AGENDA
REGULAR MEETING OF THE AMES CITY COUNCIL
COUNCIL CHAMBERS - CITY HALL
APRIL 10, 2012

NOTICE TO THE PUBLIC: The Mayor and City Council welcome comments from the public during discussion. **If you wish to speak, please complete an orange card and hand it to the City Clerk. When your name is called, please step to the microphone, state your name for the record, and limit the time used to present your remarks in order that others may be given the opportunity to speak.** The normal process on any particular agenda item is that the motion is placed on the floor, input is received from the audience, the Council is given an opportunity to comment on the issue or respond to the audience concerns, and the vote is taken. On ordinances, there is time provided for public input at the time of the first reading. In consideration of all, if you have a cell phone, please turn it off or put it on silent ring.

CALL TO ORDER: 7:00 p.m.

PROCLAMATION:
1. Proclamation for Administrative Professionals Week, April 22-28, 2012
2. Proclamation for Fair Housing Month, April 2012

CONSENT AGENDA: All items listed under the consent agenda will be enacted by one motion. There will be no separate discussion of these items unless a request is made prior to the time the Council members vote on the motion.
3. Motion approving payment of claims
4. Motion approving Minutes of Special Meeting of March 20, 2012, and Regular Meeting of March 27, 2012
5. Motion approving Report of Contract Change Orders for March 16-31, 2012
6. Motion approving renewal of the following beer permits, wine permits, and liquor licenses:
    a. Special Class C Liquor – India Palace, 120 Hayward Avenue
    b. Class E Liquor, C Beer, & B Wine – Dahl's Foods, 3121 Grand Avenue
    c. Class C Liquor – Dangerous Curves, 111 5th Street
    d. Class C Beer and B Native Wine – Ames British Foods, 429 Douglas Avenue
    e. Class C Liquor w/ Outdoor Service – Cyclone Experience Network, Hilton Coliseum
7. Resolution approving and adopting Supplement No. 2012-2 to *Municipal Code*
8. Resolution approving Neighborhood Improvement Project Grant with Old Town/Sunrise Neighborhood Associations
9. Resolution approving carry-over of funds to FY 2012/13 for Ames Historical Society regarding Mayors' Recognition Project
10. Resolution authorizing increasing staffing level of sworn police officers on a temporary basis
11. Resolution approving preliminary plans and specifications for Unit No. 7 Stack Repair; setting May 23, 2012, as bid due date and June 12, 2012, as date of public hearing
12. Resolution approving preliminary plans and specifications for 2010/11 and 2011/12 Asphalt Resurfacing and Seal Coat Removal/Asphalt Reconstruction Program; setting May 2, 2012, as bid due date and May 8, 2012, as date of public hearing
13. Resolution awarding contract for RDF Drag Conveyors for Power Plant to Clarke's Sheet Metal, Inc., of Eugene, Oregon, in the amount of $92,414.63
14. Underground Trenching for Electric Services:
    a. Resolution awarding primary contract to Ames Trenching & Excavating, Inc., of Ames, Iowa, in an amount not to exceed $175,500.00

b. Resolution awarding back-up contract to Dig America, Inc., of St. Cloud, Minnesota, in an amount not to exceed $19,500.00
15. Resolution approving contract and bond for Cemetery Grounds Fencing Project
16. Resolution approving contract and bond for 2011/12 & 2012/13 Neighborhood Curb Replacement Program
17. Resolution approving contract and bond for 2012/13 Water System Improvements Water Service Transfer Contract No. 1
18. Resolution accepting completion of WPC Switchgear Facility Switchgear Rehabilitation Project by Ziegler Power Systems of Altoona, Iowa, in the amount of $28,420
19. Resolution approving Plat of Survey for property located at NE 1/4 of Section 29, Township 84, Range 24 (commonly known as 3601 and 3699 George Washington Carver)

PUBLIC FORUM: This is a time set aside for comments from the public on topics of City business other than those listed on this agenda. Please understand that the Council will not take any action on your comments at this meeting due to requirements of the Open Meetings Law, but may do so at a future meeting. The Mayor and City Council welcome comments from the public; however, at no time is it appropriate to use profane, obscene, or slanderous language. **The Mayor may limit each speaker to five minutes.**

PERMITS, PETITIONS, AND COMMUNICATIONS:
20. Motion approving 5-day (April 13-17) Class C Liquor License for Olde Main Brewing Company at ISU Alumni Center, 420 Beach Avenue
21. Motion approving 5-day (April 21-25) Class C Liquor License for Christiani's Events at ISU Alumni Center, 420 Beach Avenue
22. Resolution approving parking prohibitions on a portion of Chamberlain Avenue during VEISHEA

HEARINGS:
23. Hearing on 50-Year Lease with Iowa State University for placement of a golf maintenance facility on the southwest portion of Moore Memorial Park:
    a. Resolution approving lease
24. Hearing on adoption of 2011 National Electric Code:
    a. First passage of ordinance adopting 2011 National Electric Code, with State and City of Ames amendments
25. Hearing on 2010/11 Airport Improvements (West Apron Rehabilitation):
    a. Resolution approving final plans and specifications and awarding contract to Godbersen-Smith Construction of Ida Grove, Iowa, in the amount of $1,298,380.65, subject to receipt of approved FAA grant
26. Hearing on 2010/11 Concrete Pavement Improvements (Lincoln Swing and Oakland Street):
    a. Resolution approving final plans and specifications and awarding contract to Con-Struct, Inc., of Ames, Iowa, in the amount of $739,207.10
27. Hearing on Zoning Text Amendment to create a separate land use for delayed deposit service providers and enacting prohibitions against their locating in Highway-Oriented Commercial or Gateway Overlay Zones or within 1,000 feet of certain specified facilities:
    a. First passage of ordinance

PLANNING & HOUSING:
28. SE 16th Street Tax Abatement Project (tabled from March 27, 2012):
    a. Resolution approving qualifying criteria

PUBLIC WORKS:

29. Resolution designating Public Works staff to approve closure of Duff Avenue Railroad Crossing for repair by Union Pacific Railroad Company
30. Drainage District Transfer from County to City:
    a. Motion directing staff to attend April 24, 2012, Board of Supervisors meeting and convey Council's position regarding the transfer of Drainage District Washington #59 to the City

POLICE:

31. Parking Violation Fines:
    a. Motion directing City Attorney to develop ordinance increasing illegal and/or overtime parking fines

HUMAN RESOURCES:

32. Resolution awarding three-year contract in the amount of $160,000 to Willis of Illinois of Moline, Illinois, for Property Insurance Broker Services

WATER & POLLUTION CONTROL:

33. Presentation of Water and Sewer Rates

ORDINANCES:

34. Second passage of ordinance of Zoning Ordinance text amendment related to definitions of "story" and "basement"
35. Second passage of ordinance changing term of office commencement date for Library Board of Trustees from July 1 to April 1

COUNCIL COMMENTS:

ADJOURNMENT:

***Please note that this agenda may be changed up to 24 hours before the meeting time as provided by Section 21.4(2), *Code of Iowa*.**

MINUTES OF THE SPECIAL MEETING OF THE AMES CITY COUNCIL

AMES, IOWA **MARCH 20, 2012**

The Ames City Council met in special session at 7:00 p.m. on the 20th day of March, 2012, 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: Davis, Goodman, Orazem, Szopinski, and Wacha. Council Member Larson was absent.

MOTION APPROVING 5-DAY CLASS B BEER PERMIT FOR COMFORT FOOD & BBQ CATERING AT AG LEADER: Moved by Davis, and seconded by Goodman to approve a 5-Day (March 23 - 27) Class B Permit for Comfort Food & BBQ Catering at Ag Leader, 2202 S. Riverside Drive, Ames.
Vote on Motion: 5-0. Motion declared carried unanimously.

JOINT MEETING WITH PLANNING & ZONING COMMISSION: Mayor Campbell welcomed the members of the Planning & Zoning Commission (P&Z). Council Members and P&Z members introduced themselves.

P&Z members in attendance were:

Elizabeth Beck
Debra Lee
Chuck Jons
Norman Cloud
Yvonne Wannemuehler
Rob Bowers

Ms. Beck thanked the Council for the opportunity to discuss P&Z priorities, and said that the Commission has attempted to align its priorities with the Council's priorities. She referenced the memo sent to Council from P&Z on January 4, 2012, and discussed the topics the Commission would like to discuss with the Council, including:

1. Industrial Lands
2. Traffic Impacts and Intermodal Transit
3. Tax Base Diversification
4. Land Use Policy Plan (LUPP)/ Codes Review for Consistency with Sustainability
5. District Planning - Niches
6. Flood Mitigation Efforts

Commission Member Jons discussed the need to attract jobs to Ames. He said there needs to be industrial land ready for businesses, or business will go elsewhere. Mr. Jons encouraged the Council in developing industrial land, so as not to further suffer from lost tax base. He also told the Council he would like to see the City review traffic plans more closely as they relate to future growth, and that he would like to see the shared use paths along the creek system in Ames utilized more in bringing people to Ames.

Commission Member Cloud recalled multiple situations where a previous development's traffic flow was fine, but then an extension of the development caused a neighborhood street to become an arterial street. Mayor Campbell said when the LUPP was initially created, the intended growth areas were taken into account with the traffic patterns. She said more recently, growth

has been in areas where it was not planned or intended, which then causes the traffic issues. Council Member Goodman said that the Council should look at proposed developments in the context of existing long term investments to be sure that infrastructure can be used as anticipated.
The group further discussed the LUPP and the need to review it. Planning and Housing Director Steve Osguthorpe said a process was recently adopted for reviewing the LUPP both as requested, as well as a regular 5-year cycle for review. He said it just needs to be determined when the cycle will begin and when the first update will occur. Mayor Campbell asked the Commission if someone wants to annex some land, which may include jobs, whether the City should put that priority above the review of the LUPP. Mr. Cloud said P&Z has been having these discussions, and that though multiple projects are getting completed, there aren't enough people looking at the big picture of how Ames is being developed.

Mayor Campbell said maybe Council should take a hiatus from referring these issues to staff and P&Z, and first review the LUPP. Ms. Lee said the purpose of the LUPP is to simplify these types of decisions, and said it should be decided if a review of the LUPP is important enough to devote staff time toward it first, and then each request that comes in. Council Member Goodman said he feels as if no matter what the Plan says, there could always be a different opportunity that creates pressure, so it will take Council and P&Z to decide and prioritize. Mr. Cloud said it is hard to pinpoint where growth should occur, and said that he is not confident in the Council's desires, making it hard for him to make decisions on P&Z.

