested developers will be allowed to participate in this partnership, there is no need to design a competitive selection process.

Like Option I, the developer partnership will first purchase land for the new park and will be paid by the company that purchases the land based on some pre-determined amount per acre. This cost is agreed to between the City and developer group prior to initiating the construction of the infrastructure. The amount should recognize the actual purchase costs incurred by the developer group for the land, plus some reasonable margin of profit. In addition, an inflation rate should be negotiated with the City so the revenue per acre that can be expected by the developer group increases each year.

The City and developer group would jointly design the park and market the land (through the AEDC) while the developer group would subdivide the property and finalize land purchase agreements.

PROS

- The risk of investment is shared through a public/private partnership. This option takes the current property owners out of the equation.
- Since all interested developers will be given the opportunity to invest in the development, there should be no "losers" in this process who will complain about not being allowed to take advantage of the City's TIF incentive.
- The City and developer group can agree on the site, number of acres, the layout for the development, and location of the preferred site prior to finalizing a partnership.
- This arrangement is more typical from the standpoint that the developer takes the lead in creating the subdivision.
- Developers have more flexibility in purchasing land than the City.
- Low-cost land can be made available to prospective companies, since the only cost to be recovered will be related to the land acquisition price.

CONS

- It might not be possible to attract a group of developers from different companies who are willing to invest together in this type of project and, to the extent needed, to finance the necessary land acquisition.
- If the value of the land increases, the private investors in the land will have to pay higher property taxes.

Option III – The City pays for the cost of infrastructure, while the company pays for the cost of the land directly to the existing property owners

According to this option, the City pays for the infrastructure costs associated with the development of the new industrial park and will be reimbursed for this investment in infrastructure from revenue generated through a Tax Increment Financing District.

The City will negotiate an agreement directly with the existing property owners that will pre-determine the purchase price for the land to be charged to an interested company and will allow the City to construct the necessary infrastructure on the park site prior to the actual acquisition of the property.

No developer involvement will be required with this option.

PROS

- The success of the project does not rely on participation by a developer or group of developers.
- Less upfront investment for the purchase of the land.

CONS

- The risk of investment is not shared through a public/private partnership. Since there is no up-front money needed to purchase land, only the City's advanced investment in infrastructure is at risk.
- Because of its unique nature, it is not certain whether or not current property owners can be identified who would allow public improvements to be constructed on their land prior to the sale to an interested company. Any delay in selling their land could cause property owners to become impatient with the arrangement.
- Issues involving increased property tax payments and lost farm revenue will be difficult to work out with the current property owners.

Option IV – The City pays for the purchase of necessary land and for the infrastructure costs associated with the development of the park

Under this option, the City is responsible for purchasing all the land that is necessary for the new industrial park along with the associated infrastructure costs, and will be reimbursed for this total investment from revenue generated through a Tax Increment Financing District.

No developer involvement will be required with this option. Furthermore, the City will need to determine the cost per acre for the land that will be offered to companies locating at the park.

PROS

- The success of the project does not rely on participation by a developer, group of developers, or existing land owners. Only one party, the City, is involved in making the project a success.

CONS

- The risk of investment is not shared through a public/private partnership. Since the City puts in all of the up-front money to purchase the land and install the infrastructure, only the City's investment and infrastructure are at risk.

- It is not certain any of the current property owners of land at an attractive site will want to sell their land to the City, or sell for a reasonable price.

- Without local "investment", developers might be less likely to promote the new park.

After developing these options, Dan and I met with a group of developers in order to determine if there was support for one or more of these options. It became clear from our discussions that there is little support for any option that requires a developer, or group of developers, to invest in the purchase of land to be resold to industrial prospects at a later date.

The developer group does concur with the Council's notion that a large-lot industrial park is badly needed. Hence, a committee was formed to assist Dan and me in exploring this project further. Representatives of the committee visited Lawrence, Kansas because of their success in accomplishing this same goal. Their success was guaranteed through a financing partnership that included the City, County, and local utility companies.

While we have not yet developed a financing strategy to accomplish this goal, a conceptual plan for a new industrial park has been developed. Attached for your review are highlights of this project that will be presented by Dan on Tuesday night. The plan envisions an industrial park of approximately 355 acres with a cost of approximately $14 million. If we are to move ahead with this venture, a financing package must be identified, the project must be broken into phases, current property owners must be willing to sell their land, and we must determine who will serve as developers for the project.

SLS

Attachment

Concept Plan

SUNRISE PRAIRIE BUSINESS PARK

SPRING 2009

PURPOSE OF THE CONCEPT PLAN

The purpose of the Concept Plan is to outline the development of a business park northeast of Ames. The primary goal of this business park is to provide an area to create jobs. An equally important goal is to increase the tax base for future generations. This business park is the first phase in the development of industrial property east of Interstate 35 and north of Highway 30. The Ames Economic Development Commission (AEDC) organized a group of public and private sector individuals experienced in industrial development to start the process of organizing the development of a business park. This group has been working since May 22, 2008 to get the project to the point where further refinement of the concept is needed by members of the community, public, utilities, and government entities. The Concept Plan was prepared to define the current scope of the project, the issues of the development, and what is required to continue to move the project forward. The Concept Plan is very preliminary in nature – it does not have all the answers and there will be both minor and major changes to the plan as input is received, finances analyzed, assumptions challenged, questions asked & answered, and commitments made. The Concept Plan lays out the assumptions and reasoning behind the decisions made to this point in time.

GUIDING PRINCIPLES

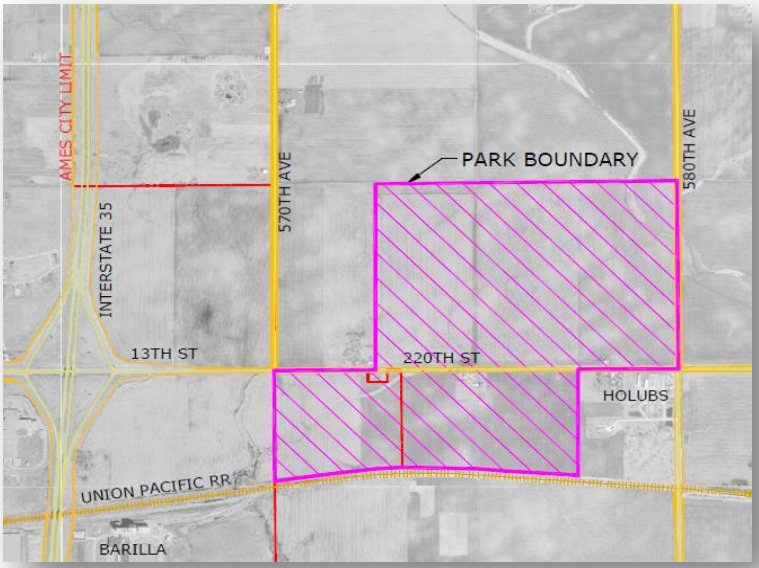
The guiding principles are designed to outline the basic strategy and organization of the business park. They include:

- The Business Park is organized for the benefit of the Ames, Story County, and surrounding communities.
- The Business Park is a necessity – there is no significant land area available for a large scale business park within the City of Ames. This is the first phase of a larger project to develop industrial land to the east of Ames.
- The AEDC will be the umbrella organization governing and selling the business park. The AEDC will appoint an executive committee to oversee the business park.
- The Business Park will be organized as a non-profit entity.
- The property will be annexed into the City of Ames.
- Property will be obtained from willing sellers at a reasonable market price.

PARK AREA

The boundaries of the proposed business park area are shown on **Figure No. 1 – Business Park Topography**. The area shown is 375 acres.