Mr. Osguthorpe commented that the recent discussions related to traffic have suggested that the capacity is there, but quality of life may be affected. Ms. Beck discussed the need for traffic patterns involving vehicles, public transit, bike paths, and pedestrian walkways. Discussion continued on development, traffic, and the possibility of updating the LUPP. Council Member Szopinski stated that Council members are not of one philosophy on how quality of life is defined, so decisions are based on the majority. Mr. Cloud said he would like to have a better feel for what the consensus would be on particular issues.

Ms. Lee said she feels a chance to look at the LUPP is an opportunity for a community discussion on the values of the community. Mr. Jons said less emphasis could be placed on the long-range plan since the City must negotiate with surrounding entities concerning how we want Ames to look. He would rather see the City be the instigator of new and different ideas. He also said he is concerned the City would spend a large amount of resources and time developing the LUPP when those within the City could be utilized more cost effectively. Mr. Cloud said he doesn't totally disagree. He said at some point the City needs regulation, and a consensus on how to deal with these issues. Ms. Beck said she agreed that the conversation needs to happen, to determine what the community wants Ames to be. She also said that she agrees that $150,000 does not need to be spent. Mr. Jons said it is very difficult to get the entire community involved in these discussions. Ms. Beck said if the conversation consisted of a representative group, it could be useful.

Council Member Wacha referenced the request for a consistent idea of the Council's viewpoints in certain instances. He said he struggles with the inconsistency also, but that every request that does not fit within the LUPP can be denied, neither can everything be "rubber stamped." He said it's not black and white, but more of a gray. Member Goodman said he feels that if millions of dollars are being spent on infrastructure, then it should be less "gray," and that maybe a plan with more flexibility is needed. Member Wacha said the other complication is the forever-changing make-up of the City Council.

There was discussion on the qualities of Ames that make it unique, and the growth of Ames. Mayor Campbell wondered where the intention is to grow in terms of maintaining viable school districts. Mr. Cloud said P&Z had this discussion, and he has "given up" on controlling the market in the short term. He said he is puzzled as to if it can be legislated, or if it is just going to happen. Member Goodman said there is a limit to the infrastructure investments. Member Orazem said the number of children in Story County is smaller, and if Ames wants more children more jobs are needed. He said Ames currently has the same amount of jobs as it did in 2000. Member Szopinski said there are people that work in Ames that no longer live here because of a lack of affordable housing. Member Goodman said the current trajectory shows the Gilbert district growing. Council Member Davis said with the growth, Gilbert may benefit in the short term, but Ames still benefits through property taxes and additional affordable housing that is then available. He said there is a natural progression in neighborhoods, and the Ames school district could also benefit in the coming years.

Mr. Jons asked how staff is coming with the Council goal of flood mitigation. Assistant City Manager Bob Kindred said that since the floods, staff has been working with ISU, Story County, and others to coordinate efforts to deal with flooding, and that the Iowa Flood Center is doing a lot of work in Story County to help discern the best ways to mitigate flooding. Mr. Kindred said staff is putting together a Request for Proposals to go out next month for an engineering study similar to the study completed after the 1993 floods, but with much higher quantity and quality of data, and better tools and modeling which will hopefully be completed by the end of the year. Mr. Kindred said different rainfall models are being taken into account in order to bring options to policy makers based on different levels of protection, with the associated costs and regulations for each option.

City Manager Steve Schainker said in the commercial market, everyone wants to be on South Duff Avenue. He said the current Council is much more conservative than the national requirements, and requires those building there to build 3 feet higher than the projected 100-year base flood elevation. He said a map of the flood plain would show that the majority of Ames' commercial areas are in the flood plain. Mr. Schainker said that very important policy decisions will need to be made.

Ms. Lee suggested a public relations effort to update the community on the flood mitigation progress, since residents are seeing the activity on South Duff Avenue now. Mr. Cloud said many of the older businesses on South Duff Avenue are thinking they will be impacted even more during a flood now since newer businesses are building higher. Council Member Goodman said it is frustrating that its taking so long, but the public should know that the City is engaged in a process more bold than ever before to mitigate future flooding, but Council has made a decision not to stop development in the area. Mr. Bowers said every time it floods, it floods differently. Member Wacha said he suggested looking at aerial views of Ames during the last flood. He said whoever builds on South Duff Avenue is taking a risk, and the new buildings will have a minuscule effect on existing businesses.

Mr. Schainker said for cities and city staffs, the most important thing is the LUPP, and once that is established, everything is planned off of that such as parks, sidewalks, bike paths, water towers, sewer lines, water lines, arterials, etc. He said that having a Plan does not mean there is no flexibility. Ms. Beck said she is very glad the community has a LUPP, but is not comfortable always being asked to make exceptions. Mr. Schainker said a Plan becomes stale after 20 years, and to review it every 5 years will allow for the community's changing values and direction, but also allow for some certainty during the periods of time in between the reviews.

Mr. Schainker told P&Z that the Planning priorities referred by Council are requests from customers that need addressed. Discussion ensued on the outstanding council referrals and the staff time committed to each priority. Mr. Schainker suggested beginning with the higher priority items. Mr. Osguthorpe said the highest priorities are already in process, or customer-initiated. Mr. Schainker asked for direction on the higher-ranked referrals. Council Member Davis agreed with the priorities, and said he would like to see them all resolved and addressed. Mayor Campbell noted the amount of referrals. Mr. Schainker said new referrals could divert staff work on the current referrals.

Discussion ensued on meeting deadlines with customers, and also the need for a review of the LUPP.

Council Member Wacha thanked P&Z for their advisory work, and recognized the complexity of the issues. Mayor Campbell thanked Ms. Beck and Mr. Jons for their time and said she looks forward to Mr. Bowers and Ms. Wannemuehler's work on the Commission.

COMMENTS: Mayor Campbell reminded the group of the Boards and Commissions luncheon on Wednesday, March 21. She also told the group that the Ames Day at the Capitol is Monday, March 26.

ADJOURNMENT: The meeting adjourned at 8:53 p.m.

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Diane R. Voss, City Clerk

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Ann H. Campbell, Mayor

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Erin Thompson, Recording Secretary

MINUTES OF THE MEETING OF THE AMES AREA METROPOLITAN PLANNING ORGANIZATION POLICY COMMITTEE AND REGULAR MEETING OF THE AMES CITY COUNCIL COUNCIL CHAMBERS - CITY HALL

AMES, IOWA **MARCH 27, 2012**

MEETING OF THE AMES AREA METROPOLITAN PLANNING ORGANIZATION TRANSPORTATION POLICY COMMITTEE

The Ames Area Metropolitan Planning Organization (AAMPO) Transportation Policy Committee met at 7:00 p.m. on the 27th day of March, 2012, in the City Council Chambers in City Hall, 515 Clark Avenue, pursuant to law with the following voting members present: Campbell, Clinton, Davis, Goodman, Orazem, Szopinski, Wacha, and Warren Madden, who was representing the Ames Transit Board at this meeting. AAMPO Administrator John Joiner and Rudy Koester, City of Ames Transportation Planner, were also present. Voting Members Larson and O'Brien were absent.

2013 TRANSPORTATION PLANNING WORK PROGRAM (TPWP): Transportation Planner Rudy Koester explained that this is an annual Program. The Draft 2013 TPWP contains the same work elements. The Transportation Planning Review by the Federal Highway Administration and Federal Transit Administration occurred last June, and those recommendations are included in the Work Program being presented at this time.

Moved by Clinton, seconded by Davis, to approve the Draft FY 2013 Transportation Planning Work Program (TPWP) and set May 22, 2012, as the date of public hearing.
Vote on Motion: 8-0. Motion declared carried unanimously.

2013 PASSENGER TRANSPORTATION PLAN (PTP): Transit Director Sheri Kyras brought the Policy Committee's attention to the recommended projects in the Plan. This annual report is required for all transit agencies. It is a requirement that any human service transportation coordination happening within the community be documented.

Moved by Davis, seconded by Madden, to approve the Final FY 2013 Passenger Transportation Plan Update for submission to Iowa Department of Transportation and Federal Transit Administration.
Vote on Motion: 8-0. Motion declared carried unanimously.

APPOINTMENT TO STATEWIDE URBAN DESIGN AND SPECIFICATIONS (SUDAS) BOARD OF DIRECTORS: Moved by Wacha, seconded by Davis, to appoint John Joiner to the SUDAS Board of Directors.
Vote on Motion: 8-0. Motion declared carried unanimously.

ANNUAL SELF-CERTIFICATION: Transportation Planner Koester advised that, pursuant to federal regulations, each MPO must self-certify that the transportation planning process is addressing the major issues in the Metropolitan Planning Area and is being conducted in accordance with all applicable requirements.

Moved by Goodman, seconded by Davis, to approve the AAMPO annual self-certification.
Vote on Motion: 8-0. Motion declared carried unanimously.

2035 LONG-RANGE TRANSPORTATION PLAN AMENDMENTS: Mr. Koester stated that the Iowa Department of Transportation (IDOT) informed the AAMPO Technical Committee on March

12, 2012, that it had started the process for improvements to the interchange of Interstate 35 and Highway 30. Since that is located within the AAMPO's planning boundary, in order for the IDOT to properly complete the preconstruction steps, qualify for federal funding, and keep on its project time line, the project must be included in the AAMPO's Long-Range Transportation Plan (LRTP). A public meeting is required before the LRTP may be amended.

Moved by Clinton, seconded by Davis, to set the date of public hearing for May 22, 2012, for amendments to the 2035 Long-Range Transportation Plan.
Vote on Motion: 8-0. Motion declared carried unanimously.

COMMENTS: Mr. Clinton asked if there had been any discussion about changing the city population threshold to be allowed to have its own MPO. Transit Director Kyras advised that she had received information about the recently passed Senate version of a new transportation bill (MAP 21). In that bill, there is language that would eliminate MPOs below the 200,000 level; however it does allow for a waiver process. At the inquiry of Mr. Clinton, Ms. Kyras encouraged the AAMPO members to contact legislators in an effort to retain the AAMPO.

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ADJOURNMENT: Moved by Goodman, seconded by Davis, to adjourn the AAMPO meeting at 7:12 p.m.

MINUTES OF THE REGULAR CITY COUNCIL MEETING

Mayor Campbell called the Regular Meeting of the Ames City Council to order at 7:14 p.m. with Davis, Goodman, Orazem, Szopinski, and Wacha present. *Ex-officio* Member Finseth was also present. Council Member Larson was absent.

The Mayor noted that the Council Action Form pertaining to the 2012/13 Funding Contract for the Ames International Partner Cities Program (Consent Item No.10) had indicated an allocation of $3,000; however, it should have stated an allocation of $5,000.

Mayor Campbell also recommended that Item No. 36 (SE 16th Street Tax Abatement) be postponed until the April 10, 2012, meeting since one Council member was absent.

PROCLAMATION FOR GOOD NEIGHBOR EMERGENCY ASSISTANCE MONTH: Mayor Campbell proclaimed April 2012 as Good Neighbor Emergency Assistance Month. Accepting the Proclamation were Pat Thiede, Jere Maddux, Barb Gurganus, Mike Fritz, and Kathy Hanson.

CONSENT AGENDA: Moved by Goodman, seconded by Wacha, to approve the following items on the Consent Agenda:

1. Motion approving payment of claims
2. Motion approving Minutes of Regular Meeting of March 6, 2012
3. Motion approving Report of Contract Change Orders for March 1-15, 2012
4. Motion approving renewal of the following beer permits, wine permits, and liquor licenses:
   a. Class C Liquor – Ge'Angelo's, 823 Wheeler Street, #9
   b. Class E Liquor, C Beer, and B Wine – Wal-Mart Store #749, 3015 Grand Avenue
5. Motion approving submission of application for participation in Governor's Traffic Safety Bureau 410 Grant Program
6. Motion approving request from Story County Prevention Policy Board for use of City Hall as drug drop-off site on April 28, 2012
7. RESOLUTION NO. 12-109 approving Shift Differential for Police supervisors

8. RESOLUTION NO. 12-110 approving endorsement of Iowa Economic Development Authority Application for Financial Assistance for Iowa Choice Harvest, LLC
9. RESOLUTION NO. 12-111 approving 2012/13 Funding Contract for Ames International Partner Cities Program
10. RESOLUTION NO. 12-112 approving proposed 2012/13 Annual Action Plan projects' amended budget for CDBG Program
11. RESOLUTION NO. 12-113 authorizing placing the Single-Family Conversion Pilot Program (in connection with the 2011/12 CDBG Program) on hold, maintaining and rolling over $25,000 budget, and directing staff to solicit proposals in Fall 2012
12. RESOLUTION NO. 12-114 approving amendment to Human Services Contract with ChildServe
13. RESOLUTION NO. 12-115 approving revisions to Records Retention Schedule
14. RESOLUTION NO. 12-116 approving Engineering Services Agreement for 2011/12 Downtown Pavement Improvements to Civil Design Advantage of Grimes, Iowa, in an amount not to exceed $78,200
15. Airport hangar lease renewals:
    a. RESOLUTION NO. 12-117 approving ten-year lease with Ames Hangar Club
    b. RESOLUTION NO. 12-118 approving ten-year lease with Brian Aukes
    c. RESOLUTION NO. 12-119 approving five-year lease with Craig Sommerfeld
    d. RESOLUTION NO. 12-120 approving five-year lease with Ames Viking Aviation
    e. RESOLUTION NO. 12-121 approving five-year lease with Kenneth Augustine
16. RESOLUTION NO. 12-122 approving preliminary plans and specifications for Vet Med Substation Capacitor Bank Foundation Installation; setting April 25, 2012, as bid due date and May 8, 2012, as date of public hearing
17. RESOLUTION NO. 12-123 approving preliminary plans and specifications for South 4th Street Water Main Repair; setting April 18, 2012, as bid due date and April 24, 2012, as date of public hearing
18. RESOLUTION NO. 12-124 approving preliminary plans and specifications for 2011/12 Asphalt Pavement Improvements (Barr Drive, Indian Grass Court); setting April 18, 2012, as bid due date and April 24, 2012, as date of public hearing
19. WPC Facility Replacement Pumps Project:
    a. RESOLUTION NO. 12-125 authorizing $78,000 for the project from available Sewer Fund balance
    b. RESOLUTION NO. 12-126 awarding contract to Fairbanks Morse of Kansas City, Kansas, for four Raw Water Vertical Turbine Solids-Handling Pumps in the amount of $472,880
20. Fleet Replacement Program:
    a. RESOLUTION NO. 12-127 awarding contract to O'Halloran International for a 2013 International WorkStar chassis for Electric Services in the amount of $72,426.00
    b. RESOLUTION NO. 12-128 awarding contract to Altec Industries for a utility body and aerial platform with accessories for Electric Services in the amount of $108,910.00
21. RESOLUTION NO. 12-129 approving Change Order No. 25 to Weitz Company for the Ames Intermodal Facility
22. RESOLUTION NO. 12-130 approving contract and bond for Main Street Alley (Kellogg Avenue to Douglas Avenue)
23. RESOLUTION NO. 12-131 approving contract and bond for Resource Recovery Plant Truck Scale Upgrade
24. RESOLUTION NO. 12-132 approving contract extension to Waste Management of Ames for FY 2012/13 for Hauling and Related Services for Resource Recovery Plant
25. RESOLUTION NO. 12-133 approving contract extension to Waste Management of Ames for FY 2012/13 for Hauling Ferrous Metals for Resource Recovery Plant

26. 2010/11 Collector Street Pavement (Storm Street) Improvements:
   a. RESOLUTION NO. 12-134 approving Change Order #4 in a credit amount of $17,482.34
   b. RESOLUTION NO. 12-135 accepting completion

   Roll Call Vote: 5-0. Resolutions declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

PUBLIC FORUM: No one came forward to speak during this time.

NEW CLASS C LIQUOR LICENSE FOR SIPS/PADDY'S IRISH PUB: Moved by Goodman, seconded by Davis, to approve a new 12-month Class C Liquor License for Sips/Paddy's Irish Pub, 124 Welch Avenue.
Vote on Motion: 5-0. Motion declared carried unanimously.

NEW CLASS E LIQUOR LICENSES FOR KUM & GO: Moved by Davis, seconded by Goodman, to approve new Class E Liquor Licenses for:
a. Kum & Go #113, 2801 East 13th Street
b. Kum & Go #227, 2018 Isaac Newton Drive

Vote on Motion: 5-0. Motion declared carried unanimously.

5-DAY CLASS C LIQUOR LICENSE FOR OLDE MAIN BREWING COMPANY: Moved by Davis, seconded by Goodman, to approve a 5-Day Class C Liquor License for Olde Main Brewing Company at the ISU Alumni Center, 420 Beach Avenue.
Vote on Motion: 5-0. Motion declared carried unanimously.

2012/13 ART AROUND THE CORNER SCULPTURES: Moved by Szopinski, seconded by Orazem, to adopt RESOLUTION NO. 12-136 approving the 2012/13 Art Around the Corner (AATC) sculptures, as follows:

1. *Iowa* by Zachary Bowman, Cedar Falls, Iowa
2. *Walker 1.0* by John Brommel, Des Moines, Iowa
3. *Hatching Sprout* by Michael Sneller, Cedar Rapids, Iowa
4. *Barbara's Portal* by Jaak Kindberg, Greenwood, Arkansas

and two alternates, as follows:

1. *Point Defiance* by Beth Nybec, Kansas City, Missouri
2. *Let's Cool One* by Paul Howe, Greensboro, North Carolina

Steve Kawaler, Chairperson of the AATC, advised that the 2012/13 Art Around the Corner Exhibition received 29 entries from 12 sculptors. He also noted that this is the last year that the project will be called Art Around the Corner; the name will change to Ames Outdoor Sculpture Competition.

According to Mr. Kawaler, the entries were evaluated by a jury of three Ames residents. At the inquiry of Council Member Orazem, Mr. Kawaler advised that another Public Art program, i.e., Neighborhood Sculpture, periodically purchases one of the AATC sculptures for placement in a qualifying neighborhood.

Pictures of the chosen sculptures were shown to the City Council. Mr. Kawaler explained that three alternates, to be used if any of the top four is unavailable, were actually chosen; however, one of the alternates presented installation issues that rendered it unsuitable for display.

Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

REQUESTS FROM MAIN STREET CULTURAL DISTRICT (MSCD) FOR SUMMER EVENTS: Tom Drenthe, Director of the Main Street Cultural District, was present.

Moved by Davis, seconded by Wacha, to approve the following:

1. Main Street Farmers' Market, Saturdays from May 5 to October 27:
   a. RESOLUTION NO. 12-137 approving closure of street and parking spaces in 400 block of Main Street from 6:00 a.m. to 1:00 p.m.
   b. Motion approving blanket Temporary Obstruction Permit and blanket Vending Permit for entire Central Business District from 8:00 a.m. to 6:00 p.m.
   c. RESOLUTION NO. 12-138 approving waiver of fee for blanket Vending Permit.

2. Tune in to Main Street, Thursdays from May 24 - July 26:
   a. RESOLUTION ON. 12-139 approving usage of and waiver of fee for electricity in and near Tom Evans Plaza
   b. Motion approving blanket Temporary Obstruction Permit and blanket Vending Permit for CBD sidewalks from 8:00 a.m. to 8:00 p.m.
   c. RESOLUTION NO. 12-140 approving waiver of fee for blanket Vending Permit
   d. RESOLUTION NO. 12-141 approving closure of 24 parking spaces in CBD Lot X

3. Art Walk on Friday, June 1:
   a. RESOLUTION NO. 12-142 approving waiver of parking meter fees and enforcement for MSCD from 3:00 p.m. to 6:00 p.m.
   b. Motion approving blanket Temporary Obstruction Permit for MSCD sidewalks from 3:00 p.m. to 8:00 p.m.
   c. Motion approving blanket Vending Permit for MSCD from 8:00 a.m. to 8:00 p.m.
   d. RESOLUTION NO. 12-143 approving waiver of fee for Blanket Vending Permit
   e. RESOLUTION NO. 12-144 closing six parking spaces near intersection of Main Street and Kellogg Avenue for food vendors

4. 4th of July Parade and Festival on Wednesday, July 4:
   a. RESOLUTION NO. 12-145 approving closure of Clark Avenue between 5th Street and 6th Street from 6:00 p.m. on Tuesday, July 3, until conclusion of parade on July 4 for City Council Community Pancake Breakfast
   b. RESOLUTION NO. 12-146 approving closure of portions of Main Street, Northwestern Avenue, Fifth Street, Douglas Avenue, Burnett Avenue, Kellogg Avenue, Clark Avenue, Allan Drive, and Pearle Avenue from 6:00 a.m. to approximately 3:00 p.m. for parade
   c. RESOLUTION NO. 12-147 approving waiver of parking meter enforcement for the entire Central Business District on July 4
   d. RESOLUTION NO. 12-148 approving closure of Parking Lot MM, Parking Lot N, Parking Lot Q, and south half of Parking Lot M from 6:00 a.m. to 3:00 p.m.
   e. Motion approving blanket Temporary Obstruction Permit and blanket Vending Permit for

MSCD from 8:00 a.m. to 6:00 p.m.

f. RESOLUTION NO. 12-149 approving waiver of utility fees for use of outlets and water in Tom Evans Plaza and waiver of Vending Permit fee

5. July Sidewalk Sales, July 26 - 28:
   a. RESOLUTION NO. 12-150 approving suspension of parking regulations in CBD from 8:00 a.m. to 6:00 p.m, July 26 - 28
   b. Motion approving blanket Temporary Obstruction Permit and blanket Vending Permit
   c. RESOLUTION NO. 12-151 approving waiver of fee for Blanket Vending License

Roll Call Vote: 5-0. Resolutions declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

IOWA STATE UNIVERSITY (ISU) REQUEST TO LEASE LAND ON THE SOUTHWEST PORTION OF MOORE MEMORIAL PARK: Parks and Recreation Director Nancy Carroll explained that ISU had requested to locate an approximately 5,000-square-foot golf maintenance facility at the southwest corner of Moore Memorial Park. Its existing golf maintenance facility is located in the floodplain, and excessive damage had occurred to it multiple times over the past several years. A lack of available land outside the floodplain would make it difficult to construct a new facility on ISU property. According to Ms. Carroll, long-term, the University is considering construction of a new clubhouse and practice green west of its existing clubhouse.