Figure 1 Business Park Topography



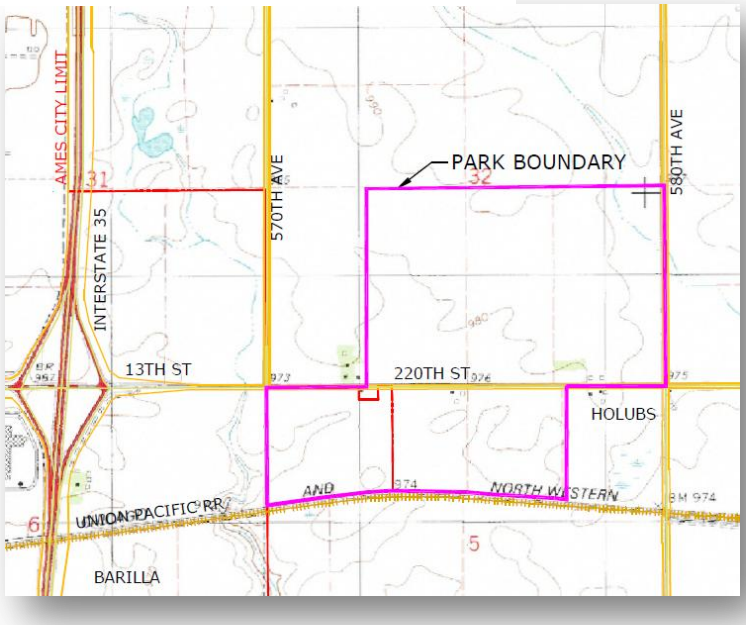
Why this area? This area was chosen for a variety of reasons:

- The area was slated for industrial development in long range plans of the City of Ames and Story County.
- The proposed area is the most cost effective due to proximity of utilities and transportation.
- The inventory of developable industrial property west of Interstate 35 has been exhausted.
- The business park area leverages street and infrastructure planned for the regional commercial development on 13th Street proposed by Wolford Development.
- Consistent with the Land Use Policy Plan and past Industrial Expansion Study – surrounds the regional commercial development with industrial land.
- Willing sellers at a reasonable price are available. The willing sellers are contiguous to each other and allow for formation of a large area for development.
- Close proximity to major arterials – Interstate 35, Highway 30, 13th Street, Lincoln Way, and Story County R70.
- Close proximity to rail assets. Though none of the property is expected to be served directly by rail due to restrictions by the Union Pacific on its main, east-west, dual track – rail resources are available from existing rail sidings between Ames and Nevada or a new rail intermodal facility may be constructed in close proximity to Ames or Nevada.
- Close proximity to current industrial development and low number of residential parcels.
- Center of the Story County workforce – in addition to Ames's workforce there are several Story County communities within a 5-15 minute commute of the area; Nevada, Story City, Roland, Cambridge, Colo, and Huxley.

Existing Conditions

Topography – the existing elevation contours are shown on **Figure No. 2 – Business Park Topography**. The land is gently rolling farmland in agricultural production.

Figure 2 Business Park

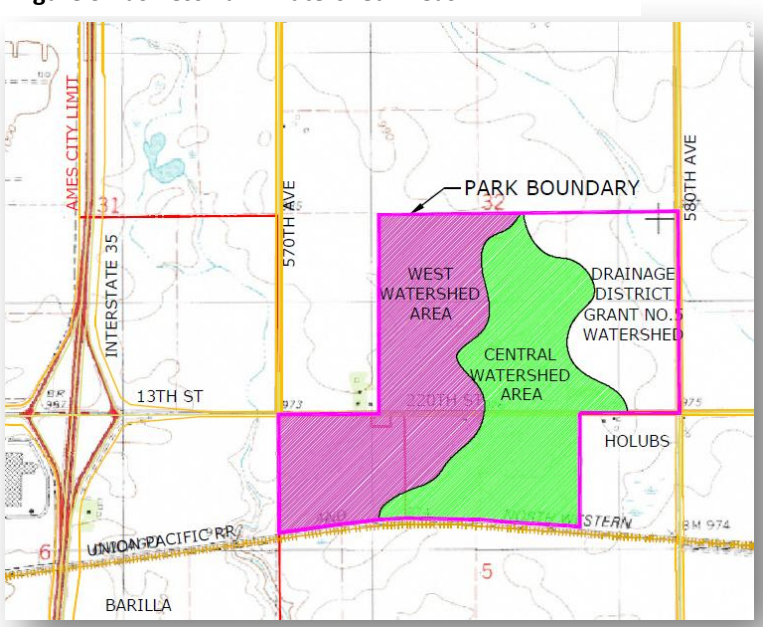


Historical/Archeological Impacts – There are not any known historical or archeological resources within the proposed business park area. An official review of the site by the State of Iowa will be done during the Master Plan phase of the project.

Storm Water & Drainage

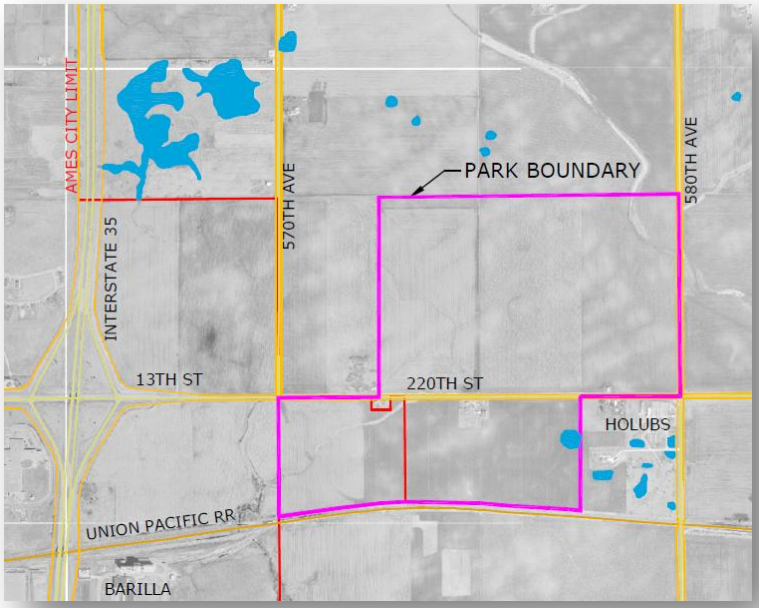
Watershed Areas – There are 3 watersheds as shown on **Figure No. 3 – Business Park Watershed Areas**. One watershed is part of Drainage District Grant (Township) No. 5. All other watersheds utilize private drain tiles and/or open surface water channels for drainage.

Figure 3 Business Park Watershed Areas



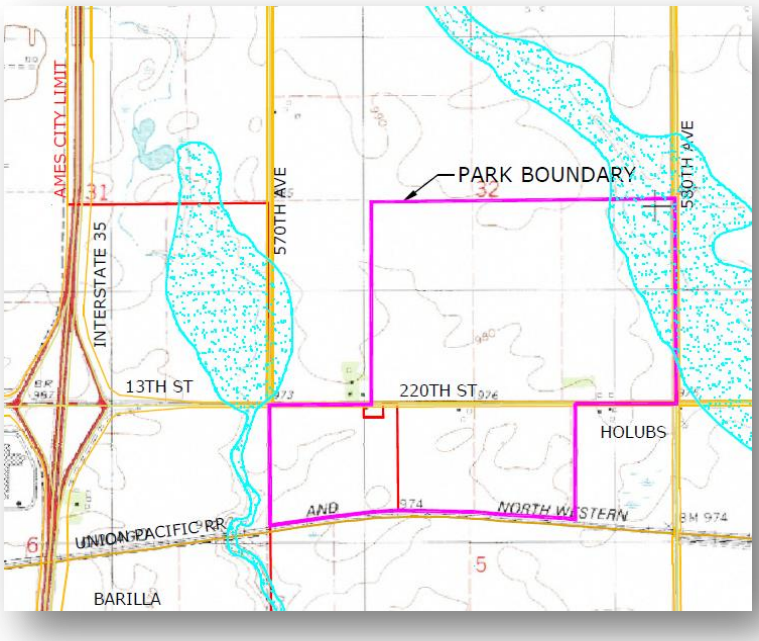
Wetlands – There are 3 small areas of wetlands on the United States Department of Interior National Wetlands Inventory map prepared in 1995 by the Fish and Wildlife Service as shown on **Figure No. 4 – Area Wetlands**. These areas were determined by soils and aerial photography and actual wetlands may not exist. It is probable that the areas are a "farmed wetland" and may be tiled such that they do not meet wetland criteria. Review of the wetlands will occur in the Master Plan process.

Figure 4 Area Wetlands



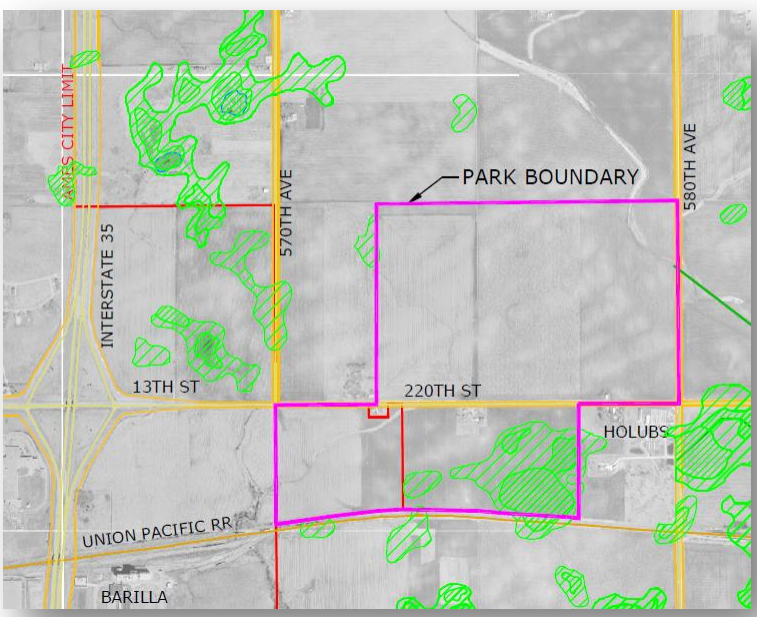
FEMA Floodplain Mapping – A portion of Drainage District Grant No. 5 watershed is included in a mapped flood plain as shown on **Figure No. 5 – FEMA Floodplain Boundaries**. The FEMA map is dated February 20, 2008. The floodway encroachment is an area at the northeast portion of the development.