Ms. Carroll noted that the proposed location for the facility is immediately adjacent to a tree planting memorial honoring victims of 911 and approximately 50 feet west of a fenced natural gas restricted area.

A chronological history of events that had occurred since the request was received was provided by Director Carroll. She also reviewed the written response of Trees Forever, noted the comments received from the public at a meeting held in November 2011, and summarized feedback from the 350 letters that had been mailed by the City pertaining to this issue. Ms. Carroll said that, overall, the responses (approximately 10% response rate) indicated support for the City to enter into an agreement with ISU; however, she emphasized that a few residents adamantly oppose park land at Moore Memorial being used for a golf maintenance facility.

Ms. Carroll advised that the Parks and Recreation Commission, at its February 2012 meeting, unanimously voted to recommend that the City enter into a 50-year, no-fee lease agreement with ISU to locate a golf maintenance building in Moore Memorial Park. The Commission also directed the City staff to work with members of Trees Forever to redevelop new 911 Memorial plantings at another acceptable location with the Park System at ISU's expense and to ask University officials to afford the Parks and Recreation Commission an opportunity to "review and react" to the building contextually and aesthetically.

Reporting that the Park was made possible by a bequest from the Vern and Bertha Moore Family, Ms. Carroll reviewed the two conditions contained in the Last Will and Testament. She also listed the conditions that the City had placed on its acceptance of the bequest, which were agreed to by the Moore Estate's attorney and included in the approval Resolution adopted in 1987. According to Ms. Carroll, 40 acres of land at Moore Memorial Park is already leased to ISU and used for research plots. The annual rent of $3,000 is used for Moore Memorial Park improvements.

Ms. Carroll showed the Council a conceptual drawing of the proposed 50' x 100' maintenance facility. She noted that the dimensions of the proposed leased area would be approximately 17,000 square feet, which would allow for access to the facility during the construction phase and after the building has been completed. According to Ms. Carroll, ISU has also agreed to allow the City to store park equipment and materials in part of the facility.

City Manager Schainker noted that the Council was not being asked to approve the construction of the maintenance facility or the lease at this time; it was being asked to set the date of public hearing on entering into the lease.

Council Member Orazem asked if the building could be configured in such a way as to be integrated into the 911 Memorial. Director Carroll reported that that had not been discussed. She noted that it had been proposed that the Memorial be recreated at a different location; however, she would discuss Mr. Orazem's idea with University officials and the Parks and Recreation Commission. It was also noted that the three pine trees that are currently part of the Memorial would be left at their current location as it is unknown whether they could be successfully transplanted. Ms. Carroll also pointed out that the three pine trees, when full-grown, would nearly hide the proposed building from sight.

Cathy Brown, representing Iowa State University, noted that the Veenker Golf Course had been in existence since 1938. It serves as the course for ISU Golf Team, the Iowa Masters Championship, a practice facility, a driving range, and also provides for public use. Ms. Brown showed a map of the impact of the 2010 Flood on the current building. She also pointed out the boundaries of the Golf Course, the current shed, and the location for the proposed shed.

George Servoy, 2827 Greensboro Drive, Ames, advised that he had lived in Ames since 1943 and formerly had been a long-time employee of ISU. Noting that he walks in Moore Memorial Park every day, Mr. Servoy expressed his strong opposition to allowing the construction of an ISU Golf Maintenance Facility in the proposed location. He presented the history of the site in question since 1987, noting ongoing concerns over the location of the Northern Natural Gas pipeline. He disputed that the City would receive any benefit from ISU's Park Maintenance Facility being located in Moore Memorial and strongly urged the Council not to approve the lease.

Marcia Imsande, 2032 Pinehurst Drive, Ames, clarified that she was not a member of Trees Forever. She said that she cannot imagine a worse location for the ISU Golf Maintenance Facility. Ms. Imsande strongly urged the Council not to approve the lease or allow the construction of the Facility in Moore Memorial Park. She also recommended that the City work with the University to find a different location for it.

John Nervig, 2808 Hampton Street, Ames, said that he was the Co-Chairman of the Iowa Master's Golf Championship and had been using Veenker Golf Course for close to 60 years. He said that he had never seen anyone in the area in question. Mr. Nervig stated that he did not even know that the 911 Memorial was located in Moore Memorial Park and felt that it would be a good idea to move the Memorial to a location where more people would see it. He emphasized that he was very much in favor of allowing the ISU Golf Maintenance Facility to be located in Moore Memorial Park at the location being recommended by the Ames Parks and Recreation Commission and ISU.

Council Member Orazem asked if Northern Natural Gas (NNG) had been consulted about the proposed construction of the Golf Maintenance Facility. Ms. Brown advised that the University had not consulted NNG, but would be doing so in the near future. Mr. Orazem urged that the City and University take into account the view of the Facility along the trail.

Moved by Szopinski, seconded by Orazem, to adopt RESOLUTION NO. 12-152 approving the provisions to be reflected in the 50-year Lease Agreement with Iowa State University.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

Moved by Szopinski, seconded by Orazem, to direct staff to work with members of Trees Forever to redevelop, at ISU's expense, the 911 Memorial Planting.
Vote on Motion: 5-0. Motion declared carried unanimously.

Moved by Szopinski, seconded by Orazem, to direct staff to request that ISU officials allow the Parks and Recreation Commission the opportunity to review the building contextually and aesthetically.
Vote on Motion: 5-0. Motion declared carried unanimously.

Moved by Szopinski, seconded by Orazem, to adopt RESOLUTION NO. 12-153 setting the date of public hearing for April 10, 2012, for approval of the lease.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

RENTAL REGISTRATION FEES FOR 2011/12: Finance Director Duane Pitcher told the Council that rental registration fees are billed annually after approval by the City Council. They are calculated by dividing the current year final amended budget by the current number of registered rental units. This method allows the City to closely match the actual cost of administration of the rental program to the user fees charged. Mr. Pitcher reminded the City Council, in February 2011, it increased staffing levels in the Rental Inspection Program for FY 2011/12. The additions were made to reduce a six- to nine-month backlog in rental inspections and to improve the timeliness of future inspections by transitioning a part-time inspector to full-time and adding a 0.4 FTE increase in clerical support. It was pointed out that the rental registration fees that will be billed in Calendar Year 2012 are the first that reflect the increase in staffing levels and corresponding increase in fees.

It was noted by Finance Director Pitcher that, during last year's budget process, the City Council had been informed that the personnel additions alone would result in an increase of $3.38/unit in rental registration fees. Since the adoption of the FY 2011/12 budget, there have been other budget changes that have impacted the Rental Inspection Program, including increased costs for information technology charges due to heavier use by the Program, personnel changes, payment of unemployment benefits, and an increase in the number of units. The combination of those changes caused the costs allocated for rental inspections to be approximately $16,000 over the adopted FY 2011/12 budget, which normally would be passed on in higher rental fees.

Mr. Pitcher told the Council that it could choose to exclude the cost of unemployment benefits from the Rental Registration Fees, which would result in an increase of approximately 7% in the fees per the FY 2012/13 Budget. If the Council were to choose to include the unemployment expenses in the amount collected in fees billed this year, the fee increase for FY 2012/13 would be minimal. Mr. Pitcher noted that the Fire Chief will be retiring this summer and the salary share would decrease. Also, the number of rental units will increase as additional apartments are constructed.

City Manager Schainker informed the Council of the complexities of the fee calculation. He noted that the unemployment claim was filed by an employee who spent the majority of his career in building inspections, not rental inspections. Therefore, Mr. Schainker said he could justify not charging the costs associated with the unemployment claim to rental inspections.

Moved by Goodman, seconded by Davis, to adopt RESOLUTION NO. 12-154 approving the proposed changes to the Rental Registration fees to increase overall as provided in Column B of the Council Action Form, which excludes the cost of unemployment benefits from the amount collected in Rental Registration fees.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

WEEDS AND GRASS HEIGHT COMPLAINTS: City Manager Schainker advised that state law governs weed control within the state. Under those provisions, each county appoints a Weed Commissioner, who is responsible for developing and enforcing a County Noxious Weed Control Program. In order to provide for better response to Ames citizens who complain about noxious weeds and to provide a clearer understanding of weed prohibitions, Mr. Schainker said that it would be advisable to adopt a City ordinance that would make the presence of noxious weeds a public nuisance enforceable as a municipal infraction. Under such an ordinance, the City Manager could designate the City's Neighborhoods Inspector as the official who would be authorized to enforce violations of the weed prohibitions.

At the inquiry of Council Member Davis, City Attorney Marek advised that the *Iowa Code* would be incorporated by reference, which lists the noxious weeds that would be included. By doing so, the City would not need to amend its Ordinance every time the State amends that section.

Council Member Davis noted that he would like staff to attempt to get voluntary compliance from the violator before filing a Municipal Infraction. City Manager Schainker noted that it had always been the practice of the City to work with its residents in order to achieve voluntary compliance.

Council Member Orazem pointed out that if the State's list of noxious weeds does not include any of the weeds about which Ames citizens are complaining, it would not change anything.

Upon the question of Council Member Davis, City Attorney Marek advised that currently, there is no authority in the *Municipal Code* for the City to take enforcement action against violators who have noxious weeds on their property; state law governs that.

Moved by Goodman, seconded by Wacha, to direct staff to prepare an ordinance defining noxious weeds as specified in the *Iowa Code*, declaring noxious weeds a public nuisance enforceable as a municipal infraction, and publishing notice of public hearing.

Council Member Davis expressed his uncertainty that adopting a local ordinance would change anything. He believes that the City has a process in place already, i.e., by enforcing the provisions of the *Iowa Code*.

Council Member Orazem requested that the Council be provided with the list of complaints, specifically to ascertain if any of the species included in the *Iowa Code* Section are the ones that the City has received complaints about.

Vote on Motion: 5-0. Motion declared carried unanimously.

SE 16TH STREET TAX ABATEMENT PROJECT: This item was pulled by Mayor Campbell since there was one Council member absent.

MEC INTERCONNECTION 161kV LINE CONSTRUCTION: Electric Services Director Donald Kom informed the City Council that a Proposed Order had been approved by the Iowa Utilities Board granting the City a franchise to built its Interconnection Line between Ames to Ankeny. However, there is a period of 14 days during which someone could appeal that decision. Mr. Kom noted that the proposed schedule for construction of the Line took into account the 14-day appeal period.

Moved by Davis, seconded by Wacha, to adopt RESOLUTION NO. 12-156 approving the preliminary plans and specifications for the MEC Interconnection 161kV Line Construction and setting May 9, 2012, as the bid due date and May 22, 2012, as the award of contract.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

ENGINEERING SERVICES AGREEMENT FOR SANITARY SEWER SYSTEM EVALUATION: Moved by Davis, seconded by Orazem, to adopt RESOLUTION NO. 12-157 approving an Engineering Services Agreement for Sanitary Sewer System Evaluation with Veenstra & Kimm, Inc., of West Des Moines, Iowa, in an amount not to exceed $2,198,500.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

FBO LEASE: Public Works Director John Joiner advised that with the potential improvements to the Airport Terminal Building, the City felt it best not to enter into another five-year FBO lease. Hap's Air Service was agreeable to enter into a one-year extension.

Moved by Davis, seconded by Szopinski, to adopt RESOLUTION NO. 12-158 approving a one-year extension of the FBO Lease with Hap's Air Service.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

ANNEXATION AGREEMENT INCENTIVES FOR E. LINCOLN WAY TO 590TH STREET: Seana Perkins, Business Development Coordinator, advised that, following Council direction, the Ames Economic Development Commission initiated conversations with eight property owners to ascertain their willingness to annex to Ames. She summarized the results of her discussions with the affected property owners.

Ms. Perkins asked for direction by the City Council as to whether it encourages the annexation of the area in question. If so, she will pursue developing appropriate agreements that reflect the conditional support for all of the property owners and the partial property tax abatement and utility connection fee waivers for the three existing residential properties and one commercial area. It was noted that 99.3% of the affected property owners had indicated support for annexation conditioned on the City extending utilities. Ms. Perkins also asked for direction from the Council as to whether it would support moving ahead with an 80/20 annexation if the three residential property owners did not wish to annex.

Council Member Szopinski suggested that discussions pertaining to the issue of providing water and sanitary sewer precede the discussion of annexation. She noted that it was still unclear to her whether the City would be providing the water or if water would be provided by a Rural Water District.

City Manager Schainker advised that the next steps would be to work on Pre-Annexation Agreements to see if the City could provide enough incentive for the three residential property owners to agree to annex.

Council Member Orazem asked when the City would hear from the Rural Water District. Assistant City Manager Kindred noted that the City had attempted to set up a meeting with the Rural Water District. He advised that it has to be determined whether the Rural Water District has the capacity to provide water to the area in question. City Attorney Marek noted that, legally, the Rural Water District has the authority to serve the area, as approximately 20 years ago the City granted the Rural Water District that authority. However, it remains to be seen if they have the capacity once a customer is located in its area to actually provide water to that location.

Council Member Goodman noted that there are no projects pending for this area. The type of industry, number of jobs to be created, size of project, etc., may affect the property owners' excitement over being annexed. He felt that the Council had to discuss and determine its expectations for the area first before the decision on annexation would be made.

City Manager Schainker told the Council that staff was not expecting a decision on annexation at this meeting; staff was only asking for direction to be given as to whether it should continue to pursue proposed annexation along E. Lincoln Way. He advised that Council members were to have provided questions relative to this project to him by March 27. He plans to bring those back to the City Council for it to decide which questions it wants answered.

Council Member Goodman reiterated that the Council needed to determine its expectations for the area in question. Council Member Szopinski stated her opinion that the City needed to have qualifying criteria to ensure an adequate return on its investment.

Moved by Wacha, seconded by Orazem, to direct staff to contact the landowners along E. Lincoln Way to 590th Street, who are currently reluctant to annex, to discuss the three strategies listed in the Council Action Form.

Council Member Davis suggested that the property owners be told of the City's possible use of the 80/20 Rule if they were not willing to annex.

Vote on Motion: 5-0. Motion declared carried unanimously.

City Manager Schainker asked the City Council members to submit their list of expectations desired from the City's investment to him. He noted that a workshop, perhaps two, may need to be set to address the questions and expectations. Staff will work on finding the date(s) for the potential workshop(s).

INTERMODAL FACILITY: City Manager Schainker advised that approval of the budget was critical because the Intermodal Agreement requires that if the revenues in the fund do not cover the operations and capital improvement expenditures, the University and the City will each provide equal supplemental operational support in the form of subsidies, as necessary, to maintain a positive balance.

Moved by Davis, seconded by Wacha, to adopt RESOLUTION NO. 12-159 approving the 2012/13 Budget, as proposed by staff, for the new Intermodal Facility.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

HEARING ON UNDERGROUND TRENCHING FOR ELECTRIC SERVICES: Mayor Campbell opened the public hearing. No one wished to speak, and the Mayor closed the hearing.

Moved by Davis, seconded by Goodman, to accept the report of bids and delay award of a contract.
Vote on Motion: 5-0. Motion declared carried unanimously.

HEARING ON AMES MUNICIPAL CEMETERY GROUNDS FENCING PROJECT: The public hearing was opened by the Mayor. She closed same after no one came forward to speak.

Moved by Goodman, seconded by Davis, to adopt RESOLUTION NO. 12-160 approving final plans and specifications and awarding a contract to Taylor Fencing of Clio, Iowa, in the amount of $42,935.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

HEARING ON 2010/11 ASPHALT RESURFACING/SEAL COAT REMOVAL/ASPHALT RECONSTRUCTION PROGRAM: Mayor Campbell opened the public hearing and closed it after no
one asked to speak.

Moved by Orazem, seconded by Goodman, to adopt RESOLUTION NO. 12-161 approving final plans and specifications and awarding a contract to Manatt's of Ames, Iowa, in the amount of $306,883.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

HEARING ON 2011/12 AND 2012/13 NEIGHBORHOOD CURB REPLACEMENT PROGRAM: The public hearing was opened by Mayor Campbell. No one requested to speak, and the hearing was closed.

Moved by Davis, seconded by Goodman, to adopt RESOLUTION NO. 12-162 approving final plans and specifications and awarding a contract to TK Concrete of Pella, Iowa, in the amount of $80,975.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

HEARING ON 2012/13 WATER SYSTEM IMPROVEMENTS, WATER SERVICE TRANSFER, CONTRACT NO. 1 (LINCOLN WAY FROM NORTH RIVERSIDE DRIVE TO NORTH HAZEL AVENUE): The Mayor opened the public hearing. There being no one wishing so speak, she closed the hearing.

Moved by Davis, seconded by Wacha, to adopt RESOLUTION NO. 12-163 approving final plans and specifications and awarding a contract to MPS Engineers of Des Moines, Iowa, in the amount of $74,945.60.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

HEARING ON 2012/13 WATER SYSTEM IMPROVEMENTS, WATER MAIN REPLACEMENT (EAST LINCOLN WAY FROM CENTER AVENUE TO 729 EAST LINCOLN WAY): The hearing was opened and closed by Mayor Campbell after no one came forward to speak.

Moved by Wacha, seconded by Davis, to adopt RESOLUTION NO. 12-164 approving final plans and specifications and awarding a contract to Ames Trenching of Ames, Iowa, in the amount of $154,686.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

HEARING ON RESOURCE RECOVERY PLANT SECONDARY FEED SYSTEM FOR PRE-PROCESSED BOILER FUEL: Mayor Campbell opened the public hearing. No one requested to speak, and the Mayor closed the hearing.

Moved by Davis, seconded by Goodman, to adopt RESOLUTION NO. 12-165 reallocating $14,034 in savings from the Resource Recovery Improvements Program in the 2011/12 Capital Improvements Plan.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

Moved by Davis, seconded by Goodman, to adopt RESOLUTION NO. 12-166 approving final plans and specifications and awarding a contract to A-Lert Construction Services of Fredonia, Kansas, in the amount of $62,040.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

Moved by Davis, seconded by Goodman, to adopt RESOLUTION NO. 12-167 approving the contract and bond.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

HEARING ON AMES/ISU ICE ARENA RUBBER FLOORING REPLACEMENT: The hearing was opened by the Mayor. She closed same after no one came forward to speak.

Moved by Goodman, seconded by Davis, to adopt RESOLUTION NO. 12-168 approving final plans and specifications and awarding a contract to Rink Systems of Albert Lea, Minnesota, in the amount of $93,308.60.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

HEARING ON 2011/12 COLLECTOR STREET PAVEMENT IMPROVEMENTS (ASH AVENUE, MORTENSEN PARKWAY TO KNAPP STREET): Mayor Campbell opened the public hearing. There being no one wishing to speak, the hearing was closed.

Moved by Davis, seconded by Wacha, to adopt RESOLUTION NO. 12-155 approving final plans and specifications and awarding a contract to Manatt's of Ames, Iowa, in the amount of $1,161,811.46.
Roll Call Vote: 5-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

HEARING ON ZONING ORDINANCE TEXT AMENDMENT RELATED TO THE DEFINITIONS OF "STORY" AND "BASEMENT:" The Mayor opened the hearing. It was closed after no one asked to speak.

Moved by Goodman, seconded by Davis, to pass on first reading a Zoning Ordinance text amendment related to the definitions of "story" and "basement."
Roll Call Vote: 5-0. Motion declared carried unanimously.

ORDINANCE CHANGING THE TERM OF OFFICE COMMENCEMENT DATE FOR LIBRARY BOARD OF TRUSTEES: Moved by Davis, seconded by Goodman, to pass on first reading an ordinance changing the term of office commencement date for Library Board of Trustees from July 1 to April 1.
Roll Call Vote: 5-0. Motion declared carried unanimously.