Figure 5 FEMA Floodplain Boundaries



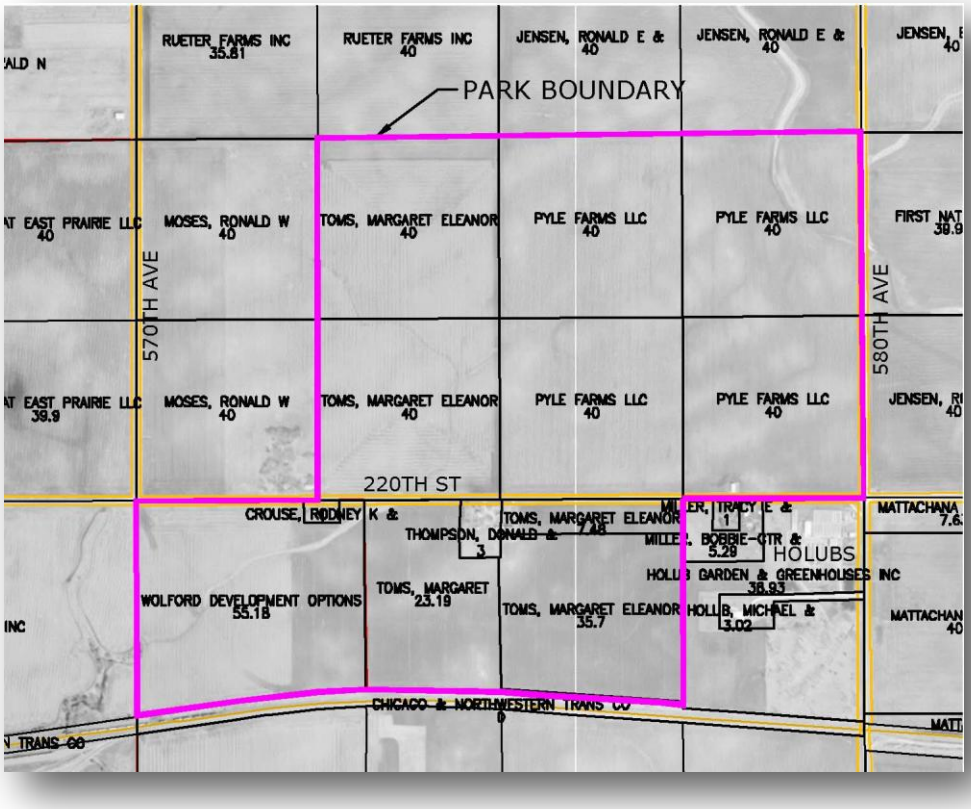
Soils – the soils are shown on **Figure No. 6 – Business Park Soils Map**. The soils are typical for this area and include Webster, Nicollet, Clarion and Canisteo. The soils that are unbuildable include the Okoboji and portions of the Harps soil type. Those areas with unsuitable soils are located in low areas within the business park and will remain undeveloped. These low areas will be left as green areas and where possible will be incorporated into storm water management and storm water treatment features within the development. Figure 6 highlights in green the soils that are unsuitable or difficult for construction.

Figure 6 Business Park Soils Map



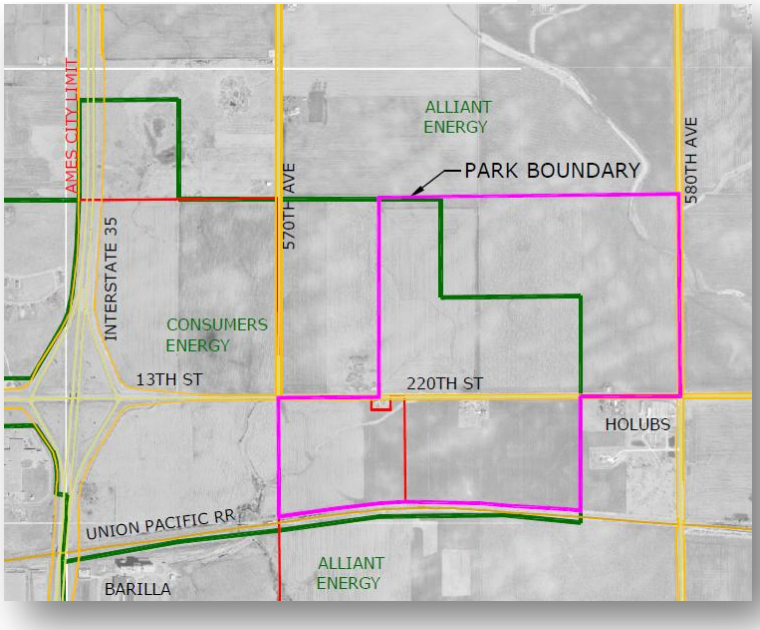
Property Ownership – There are 3 property owners within the development boundaries as shown on **Figure No. 7 – Property Owner Map**. They include Wolford Development, Pyle Farms, and the Toms family. There are 2 residential properties within the development area. There are an additional 5 residential properties with ¼ mile of the project boundaries.

Figure 7 Property Owner Map



Electric Utility Boundaries – The electrical service boundaries are shown on **Figure No. 8 – Electric Utility Boundaries**.

Figure 8 Electric Utility Boundaries



Existing Roads - Existing roads within the development include 13th Street (Ames)/220th Street (Story County) and 580th Avenue (Story County). 13th/220th is a narrow two lane, rural section, seal coat road. 580th is a narrow gravel road. 13th/220th will be improved and paved as part of the development process. 580th will likely not be improved as it is at the edge of the development and will not serve any lots. The remainder of the interior roads will be new roads constructed as part of the development. Wolford Development is to complete road improvements up to 570th Avenue in conjunction with or prior to the start of the industrial project.

Existing Utilities – With the exception of the existing overhead electric and rural water there are no other utilities serving the area. Central Iowa Rural Water (CIRW) has water mains in 220th Street and 580th Avenue. The CIRW water main on the south side of 220th is a 3 inch main serving the houses along street and terminates at 570th Avenue. The water main on 580th Avenue is an 8 inch distribution main.

Consumers Energy has an overhead electric line on 570th Avenue and 220th Street. The transmission lines are owned by ITC Midwest. The electric on 570th is a 69 kv line. The line on 220th is a 7200/12470V distribution line. There are no electric lines on 580th Avenue. The proposed mall is within the electric territory of Consumers Energy and 6 MW as been reserved for the mall's use.

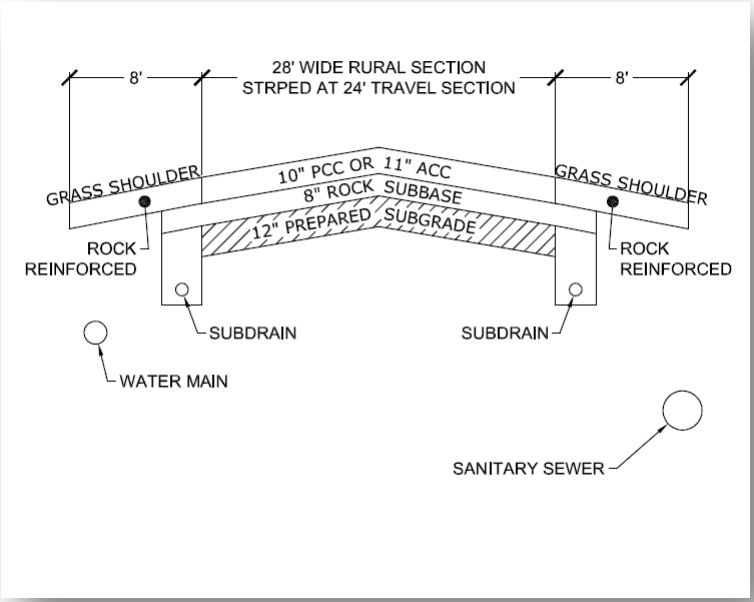
Proposed Development

The discussion of the proposed development is very preliminary and only an indication of where we think we are going - there will be numerous changes as the development proceeds and input is received from all parties.