COUNCIL COMMENTS: Moved by Wacha, seconded by Goodman, to refer to staff the letter from Chris Theissen dated March 21, 2012, requesting to add a category to the minimum off-street parking requirements of the *Municipal Code* for "Farm/Home Store."

Discussion ensued among the Council members as to whether to broaden the discussion to include more than farm stores. Council Member Davis pointed out that if the discussion were broadened, he would be concerned that the Theissen's expansion project would be delayed. City Manager Schainker noted that this had not been built into the Planning priorities and asked if Council preferred to have this project supersede another priority. Planning and Housing Director Steve Osguthorpe felt that it could be worked in with the projects currently being worked on.

Vote on Motion: 5-0. Motion declared carried unanimously.

Moved by Davis, seconded by Goodman, to refer to City Manager Schainker for preparation of a memo to the City Council explaining what the issues are in response to the letter from Kurt Friedrich dated March 23, 2012, that requested a change in the cost-sharing provision of the original 2005 Ringgenberg Development Agreement.
Vote on Motion: 4-1. Voting aye: Davis, Goodman, Orazem, Szopinski. Voting nay: Wacha. Motion declared carried.

ADJOURNMENT: Moved by Davis to adjourn the meeting at 9:42 p.m.

______________________________ ____________________________________

Diane R. Voss, City Clerk   Ann H. Campbell, Mayor

REPORT OF
CONTRACT CHANGE ORDERS

Period:	☐	1st – 15th	
	☒	16th – end of month	
Month and year:	March, 2012		
For City Council date:	April 10, 2012		

Department	General Description of Contract	Contract Change No.	Original Contract Amount	Contractor/ Vendor	Total of Prior Change Orders	Amount this Change Order	Change Approved By	Purching Contact Person/Buyer
Fleet Services	City of Ames Heat Pump Replacement	3	$724,847.00	Drees Co.	$-(922.00)	$1,376.00	Paul H.	MA
Public Works	2010/11 Arterial Street Pavement Improvements (Duff Ave / Lincoln Way - 7th St)	2	$601,858.50	Manatt's, Inc.	$58,768.50	$-(7,510.18)	T. Warner	MA
Transit	Soil and Concrete Testing	1	$60,177.95	Team Services, Inc.	$0.00	$11,640.60	S. Kyras	MA
Electric Services	Unit 7 Circulating Water Pipe Rehabilitation	1	$155,072.00	L & P Painting	$0.00	$25,000 (Not-to-Exceed)	S. Lundt	CB
			$		$	$		
			$		$	$		

Memo

Police Department

6 a-e

TO: Mayor Ann Campbell and Ames City Council Members

FROM: Commander Geoff Huff – Ames Police Department

DATE: March 27, 2012

SUBJECT: Beer Permits & Liquor License Renewal Reference City Council Agenda April 10, 2012

The Council agenda for April 10, 2012, includes beer permits and liquor license renewals for:

- Special Class C Liquor – India Palace, 120 Hayward Avenue
- Class E Liquor, C Beer, & B Wine – Dahl's Foods, 3121 Grand Avenue
- Class C Liquor – Dangerous Curves, 111 5th Street
- Class C Beer and B Native Wine – Ames British Foods, 429 Douglas Avenue
- Class C Liquor w/ Outdoor Service – Cyclone Experience Network, Hilton Coliseum

A routine check found no violations for any of the establishments.

Ames British Foods has recently been given permission to hold tasting events. They have a Tasting Plan and insurance certificate on file. This plan will be renewed along with the liquor license and reviewed periodically.

The police department would recommend renewal of all five establishments.

RESOLUTION NO. ______

RESOLUTION APPROVING AND ADOPTING SUPPLEMENT NO. 2012-2 TO THE AMES MUNICIPAL CODE

BE IT RESOLVED, by the City Council for the City of Ames, Iowa, that in accordance with the provisions of Section 380.8 Code of Iowa, a compilation of ordinances and amendments enacted subsequent to the adoption of the Ames Municipal Code shall be and the same is hereby approved and adopted, under date of April 1, 2012, as Supplement No. 2012-2 to the Ames Municipal Code.

Adopted this __10th__ day of __April___, 2012.

____
Ann H. Campbell, Mayor

Attest:

____
Diane R. Voss, City Clerk

ITEM# 8
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: 2011/12 NEIGHBORHOOD IMPROVEMENT PROJECT GRANT

BACKGROUND:

The City Council annually appropriates Local Option Sales Tax funds to finance the Neighborhood Improvement Program (NIP). As listed in the approved Capital Improvements Plan, $50,000 is approved for neighborhood programs, with $25,000 earmarked for the NIP and the remaining $25,000 allocated for a broader array of neighborhood projects to be determined by the City Council.

There are two main goals of the NIP: (1) to strengthen a neighborhood's appearance with the addition of permanent physical improvements, and (2) to promote a greater sense of community through resident participation in a neighborhood project.

Each project application is rated on the following 100-point system. A project must achieve at least 50 points to be considered:

Resident Involvement (30 points maximum):*
...the number of residents donating their time and/or labor to accomplish the project
...the number of residents donating funds to the project
*10 points 1-25 people; 20 points 26-50 people; 30 points over 50 people

Project Impact (30 points maximum):**
...the number of residents who will be positively affected by the improvement
**10 points 1-25 people; 20 points 26-100 people; 30 points over 100 people

Safety (10 points maximum):
...enhancement of safety in the neighborhood

Public Space (10 points maximum):
...promotion of social interaction by utilizing public space

Improved Housing (10 points maximum)

Environment (10 points maximum):
...support for the environment

One grant application for FY 2011/12 has been received to date. It was scored by the Review Panel on February 23, 2012, and received more than enough points to be recommended for approval by the City Council. The project is as follows:

HISTORIC OLD TOWN/SUNRISE NEIGHBORHOODS STREET TREE PROJECT: The Historic Old Town Neighborhood Association is partnering with the Sunrise Addition Neighborhood Association to purchase and plant 50 new trees within the "parking strip" portion of street rights-of-way within the boundaries of those two neighborhoods. Approximately 35 new trees will be planted in the Old Town Neighborhood, which extends from 6th Street on the south to 13th Street on the north, Grand Avenue on the west, and to the east side of Duff Avenue. Fifteen (15) trees will be planted in the Sunrise Addition Neighborhood, which runs from 9th Street to 13th Street between Duff and Maxwell Avenues. The primary focus of the project will be to plant new trees to fill gaps in coverage.

Each neighborhood association has surveyed their neighborhoods and identified areas where there is space for additional trees, given the guidance on street tree placement provided by Public Works. Property owners will be contacted to determine their interest in having a tree planted in their yard and in committing to watering it over the growing season. Based on last year's experience of the Old Town Neighborhood, it is not anticipated that they will have any problems finding caregivers for all 50 trees. Volunteers have already been lined up to assist with the planting process.

Tree species to be planted will be consistent with the City's Street Tree Policy. Actual siting of the trees will be done with input from the Public Works Department to avoid issues with utility lines. The City will not be responsible to replace trees in the parking due to improper care within five years of planting.

The total cost of the project is $5,850, and requested City funding is $1,950. The applicants will be providing in-kind labor and water in the amount of $3,900.

ALTERNATIVES:

1. The City Council can approve the expenditure of $1,950 to fund a NIP grant for the Historic Old Town/Sunrise Addition Neighborhoods Street Tree Project.

2. The City Council can reject the project for funding at this time.

MANAGER'S RECOMMENDED ACTION:

Supporting projects that strengthen neighborhoods is in keeping with one of the City Council's goals. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1 as stated above.

ITEM # 9
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: GRANT CONTRACT EXTENSION WITH AMES HISTORICAL SOCIETY FOR MAYORS' RECOGNITION PROJECT

BACKGROUND:

Following its FY 2011/12 Budget decisions, the City Council entered into an agreement with the Ames Historical Society (AHS). This contract authorized payment of AHS expenses in the amount of $16,000 for rent, mortgage, and related occupancy costs to provide facilities to house historical material, archives, and artifacts. **An additional $2,000 was agreed to for the purpose of accomplishing "The Mayors' Recognition Project."**

The AHS is asking to carry over the $2,000 to allow for completion of the Mayors' Recognition Project in FY 2012/13. AHS needs this additional time to meet the contract requirements for this project. The 2012/13 budget will be amended at the appropriate time to reflect this carry-over.

ALTERNATIVES:

1. The City Council can authorize carrying over the AHS contract amount of $2,000 until June 30, 2013, and approve the extension of the AHS grant contract with the City to allow for the completion of "The Mayor's Recognition Project."

2. The City Council can deny the request for this extension.

MANAGER'S RECOMMENDED ACTION:

By authorizing carrying forward the $2,000 originally appropriated for this purpose to FY 2012/13, adequate time will be available for the completion of this project.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby authorizing carrying over the AHS contract amount of $2,000 until June 30, 2013, and approving the extension of the AHS grant contract with the City to allow for the completion of "The Mayor's Recognition Project."

ITEM #: 10
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: PROCESS FOR REPLACEMENT OF SWORN POLICE OFFICERS IN FY 2012/13

BACKGROUND:

Replacing a police officer is a time intensive process. Officers are required by law to attend and successfully complete the 14-week residential training program at the Iowa Law Enforcement Academy. This training cannot occur until the officer has actually been hired by a Police Department. In addition, new Ames officers need to complete an approximately 13-week field training experience within the department. Field training is a practical learning experience managed by Ames police trainers that orient new officers to police work at the Ames Police Department. The field training experience allows the new officer to demonstrate competency in the job before being allowed to operate independently in the field.

The six month time period between hiring new officers and their ability to operate independently in the field is critical, since it limits our ability to maintain a full complement of officers on the street.

In July of 2010 it was proposed that the department hire new officers as soon as a retirement or resignation date was known so that new officers could get into the training queue as soon as possible. To accomplish that, the City Council temporarily increased the department's authorized staffing level for sworn personnel from 53 to 54. This action allows for the hiring and training of a new officer prior to retirement of the departing officer for a temporary period of time. This strategy assures that the new officer will be available in the field much sooner.

Although the Council's current authorization expires at the end of June 2012, the challenges created by training new officers will continue into the next fiscal year. Therefore, it is appropriate for the Council to extend this authority to temporarily increase authorized strength for FY 2012/13.

This process has been successfully used over the last two years. For example, earlier this year Corporal Jerry Spencer announced his retirement in July of 2012. The department was able to hire a new officer in March, making it possible for the new officer to attend the Iowa Law Enforcement Academy class beginning in April. The new officer will be four months into training by the time of Corporal Spencer's actual retirement.