Lot Size and Arrangement – the business park is arranged to provide large parcels for industrial development. The basic lot size will be a nominal 40 acre tract that can be cut into smaller parcels as development proceeds. The development will comprise a variety of lot sizes from 2 acres to potentially several hundred acres based on the needs of the businesses. The existing 40 acre tract and existing road network will be used as the framework for the extension of streets and utilities.

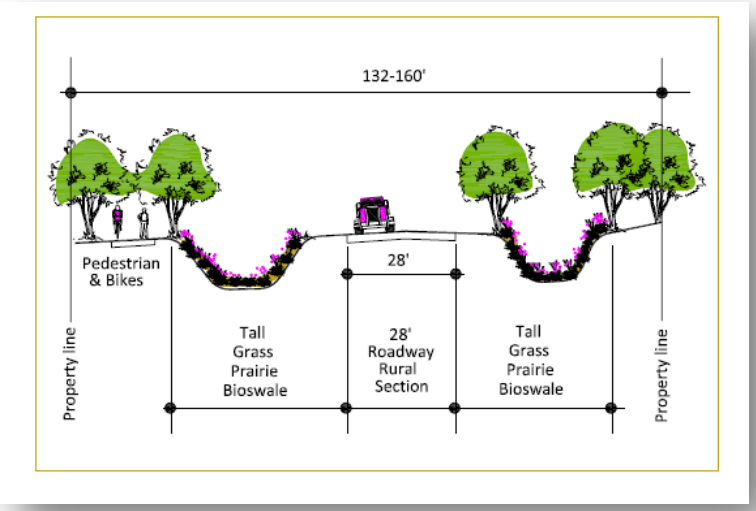
Street and Transportation Design - Roads will be designed for truck traffic and industrial use. The pavement section may be 10 inches of PCC or 11 inches of ACC on 8 inches of crushed stone on engineering fabric on a prepared subgrade with subdrains as shown on **Figure No. 9 – Typical Pavement Cross Section.** Use of fly ash for base stabilization will allow a thinner pavement section. Streets will be designed using the "perpetual "street standards to maximize the life of the pavement and cut the life cycle costs of the paving investment. We are proposing the use of a rural street section for the development. The rural street section will utilize bioswales for conveyance and treatment of storm water (more on that on the storm water and drainage section). A bike path will be constructed on one side of the street as part of the initial construction. Sidewalks will not be built as part of the development – preferring to use the higher capacity bike trail for pedestrians and bicycles. The only sidewalk the industrial customer will be required to construct is the connection of their parking lot to the bike path provided with the street.

Figure 9 Typical Pavement Cross Section



The typical street cross section is shown on **Figure 10 – Typical Street Cross Section**. The detail shows the relationship of the street, bioswales, bike path, and right of way requirements for the proposed street. Lighting will be provided for the bike path and intersections only. Conventional street lighting may not be used for this project. Decorative lighting will be considered in lieu of conventional industrial lighting.

Figure 10 Typical Street Cross Section



Sanitary Sewer – Sanitary will be extended from the Wolford Development to the east. The exact location, size, and configuration of the sanitary sewer has not been established at this time. However, the design anticipates all portions of the development will utilize gravity sewer and pump stations are not required. Pipes will be sized for the watershed area for an industrial use. Since wastewater use of industrial customers varies widely it is anticipated there will be excess capacity built into the lines. Localized pump stations, if necessary, will be built and managed by the individual lot/business.

Wastewater Treatment Plant – Additional capacity may need to be allocated for the industrial development. The City's WWTP is approaching its 30 year design life and upgrades are anticipated in the near future. Wastewater needs vary widely between industries. Significant water users that require additional wastewater treatment negotiate a pretreatment agreement with the municipality in the early stages of site selection. The City of Ames Pretreatment Program already identifies the issues for discharge of non-domestic wastewater for industrial customers. Having a modern, efficient wastewater treatment plant with excess capacity will be a selling point for industries that have wet manufacturing processes or food processing.

Water Main – Water main will be extended down 13th Street (220th Street) to serve the area. The water main may not be looped for the original development. A second connection for redundancy will be constructed to loop the water main. The loop will be completed as development occurs and when water use and reliability needs to increase. The size and location of the mains has not been determined at this time. Water mains will be installed parallel to the street infrastructure.

Water Treatment Plant – The City of Ames is currently conducting a preliminary study of the City's water treatment plant contemplating expansion and upgrading water supply, treatment and storage of the current system. The City has already made improvements to the well supply and is currently installing a raw water main to add supply and redundancy to the current well field expansion south of Ames. The use of water by industries varies widely. A portion of the water plant upgrade/expansion should be designated for industrial expansion.

Water Storage Improvements – Ames has contemplated placement of a water tower on the east side of town to provide fire protection and storage for its industrial water uses. While no improvements with storage are needed with the initial development, if a future water tower is needed, then the City should consider a location east of Interstate 35 so property can be reserved for a water tower and the water main sized and located properly. Just as the new water tower west of Ames on Highway 30 welcomes visitors to Ames a tower in proximity to Interstate 35 could also serve the same purpose.

Fire Station Response Time – The expected fire station response time is 5 -7 minutes for the 13th Street Station and approximately 8-10 minutes for the South Duff Station. No additional improvements to the fire stations are needed. The size of industrial buildings dictates the use of automatic sprinkler systems with automatic fire alarm notification to the City's fire stations.

Drainage/Storm Sewer – Drainage for the development will minimize the use of storm sewer and instead rely on a system of open channels, bioswales and regional detention areas for storm water management and water quality improvement. The existing surface water channels and low areas will be utilized wherever possible for conveyance and storage. The existing low areas will be returned to wetlands or prairie to promote the cleansing of storm water from the site. There will be a mix of individual onsite (for each business) storm water management techniques and regional storm water management techniques that are provided for all the park tenants. The goal of the storm water

management is to not increase the rate of runoff or the amount of runoff from the developed area and to have the quality of the runoff be better than it is from its current agricultural use.

Electrical Improvements - Electrical use by industry varies widely. For this area the two utilities, Consumers Energy and Alliant, will need to coordinate their service depending on how the development proceeds. Consumers Energy currently has a small amount of available capacity. Alliant Energy has up to 10 MW of available capacity. ITC Midwest's transmission lines have capacity in excess of the available capacity of Consumers and Alliant's current substations. Once the capacity of the existing electrical infrastructure has been reached, then construction of new infrastructure will be required by one or more entities and it is possible that these improvements and new facility sites may be shared by all the companies involved. The cost of the electrical infrastructure in the business park and any other required upgrades will be paid by the (loads) revenue credits, agreements with Developers or Industry, agreements between the utility companies, or in any combination (of Developer, Industries, and Utilities). In addition, ITC Midwest may need to upgrade their lines for additional transmission capacity depending on the size and type of load occupying the industrial area.

Electric capacity, seasonal use, and infrastructure requirement can vary widely by industry. For example, the Colorbiotics plant is a 140,000 square foot facility on 20 acres (with an additional 20 acres to the north for expansion) that uses 0.8 MW of electrical power in the winter. The Google facility in Council Bluffs and the planned Microsoft facility in West Des Moines are reported to use 25 MW continuously and require complete redundancy in both supply and substations. The Google facility also has complete duplex backup power (25 MW on one set of diesel generators and another 25 MW sitting behind the first set of generators).

Natural Gas Improvements – Alliant Energy, a local natural gas distribution company, provides natural gas to the City of Ames and surrounding areas, as well as the proposed business park. Alliant Energy is supplied natural gas by Northern Natural Gas (NNG) – an interstate pipeline company through various Town Border Stations. Although Alliant Energy has a high pressure, large diameter distribution pipeline in close proximity the proposed business park with excess capacity available, the NNG pipeline is fully constrained. At this time Alliant Energy is exploring the developmental improvement needs for more capacity in the Ames area.

Phone/Telecommunications/ Fiber - Local phone is provided by Qwest. For large telecommunications users there are major fiber trunks lines running north-south in the Ames area that would be available for large data centers.

Park Covenants – Park covenants will be developed to guide and direct the property use in the business park and the maintenance of common elements. A lot owners association will be developed to manage common elements and provide long term direction for the business park. If an overlay zone is not developed for the area, then the business park covenants will need to be more detailed and cover a wider range of issues. The AEDC will maintain control of the covenant enforcement until the lots are completely sold out at which time the duties will revert to the Lot Owners Association.