During the FY 2012/13 budgeting process, provision for this type of temporary position was made in the Crime Prevention and Police Services section of the Budget, carrying forward savings from unspent payroll funds in the amount of $40,000. It is possible that funding for this overlap will not be necessary, since salary savings from the retirement or resignation of a more senior officer may be sufficient to cover the additional cost of an early hire. The need for funding will be impacted by the timing of a particular officer leaving and the availability of a qualified replacement.

ALTERNATIVES:

1. Authorize a temporary increase in the staffing level in the Police Department for sworn personnel from 53 to 54 for the 2012/13 fiscal year to help us achieve our goal to have a full complement of police officers on the street as soon as possible.

2. Do not authorize a temporary increase in the staffing level in the Police Department.

MANAGER'S RECOMMENDED ACTION:

A fully trained and staffed police department is clearly desirable and a direct benefit to our citizens. However, training requirements make it difficult to maintain full staffing levels.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby authorizing a temporary increase in the staffing levels for sworn personnel from 53 to 54 for FY 2012/13.

ITEM # __11__
DATE: 4-10-12

COUNCIL ACTION FORM

SUBJECT: APPROVAL OF PRELIMINARY PLANS AND SPECIFICATIONS FOR POWER PLANT UNIT #7 STACK REPAIR

BACKGROUND:

This project is for the repair of the Unit #7 stack located at the City's Power Plant. This stack carries the exhaust combustion products from the boiler and disperses them at a safe height. Cracks in the upper outer shell were observed in 2007 and two steel bands were installed to reinforce the shell. A professional inspection of the stack was made in late 2011 and several additional defects were found that need correction to make the stack safe and secure.

The purpose of this stack repair project is to correct the deficiencies found during the 2011 inspection. The scope of the project includes: installing steel reinforcing rings, replacing the grating on the elevated platforms, replacing the top ring, repairing the upper five courses of brick liner, painting the ladder and platforms, cleaning the interior, repairing cracks in the concrete, and coating the stack with a waterproof coating.

The Engineer's estimate of the cost of the repair is $214,000. There are currently no funds available in the FY 2012/13 operating budget for Unit #7 stack repair. Funding for this repair will come from the FY 2011/12 operating budget amount designated for the Unit #7 air heater project, which will be re-prioritized for a time in the future. If this stack repair cannot be completed before July 1, 2012, the $214,000 will be carried forward to the FY 2012/13 budget, and that budget will be amended at the appropriate time after July 1.

This is a priority project, and staff will delay work on the Unit #7 air heater in the current FY 2011/12 budget period to set aside the funds necessary to complete this repair. Staff's goal is to have this entire project completed before next winter, however timing of the project depends on when the unit can be taken out of service without forcing us to go to the grid, at a time of warm weather. If summer arrives early, we may need to delay the work until fall.

ALTERNATIVES:

1. Approve the preliminary plans and specifications for the Unit #7 Stack Repair and set May 23, 2012, as the bid due date and June 12, 2012, as the date of hearing and award of contract.

2. Delay the repair of the Unit #7 stack.

MANAGER'S RECOMMENDED ACTION:

This project will address the cracked and broken liner in the Unit #7. It is crucial to have this work done because the stack is at risk of failing prematurely due to the cracks. The Unit cannot operate without a functioning stack to transport the exhaust away from the boiler. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as stated above.

ITEM # 12
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: 2010/11 & 2011/12 ASPHALT RESURFACING AND SEAL COAT REMOVAL/ASPHALT RECONSTRUCTION PROGRAM

BACKGROUND:

This is an annual program for removal of built-up seal coat from streets with asphalt surface, as well as asphalt resurfacing of various streets. This program restores surface texture, corrects structural deficiencies, removes built-up seal coat, and prevents deterioration of various streets. This resurfacing process results in better riding surfaces, increased safety with improved surface texture, and increased life expectancy of streets. Built-up seal coat on streets causes excess crown which results in vehicles dragging at driveway entrances. Complete removal of this built-up seal coat allows for repair to curb and gutter and placement of a new asphalt surface.

The locations for seal coat removal/asphalt reconstruction in this contract include 22nd Street (Clark Avenue to Duff Avenue), 25th Street (Jensen Avenue to Kellogg Avenue), 26th Street (Jensen Avenue to Kellogg Avenue), Fletcher Boulevard (Bloomington Road to Stonebrook Road), and Melrose Avenue (24th Street to 28th Street). This is the first contract in the 2011/12 Program and the third contract in the 2010/11 Program.

A previous location, Little Street (Hayward Avenue to Welch Avenue) was completed in November 2011 and a second set of streets, East O'Neil (Duff Avenue to Maxwell Avenue) & Hunziker Drive (20th Street to Melrose Avenue), are part of Contract #2 which utilizes I-JOBS funding. Combining the remaining portion of the 2010/11 program with the 2011/12 program increases the economy scale and encourages better unit prices.

Staff has completed plans and specifications for this contract with a total estimated construction cost of $811,000. Engineering and construction administration costs are estimated at $121,700, bringing total estimated costs for this portion to $932,700.

Financing for the entire 2010/11 program includes $100,000 from Local Option Sales Tax, $269,603 from I-JOBS funding, and $454,634 from Road Use Tax, bringing total 2010/11 funding to $824,237. Financing for the 2011/12 program includes $765,500 from G.O. Bonds. This brings the overall combined program total to $1,589,737.

The remaining funds will be used for additional locations, design, contract administration, and project contingency. As mentioned above, the 2010/11 program has been divided into three separate contracts. The combined programs include expenses as noted below:

Project Locations	Total
Little Street (Actual)	$ 44,237
East O'Neil & Hunziker (Estimate)	$ 306,883
22nd, 25th, 26th, Fletcher & Melrose (This bid)	$ 811,000
Engineering & Administration (Estimate)	$ 175,000
Overall Total:	$1,337,120

ALTERNATIVES:

1. Approve the 2010/11 & 2011/12 Asphalt Resurfacing and Seal Coat Removal/Asphalt Reconstruction Program by establishing May 2, 2012, as the date of letting and May 8, 2012, as the date for report of bids.

2. Reject the project.

MANAGER'S RECOMMENDED ACTION:

This project will continue the City's efforts to restore the life of various streets within the community.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the 2010/11 & 2011/12 Asphalt Resurfacing and Seal Coat Removal/Asphalt Reconstruction Program by establishing May 2, 2012, as the date of letting and May 8, 2012, as the date for report of bids.

ITEM # 13
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: **RDF DRAG CONVEYORS FOR POWER PLANT**

BACKGROUND:

This quote is for the purchase of two drag conveyors for the Electric Services Power Plant. The Plant currently has four drag conveyor assemblies that are located under the Refuse Derived Fuel (RDF) bin. These units move the RDF from storage to the metering system for transport to the boiler plant for burning. Without these units, it would not be possible to transport the RDF to the Plant as fuel. This equipment is subject to high moisture levels and wear, and must be replaced periodically due to worn components and corrosion. The two remaining conveyors are planned for replacement next year.

On February 6, 2012, a request for quotation (RFQ) document was issued to twenty six potential bidders. The RFQ was also advertised on the Current Bid Opportunities section of the Purchasing webpage. It was also sent to one plan room.

On February 20, 2012, five quotes were received as shown below:

Bidder	Bid Price*	Overall Cost**
Clarke's Sheet Metal, Inc., Eugene, OR	$92,414.63	
DYNATEK North Prairie, WI	$97,300.00	$103.971.00
Process Barron Pelham, AL	$124,128.00	$132,519.46
8760 Energy Services Sedalia, MO	$134,100.00	$143,403.00
Automatic Systems, Inc., Kansas City, MO	$205,588.00	$219.896.49
* This column consists of the actual dollar amount bid. Note: Clarke's Sheet Metal, Inc., is the only bidder who is licensed to collect IA sales-tax.		
** This column includes the Overall Cost when Iowa sales tax is taken into consideration. For bidder's two through five, the City would have to pay sales tax directly to the State of Iowa.		

Staff has concluded that the apparent low quote submitted by Clarke's Sheet Metal, Inc., Eugene, OR, in the amount of $92,414.63 is acceptable.

The approved FY 2011/12 operating budget contains $57,000 for RDF bin repairs. The balance of $36,000 will come from the budget for baskets for the Unit No. 7 Air Heater. That project will be re-prioritized for a later time.

ALTERNATIVES:

1. Award a contract to Clarke’s Sheet Metal, Inc., Eugene, OR, for the RDF Drag Conveyors in the amount of $92,414.63 (inclusive of Iowa sales tax).

2. Reject the quotes and delay the replacement of the drag conveyors.

MANAGER'S RECOMMENDED ACTION:

Purchase of these conveyors ensures continued efficient operation of the RDF transport system. Having one of these RDF drag conveyors go off-line could increase the risk of RDF not being transported to the boilers for burning. As a result, the Resource Recovery Plant would need to landfill the RDF until the drag conveyors were again operating correctly.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby awarding a contract to Clarke’s Sheet Metal, Inc., Eugene, OR, for the RDF Drag Conveyors in the amount of $92,414.63 (inclusive of Iowa sales tax).

ITEM #: 14
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: ELECTRIC SERVICES UNDERGROUND TRENCHING CONTRACT

BACKGROUND:

On February 14, 2012, City Council approved preliminary plans and specifications for the Electric Services Underground Trenching Contract. This contract consists of a contractor furnishing all equipment, tools, labor, and materials not supplied by Electric Services for excavating, trenching, directional-boring and backfilling for installation of conduits, ground sleeves, box pads, vaults, handholes, and other appurtenances. This consists of emergency service, as well as regularly planned repairs and services.

This contract is to provide underground trenching services for the period from late April 2012 (or after final City Council approval of contract and performance bond) through December 31, 2012. This will enable this and future renewals to coincide with the calendar year. The contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms.

Bid documents were issued to thirteen potential bidders. The bid was advertised on the Current Bid Opportunities section of the Purchasing webpage and a Legal Notice was published in the Ames Tribune. The bid was also sent to one plan room.

On March 14, 2012, two bids were received as demonstrated on the attached report. Electric Services staff reviewed the bids and determined that based on the summation of all the typical services, the bid submitted by Ames Trenching & Excavating, Ames, IA is the lowest bid.

Council should note that the bidding document included a provision that *"this contract may be awarded to multiple contractors. The primary contractor will be given a majority of the available work. Should the primary contractor be unable to meet an individual project's completion schedule as established by the Owner, the individual project may be issued to a back-up contractor to complete."*

As a result, staff determined that it would be in the utility's best interest to award 90% or $175,500 of the budgeted dollar amount of $195,000 to Ames Trenching & Excavating, and to designate that firm as the primary contractor for these services. The balance of 10% or $19,500 of the budgeted dollar amount of $195,000 would be awarded to Dig America, Inc., St. Cloud, MN, and that firm would be designated as the back-up contractor. The back-up contractor will only be utilized if the primary is busy and cannot meet a required project deadline.