Overlay Zoning – In lieu of creating covenants or allowing for an unmanageable mix of incentives and requirements it may be preferable to enact an overlay zone for the area that addresses site design, site improvements, storm water, lighting, signing, and whatever else is required to maintain a high quality, uniform and consistent business park.

Sustainable and Green Design - The sustainable and green design for the development itself (exclusive of the building construction) will be directed towards water quality, water conservation and reuse, energy conservation, and cogeneration of energy.

Signing & Lighting – A common lighting and signing plan will be prepared for the area to improve the appearance to a level considerably greater than a standard business park. Lighting and signage will be addressed in the covenants or in the overlay zoning requirements.

Landscaping – The intent of the landscaping is to focus on natural prairie plants, native Iowa shrubs and trees for a high quality, low maintenance, and sustainable landscape. Landscaping requirements will be addressed in the covenants or overlay zoning requirements. The emphasis will be on the reduction of turf grass requiring fertilizer and/or irrigation and plants that promote improvements to water quality. Unlike many industrial areas, this business park will have street trees to enhance the look of the business park. Low areas and common areas will be planted to native prairie or wetland plants to slow water runoff and improve water quality.

Building Design Standards - Incentives may be put in place to encourage LEED Certification for buildings within the business park. Due to green field construction it will be difficult to obtain the Gold or Platinum levels of LEED. However, the lower levels of LEED certification encourage sustainable design, low energy use, and use of local construction materials that will benefit the City of Ames and communities within the State of Iowa. The incentives may be offered as part of the lot package to overcome the cost differences between the LEED Certification and a "standard" building design.

ORGANIZATIONAL STRUCTURE - OWNERSHIP & MANAGEMENT

Why can't the private sector do this alone? Ames is in competition with other communities within the State of Iowa and outside the State. Industrial land is available for free or substantially reduced cost by these communities when they are attracting industrial development. For-profit developers are not interested in industrial development as the rate of return is very low (as they have to compete with communities), the level of investment is high, and the length of investment is very long – often 10 years before a project is completely sold out.

Suggested Organization Framework – The Ames group believes the way to approach this project is a public/private partnership between the various governmental, utilities, and the Ames Economic Development Commission. Duties and responsibilities will be assigned to purchase property, develop, finance, build, operate, and market the business park.

Suggested Role of Story County – The role proposed for Story County includes the already expressed commitment by the County to pave 220th Street (13th Street in Ames) from its current terminus in the City east to 580th Avenue (to the corner occupied by Holub Greenhouses). The paving will connect to the existing paved 580th Avenue south to Lincoln Way and Highway 30. The second role for the County would be to provide funds to purchase the properties necessary for the first phase of the development. The County would use a portion of its bond authority to buy the land to make it available for development. The County would be reimbursed for its purchase by Tax Increment Financing (TIF) as the properties are developed.

Suggested Role of the City of Ames – Ames would annex the property and have development review authority over the development. Ames would be responsible for the construction of the sanitary sewer, water mains,

and streets within the development area. The City would be reimbursed for its infrastructure by TIF as the properties are developed.

Suggested Role of the AEDC – The AEDC would provide 4 functions:

1. **Overall management** of the business park including overseeing all functions of the business park.

2. **Arranging for purchase of properties** within the business park.

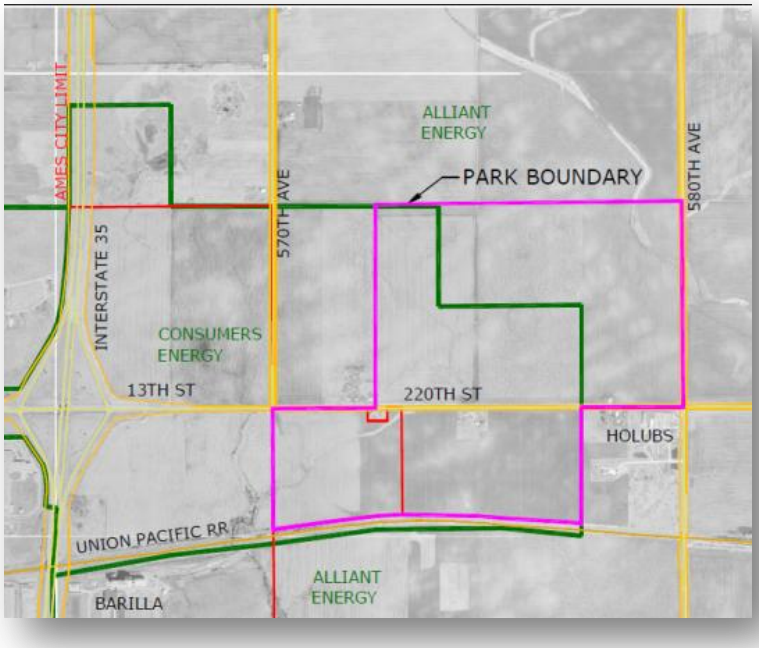
3. **Developing the Master Plan** for the business park and submit development plans to the City for review and approval. The AEDC would act in the role of the "Developer" in interaction with the City for Land Use Policy Plan (LUPP) amendment, annexation, rezoning, preliminary plat, and final plat processes with the City.

4. **Marketing of the property** - in this capacity the AEDC would currently work as it does now to promote and bring industrial development to the City of Ames and Story County.

The AEDC would appoint an executive committee to oversee the functions of the business park. The executive committee would include Dan Culhane and 3 members of the AEDC who are familiar with the development processes, management, and marketing. In addition to the AEDC members there should be a representative from the City of Ames, Story County, Alliant, and Consumers Energy. A "managing partner" should be named to head the committee and be the public's contact for the business park.

Role of Electric Utilities – There are two electrical utilities that provide service to this area – Consumers Energy and Alliant Energy. Consumers Energy is a member of the Central Iowa Power Cooperative (CIPCO), a transmission and generation service to its member cooperatives. ITC Midwest owns and operates the transmission lines in the Ames area and works in cooperation with CIPCO to provide transmission services to Alliant Energy and Consumers Energy. Alliant Energy is an investor owned utility based in Madison, Wisconsin with its Iowa headquarters in Cedar Rapids. The City of Ames Municipal Electric does not have any facilities in the area and it is outside their designated electric territory. Each utility is assigned a service territory as shown on **Figure 11 – Electric Utility Service Territories**. Relocation of territory boundaries is done infrequently when both utilities agree to the adjustment. Joint ownership of facilities can be agreed to between the utilities which defines each utility's responsibilities for the infrastructure's ownership and maintenance.

Figure 11 Electric Utility Service Territories



Role of Gas Utility – The incumbent provider of natural gas for the development area is Alliant Energy. Consumers Energy is also a provider of natural gas and is available as an alternate distributor and/or supplier.

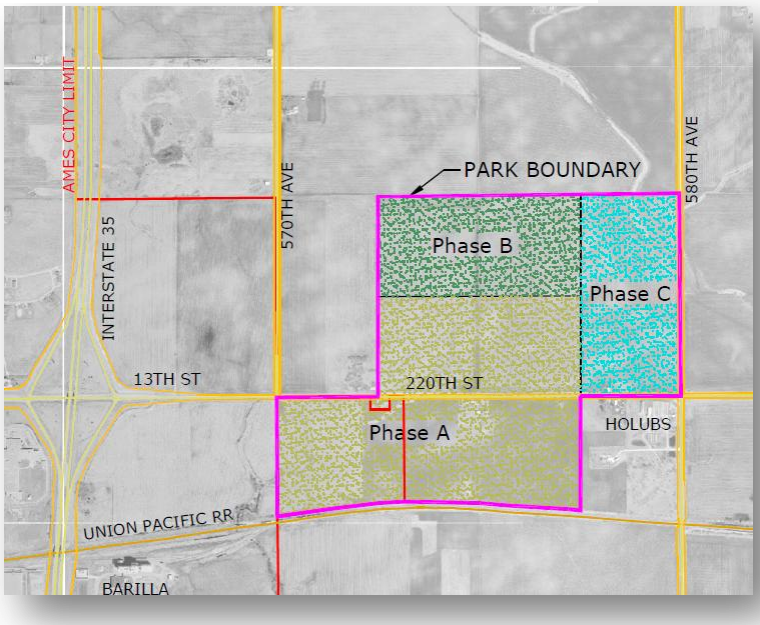
Role of Wolford Lifestyle Center – The regional commercial mall planned for the intersection of 13th Street and Interstate 35 is the catalyst for the initial utility installation and road improvements. Sanitary sewer and water will be extended to the mall area prior to their further extension to the Business Park area. 13th Street will be improved from Interstate 35 to 570th Street – the start of the road improvements for the Business Park. The Development Agreement between the City and Wolford calls for the extension of the sanitary sewer, water, and streets when the industrial expansion to the east is initiated. If Wolford is unable to finance the mall's improvements, then the City/AEDC will need to add those costs to the business park improvement costs and be reimbursed when the mall is ready to be developed.

Development Phasing Plan

The business park project will not be fully completed for a number of years. The anticipated time to complete the business park is 10 years – though infill and densification may occur for many years beyond the "completion". The rate of absorption and size of lots will need to be flexible as time progresses. For example, we may have one business take 100 acres the first year and then nothing for 5 years. We may have 20 businesses taking 5 acres each or 5 businesses taking 20 acres each. We can't necessarily predict what happens so the plan needs to be flexible and certain facets of the plan may need to be reconsidered and revised as time advances.

Project Phasing – The business park has been divided into 3 phases as shown on **Figure No. 12 – Park Phasing Plan.** The phasing allows for orderly property, street and utility arrangements. The first phase is the easiest to accommodate for streets and utilities. Subsequent expansions of the park advance the streets and utilities as needed to meet the market absorption requirements. See **Appendix B** for the February 4, 2009 project plan for future street locations and names.

Figure 12 Park Phasing Plan



Phase 1 will include extension of utilities from the mall area west along 13th Street (220th) east to 580th Avenue. Utilities will be extended north of 13th along the proposed 575th Avenue. Stub out of future utilities for 216th Street and 579th Avenue. Pave 13th Street (220th) from the mall paving east to 580th Avenue. Pave ¼ mile of 575th Avenue to the north of 13th/220th. The initial phase of development is 215 acres.

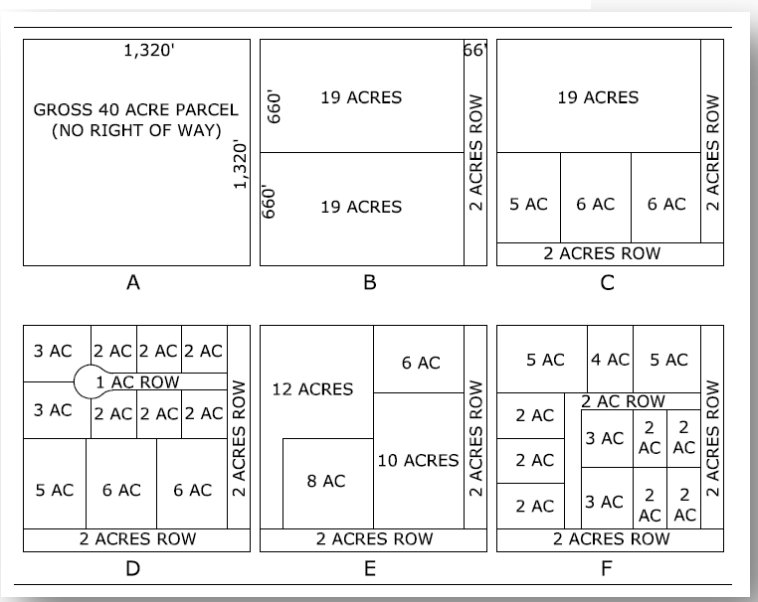
Phase 2 will extend 575th Avenue's utilities and paving to the north ¼ mile. Phase 2 is 80 acres.

Phase 3 will extend the utilities and street along 216th Street and 579th Avenue to respond to development. 216th Street will loop (tie) 575th and 579th. Phase 3 is also 80 acres.

If smaller lots are needed, then there may be additional phases of development within developed areas of the business park to cut a large parcel into several smaller lots for smaller industrial customers.

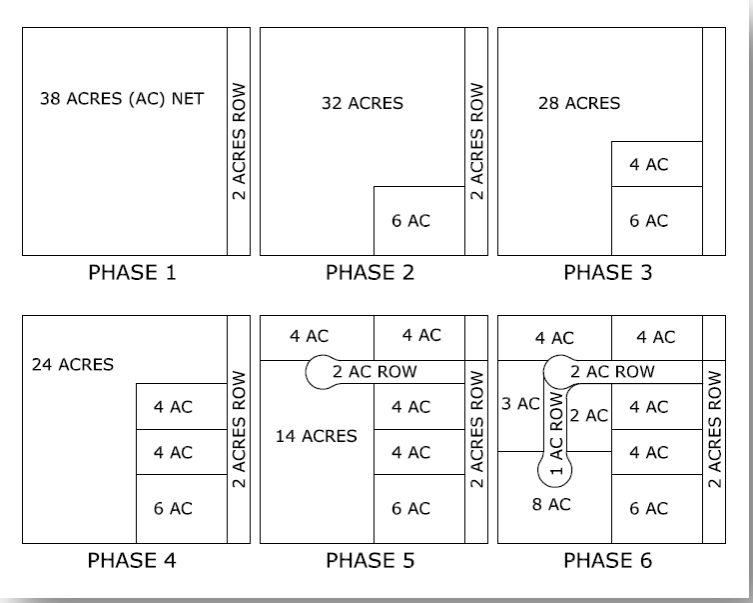
Flex Lot Arrangement – As stated earlier the business park layout is based on the current road system and the 40 acre lot "building block". Each 40 acre parcel can be further subdivided to provide a multitude of lot sizes and configurations. By cutting the lots in an orderly manner it allows for both expansion and contraction of development areas and business. Reference **Figure No. 13 – Flexible Lot Arrangement** for the potential ways to configure the 40 acre parcel to generate either one 40 acre lot or different arrangements down to twelve 2 to 3+ acre lots. By arranging the lots properly a business can both preserve area for expansion and reduce lot area if expansion is not needed. Generally industrial lots should be a rectangle where the length is twice the width. Square lots (width equals it length) are less desirable for business use.

Figure 13 Flexible Lot Arrangement



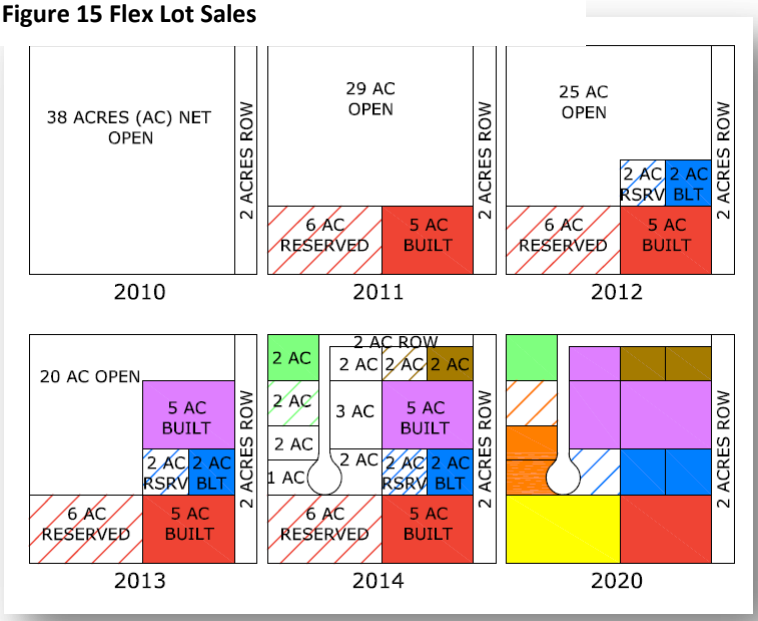
Flexible Development Phasing – In conjunction with the flex lot arrangement it is possible to tailor businesses to lots with minimal infrastructure improvements as shown on **Figure No. 14 – Flex Lot Phasing.** By using the flexible development phasing the incremental cost of subdividing into small lots can be deferred and the density of the development increased as the business park develops.

Figure 14 Flex Lot Phasing



Project Density – The City of Ames has indicated a desire to insure density of industrial developments with the hope of maximizing the use of property and minimizing the need for future business park expansions. No other community has enacted such a requirement. Businesses usually have a very clear idea of what they want and when there is competition between communities any density requirement would hamstring Ames's effort to get the business here in the first place. Having said that, it is still in the best interest of the AEDC and the City of Ames to promote land stewardship to maximize the investment in property and infrastructure, to insure the future taxable value of the development, and limit the extra ground "hoarded" by a business for expansion. The flex lot arrangement designs in the flexibility needed for the business by getting the business what it needs while leaving control of the additional property in the hands of the AEDC. See **Figure No. 15 – Flex Lot Sales** an example. This would require the AEDC (the property owner) to hold expansion parcels for properties in lieu of selling the parcels. In some cases the properties may be owned or controlled by the AEDC for a number of years where the "excess" land is taken off the market, but the possibility of further orderly development is not blocked by poor design of the lot configuration, streets and utilities.

Figure 15 Flex Lot Sales



Businesses have natural reasons to have lots larger than would appear to be necessary. The City's own requirements ask how "nuisance issues" are handled – noise, odor, smoke, steam, heat, dust, vibration are industrial issues to be addressed. The principal method of dealing with many of these issues is **distance** – the farther away you get your neighbors, the less the objectionable issues come into play. In addition there are code requirements that specify distances as well. Food processing plants generally have buffer requirements between themselves and others that are both for the benefit of the processer and protection of the neighbor(s). Processers of volatile or hazardous materials need distance to buffer concentrations of emissions, fire, and explosions. Site considerations such as setbacks, easements, parking, truck docks, fire access roads, rail, storm water detention ponds, etc. create a multitude of reasons that requiring density does not work in an industrial application. Natural occurrences of soils, slope, utilities or drainage may prevent complete utilization of property. Site development standard typically focus on the maximums – the maximum amount hard surface that is allowed in order to preserve a minimum amount of landscape areas.

Project Absorption Rate - No definitive absorption rate can be determined due the vagaries of the market – both in the State, Federal, and world market place. However, the plan is projecting an absorption rate of 37.5 (gross) acres per year for 10 years for the first phase of the development based on past development efforts in the City of Ames. The net developable area available for sale will be approximately 30 acres per year with 7.5 acres used for right of way, easements, and common property used for storm water detention, drainage, substations, etc.

FINANCIAL & ECONOMIC TOOLS

There are a variety of financial tools available to the community to attract industry and business to the business park. Each package will be tailored to the community and to the business. Those businesses that provide the most in the way of jobs or facilities will receive the highest incentives. Business that do not have as many jobs or facilities will receive

less benefits. Businesses may receive the land for free or reduced cost based on their investment in the community. The quality of the investment will be rated as to jobs, valuation, staying power, "green" investment, and amount of "guarantees" the business can offer for jobs and investment.

Tax Increment Financing – Tax Increment Financing (TIF) is the prevalent method that will be used to buy the property and build the infrastructure for the business park. TIF takes the increase valuation of the business's investment and uses the property taxes to pay off the business park. The principles behind this method of finance is the business's property taxes pay for the City/County/AEDC's investment and in return the City, County and schools gets the jobs and taxes once the TIF obligations have been fulfilled. **If TIF is not used, then this project does not occur.** The City may want to establish a minimal level of private investment per acre to assure funds are available for the TIF and encourage densification of the development. A minimum private investment of $250,000 of valuation per acre could be required.

Tax Abatement – Tax Abatement is used to rebate the property taxes on a business's property back to the business. State law and Ames guidelines dictate the level of tax abatement. For industrial development the maximum abatement is 5 years, 100% abatement of taxes or a graduated system of partial abatements for a period of 10 years. Generally tax abatement is not offered where TIF financing is used because the TIF depends on the tax funds generated to pay off the TIF. In abatement the tax funds go back to the business and are unavailable for TIF. However, it is legally possible to do both, the only thing it changes is the repayment schedule of the TIF will need to be adjusted for the delay of taxes coming back to the TIF. Tax abatement may be appropriate for high value businesses or used as an incentive to promote LEED certification, "green" investment, or other such community sponsored initiatives.

RISE Grants – Iowa Department of Transportation's (IDOT) Revitalize Iowa's Sound Economy (RISE) grants are available for industrial expansion. The RISE program will pay up to 90% of any road project including the road and associated drainage work. However, 50% participation is more common as the criteria to get 90% funding are very restrictive. The program exists in two formats. The first is "immediate opportunity" grant where the RISE funds are being used to incentive a business that is moving into a town and does not have a paved road. Past practice has found that the IDOT will contribute $3,000 per job created to the road project. The second option is the "competitive" application for speculative road expansions for business parks and other similar developments. Both program types are competitive between all communities in Iowa and businesses applying for the program. The program is open to both the City and the County. There are different accounts reserved for the City, County and IDOT. Therefore, there are potentially 3 sources of funds within the RISE program.

Developer/Company Improvements – Developer and company improvements will be dictated by the City/AEDC's minimum development standards, incentives available, covenants, overlay zone, etc. Items that the company will address without benefit of the City or Developer will be determined by the business.

Electric Utility Payback – Investor owned electric utilities such as Alliant Energy are governed by the State of Iowa and are limited by State law to what incentives they can provide for property development and expansion. By law preference is given to the existing customers and reimbursement of any development expenses depends on the amount of energy used by the expanding industry. There are 4 ways that investor owned electric utilities can install and finance improvements to the electrical system:

1. The Developer pays for the cost of the installation of the transmission wires, conduits, switchgear, transformers and substations. The cost of the electrical infrastructure is then reimbursed back to the Developer as development occurs based on the amount of electrical load used by the industry. The industry receives the reimbursement first, and then what is left is reimbursed to the Developer. The

2. Industry and/or the Developer may not be completely reimbursed for the electrical installation if the industry does not use enough electricity. Reimbursement does not include any interest carry cost on the electrical investment. The investor owned utility is only allowed to be reimbursed the original installation cost – the utility cannot reimburse interest on the original investment. For example – based on its electrical use Company XYZ has $50,000 in credits back to the electrical infrastructure cost. Company XYZ spends $30,000 to install the electric service and transformer to its building and 100% of that cost is reimbursed by the electric utility. The remaining funds, $20,000, are then reimbursed back to the Developer.

3. Same as No. 1 except the financial instrument the Developer provides is a letter of credit for the installation of the electric. Reimbursement is the same method as well. The utility draws on the letter of credit and charges a yearly fee to keep the letter of credit.

4. Same as No. 2 except the financial instrument the Developer provides is a surety bond for the installation of the electrical infrastructure. Reimbursement is the same method as well. The utility draws on the surety bond and charges a yearly fee to keep the surety bond.

5. The Developer can pay a fixed cost for the installation of the electric and forgo any reimbursement of the cost. On a recent project the reimbursable cost was $250,000 for electric and the non-reimbursable option was $200,000. Though the cost of the installation is less, there is no hope of any reimbursement from the utility.

The City/AEDC can receive reimbursement back for electrical investments if that is the method chosen. The amount of payback may not cover all the expense of installing the electric. The cost of street lighting is not reimbursed and will always be an expense for the street construction project. The interest expense in financing the electrical installation will not be reimbursed. The reimbursement program does have a 10 year time restriction – after 10 years the utility is not obligated to reimburse any funds for the original installation. Businesses can still receive reimbursement for individual lot improvements to the electrical infrastructure.

Cooperatively-owned utilities are owned by its customers and they are largely self-regulated except for service related issues. Decisions regarding rates and incentives for property development are the responsibility of the locally-elected Board of Directors. Consumers Energy typically installs facilities for new industry or development under the arrangement of collecting 100% of the cost of installation upfront from either the Industry or the Developer and in exchange electrical service is provided at a discounted rate to the normal tariff schedules.

Gas Utility Payback – Investor owned gas utilities are governed by the State of Iowa in the same manner as the electrical utility. The Developer is required to pay for the infrastructure cost of the gas installation and is reimbursed the original investment as development occurs in one of the 4 methods outlined for the investor owned electric utilities. Unlike electric, the Developer is generally guaranteed that the full cost of the investment (not including the interest expense) will be reimbursed. The gas installation expense is generally 10-15% of the amount required for electrical installations.

Because the gas investment is considerably less, it is likely the full reimbursement will be made to the City/AEDC. The only exception would be if a majority of the businesses did not use gas because they were either cold uses, used geothermal in lieu of gas, or had a hot process that allowed for interior heat recovery and

reuse. Since geothermal and recovery/reuse/share are considered "green" alternatives there may be positive benefits of not getting full reimbursement of the gas installation.

Green Incentives - There are a multitude of green initiatives that could be applied to this project. Possible questions include: What should be required? What should the incentive be? What should be mandated versus suggested? Requiring green could eliminate Ames for some businesses considering this location. On the other hand, green requirements may help encourage businesses to consider Ames. Planning and design for green infrastructure, in lieu of actual construction , may be beneficial as certain green upgrades can be added later as they become more cost effective or are required. Potential green issues that could be applied to this project and their relative merits include:

- **LEED Certification** – previously discussed.
- **Storm water management** – previously discussed.
- **Native landscaping** – previously discussed.
- **Porous paving** – applicable to storm water management but may increase paving costs by 30-100%. Available in asphalt and Portland cement pavements.
- **Wastewater reuse** – site specific and often difficult because of health and safety concerns. Where used generally is high maintenance in terms of equipment, operations, and manpower.
- **Anaerobic digestion** – for industries that generate a biological waste stream the use solids component can be treated using anaerobic digestion that both breaks down the waste and provide gas for steam or power generation. Generally not cost effective without incentives. Requires a consistent, high strength, low water content waste.
- **Geothermal heating and cooling** – applicable to small spaces and offices but sometime difficult to utilize in a large room, factory setting. Often needs lots of area for a well field. Adds considerable time to the construction of the geothermal well field. Geothermal depends partially on utility incentives to make it cost effective (at current utility rates). Not applicable to industries that generate heat or steam as part of their operation.
- **Full or partial backup power** - credit can be given to installations that provide fully interruptible power such that electric generation plants can be reduced in size. Applies to both electric and gas utilities.
- **Cogeneration** – generating power at the same time the industry is generating hot water or steam for use within the plant. Popular in Europe and areas with higher energy costs. Difficult in US without incentives and/or utility participation and coordination. Ideally the plant would be financed and operated by the utility which is common in Europe.
- **Heat recovery/reuse** - Taking portions of a plant's waste heat and redirecting it to portions of the plant that need supplemental heat. Generally cost effective if incorporated into the initial plant design and construction.
- **Heat share** - One plant generates a lot of waste heat – more that it can reuse. It therefore shares its heat with an adjoining, unrelated business that needs heat. For example – every power plant in the United States should have acres of green houses adjacent to utilize the waste heat from the plant's cooling water.

NEXT STEPS

Where do we go from Concept Plan? The community can either decide the industrial expansion is not worth it or is can proceed forward with the intent of making this project happen. There will be many obstacles to overcome to make this project a success for the community as a whole.

Land Acquisition and/or Land Commitments – The AEDC has been in contact with all the property owners and obtained verbal commitments to the project and projected land costs. The AEDC needs to obtain options on the property within the time frame allocated for the business park. In the event Story County does not come to table to fund the land acquisition, then alternate methods of financing or obtaining the land will be necessary. Road and utility right of way may be acquired at this stage and/or process put in place to obtain the right of way for streets, utilities, and drainage.

Development of a Master Plan - the purpose of the Master Plan is to refine the Concept Plan from what *we might do* to *what we intend to do*. Second is to develop the plans to a sufficient degree to determine the land and infrastructure costs in great enough detail to assure the project is both doable and affordable. Third is to provide a guide for the development such that development, financial and incentive issues are resolved so the subsequent City processes (LUPP, annexation, rezoning, platting, etc.) are formalities and the issues are not rehashed or revisited at each stage of the process.

Improvement Agreement(s) – With any development in Ames there is an improvement agreement between the City and the Developer that spells out the duties & responsibilities of the Developer and the City. This is usually done at the end of the process in conjunction with the platting. However, due to the financial complexity and interwoven nature of this project it was moved up to behind the Master Plan so all entities financially involved in the project will know what is required to do the project early in the project's life.

Amend the Land Use Policy Plan – While this area has been considered for Industrial Expansion for a long time the current Land Use Policy Plan (LUPP) needs to be amended to include the entire area in the plan and update the County's fringe plan to meet the requirements of the LUPP for this area. All issues that will be encountered in the LUPP should have been previously addressed in the Master Plan document.

Annexation – The properties need to be annexed into the City of Ames prior to development. The parcels may be owned by the current owners prior to annexation or by the development entity. The only delay to annexation is the County's road improvements may need to be completed prior to annexation.

Rezoning – Once annexation is complete the properties should be rezoned as needed for each phase of the development. The expected zoning is P-I –Planned Industrial. An overlay zone with additional requirements or the use of the General Industrial designation may be more appropriate.

Preliminary Plat – The preliminary plat should be a formality. All the development issues should have been resolved before the preliminary plat is submitted. The preliminary plat will layout the lots as needed in the context of the "flex lot" arrangement previously discussed.

Final Plat – The final plat should also be only a formality. The only difference between the preliminary plat and the final plat is the lot configuration. For example the preliminary plat may show the flex lot configuration with a 40 acre parcel cut into six (6) pieces. The final plat may show only a single 40 acre parcel. The lot will be cut into smaller parcels as development proceeds by a Plat of Survey or by the Minor Plat process. This arrangement allows for tailoring of lots to meet the requirements of the industry and to maximize the return

on the City/AEDC's investment. The final plat will also provide the necessary road & utility right of ways necessary for the full development of the parcel.

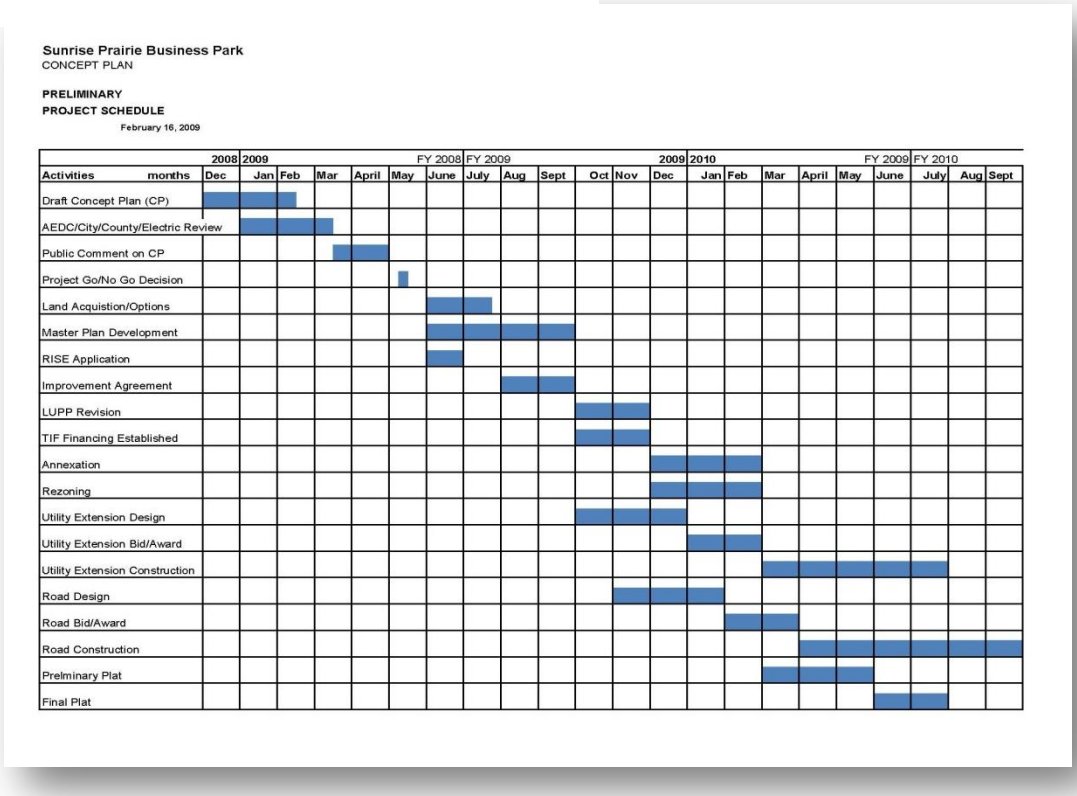
Utility & Road Improvements – Utility and road improvements should proceed as soon as the property has been obtained and the Master Plan agreed to by all parties.

CLOSING COMMENTS

Time is of the essence – Financial and governmental programs are in rapid state of fluctuation. The State of Iowa has discussed modifying or changing the TIF laws that may impact this project. Federal economic stimulus programs may be available for the next 1-2 years. Development of the business park needs to occur before the recession is over to maximize the potential of the business park at the start of the next economic upswing. Construction costs are expected to be low in the next 1-2 year period as the recession is worked out at the State and National levels. There is no land readily available for significant industrial expansion in Ames.

Project Timeline – **Figure No. 16 – Preliminary Project Schedule** is a projected project time line for consideration. The Master Plan, financial, and other work prior to any lot sale or construction will consume all of 2009. Construction will start in 2010 with the first lot available in 2010.

- **Figure 16 Preliminary Project Schedule**



Expected Job Creation – The projected job creation is between 2,500 and 3,500 jobs for the 375 acres in the initial project area.

Project Development Funds – Funds are needed initially for preparation of the Master Plan and the legal work necessary to option the properties for development. An estimated $105,000 is required with a projected split of $35,000 by the City, $35,000 by Story County, and $35,000 by the AEDC.

Appendix A has incorporated all facets of the future business park into a single figure for ease of reference.

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