The approved FY 2011/12 operating budget for Underground System Improvements includes $195,000; and trenching and excavation services are included in this account. The trenching and excavation services covered by this contract would also be used for the relocation of Electric Services facilities to clear sites for Public Works roadway improvement projects. Funds have been designated in various CIP projects for those relocation activities.

ALTERNATIVES:

1. a. Award the **primary contract** for the 2012 Underground Trenching Contract for Electric Services to Ames Trenching & Excavating, Ames, IA, for hourly rates and unit prices bid, in an amount not-to-exceed $175,500.

   b. Award the **back-up contract** for the 2012 Underground Trenching Contract for Electric Services to Dig America, Inc., St. Cloud, MN, for hourly rates and unit prices bid, in an amount not-to-exceed $19,500.

   Each contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms at stated rates.

2. Reject all bids and purchase underground trenching services on an as-needed basis.

MANAGER'S RECOMMENDED ACTION:

These services are necessary to provide trenching and excavation for new construction, maintenance, and emergency repair activities for Electric Services. This contract would establish rates for service and provide for guaranteed availability, thereby setting in place known rates for service and helping to control costs.

Having two contractors under bid allows the City to assign work to the secondary contractor if the primary contractor is busy and is unable to meet required project deadlines. This should reduce delays to project schedules.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as stated above.

CITY OF AMES IOWA

Caring People
Quality Programs
Exceptional Service

Memo

City Clerk's Office

TO: Mayor and Members of the City Council

FROM: City Clerk's Office

DATE: April 6, 2012

SUBJECT: Contract and Bond Approval

There are no Council Action Forms for Item Nos. 15 through 17. Council approval of the contract and bond for these projects is simply fulfilling a *State Code* requirement.

/jlr

ITEM # 18
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: WATER POLLUTION CONTROL FACILITY ELECTRICAL SWITCHGEAR REHABILITATION PROJECT

BACKGROUND:

On July 26, 2011, the City Council awarded a contract to Ziegler Power Systems of Altoona, Iowa in the amount of $31,854.00 to provide all labor, equipment, materials, and other components necessary to complete the Water Pollution Control (WPC) Facility Electrical Switchgear Rehabilitation Project.

During the project, damages to City equipment in the amount of $3,434.00 occurred due to improper temporary power supplied by Ziegler Power Systems. That equipment has been repaired, and Ziegler Power Systems has issued a credit for the amount of the repairs.

As of March 23, 2012, work for the WPC Facility Electrical Switchgear Rehabilitation Project was completed in accordance with the contract and the City's specifications, and an Engineer's Statement of Completion has been received.

ALTERNATIVES:

1. Accept completion of the WPC Facility Electrical Switchgear Rehabilitation Project and authorize final payment in accordance with the contract awarded to Ziegler Power Systems of Altoona, Iowa in the amount of $28,420.00.

2. Do not accept completion of the WPC Facility Electrical Switchgear Rehabilitation Project.

MANAGER'S RECOMMENDED ACTION:

An Engineer's Statement of Completion has been prepared by Paul Kaeding of Barr Engineering Company certifying that all work on the rehabilitation of the Electrical Switchgear has been satisfactorily completed.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby accepting completion of the WPC Facility Electrical Switchgear Rehabilitation Project contract with Ziegler Power Systems of Altoona, Iowa and authorizing final payment in the amount of $28,420.00.

ITEM # 19
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: PLAT OF SURVEY – NE ¼ SECTION 29-84-24

BACKGROUND:

Application for a proposed plat of survey has been submitted for:

- ☒ Conveyance parcel (per Section 23.307)
- ☒ Boundary line adjustment (per Section 23.309)
- ☐ Re-plat to correct error (per Section 23.310)
- ☐ Auditor's plat (per Code of Iowa Section 354.15)

The subject site is located at:

Street Address: 3601 and 3699 George Washington Carver Road (in unincorporated Story County)

Assessor's Parcel #: 0529200460, 0529200410, 0529200210, 0529200305

Legal Description: Four parcels in the NE ¼ of Section 29, Township 84 North, Range 24 West of the 5th P.M., Story County

Owner: James Athen Revocable Trust I and Phyllis Athen Revocable Trust

A copy of the proposed plat of survey is attached for Council consideration. The proposed plat combines three parcels into a single parcel and creates another parcel from a conveyance parcel. On March 6, 2012, the City Council referred a request to consider these parcels for an Urban Fringe Amendment that may lead to annexation. This plat of survey is independent of that request.

Pursuant to Section 23.308(4)(c), a preliminary decision of approval for the proposed plat or survey has been rendered by the Planning & Housing Department, subject to the following conditions:

1. None

The preliminary decision of approval requires all public improvements associated with and required for the proposed plat of survey be:

- ☐ Installed prior to creation and recordation of the official plat of survey and prior to issuance of zoning or building permits.

☐ Delayed, subject to an improvement guarantee as described in Section 23.409.

☒ Not Applicable.

Under Section 23.307(5), the Council shall render by resolution a final decision of approval if the Council agrees with the Planning & Housing Director's preliminary decision.

<u>ALTERNATIVES</u>:

1. The City Council can adopt the resolution approving the proposed plat of survey if the Council agrees with the Planning & Housing Director's preliminary decision.

2. The City Council can deny the proposed plat of survey if the City Council finds that the requirements for plats of survey as described in Section 23.307 have not been satisfied.

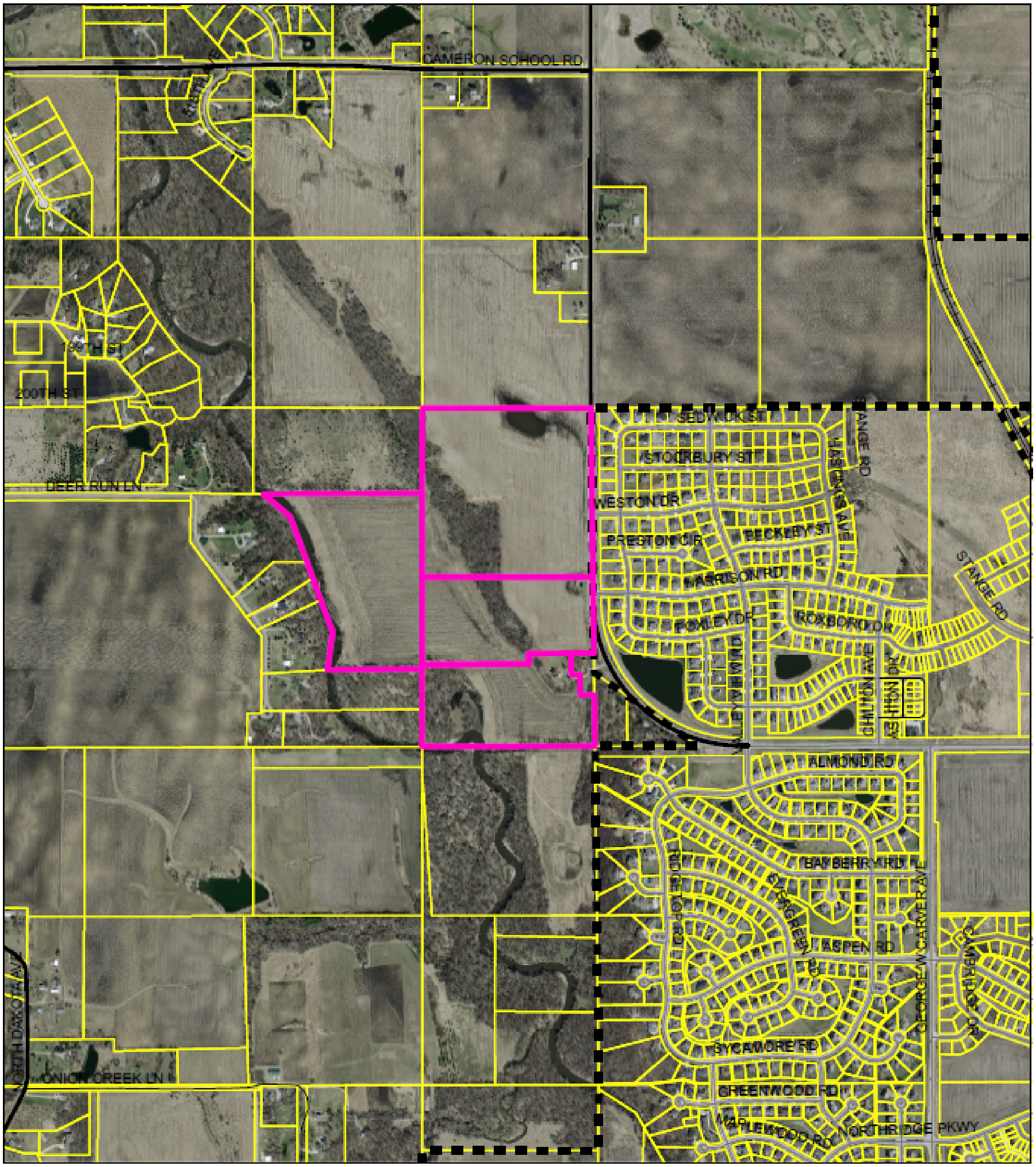
3. The City Council can refer this back to staff and/or the owner for additional information.

<u>MANAGER'S RECOMMENDED ACTION</u>:

The Planning & Housing Director has determined that the proposed plat of survey satisfies all code requirements, and has accordingly rendered a preliminary decision to approve the proposed plat of survey.

Therefore, it is the recommendation of the City Manager that the City Council act in accordance with Alternative #1, which is to adopt the resolution approving the proposed plat of survey. Approval of the resolution will allow the applicant to prepare the official plat of survey incorporating all conditions of approval specified in the resolution. It will further allow the prepared plat of survey to be reviewed and signed by the Planning & Housing Director confirming that it fully conforms to all conditions of approval. Once signed by the Planning & Housing Director, the prepared plat of survey may then be signed by the surveyor, making it the official plat of survey, which may then be recorded in the office of the County Recorder.

It should be noted that according to Section 23.307(10), the official plat of survey will not be recognized as a binding plat of survey for permitting purposes until a copy of the signed and recorded plat of survey is filed with the Ames City Clerk's office, and a digital image in Adobe PDF format has been submitted to the Planning & Housing Department.

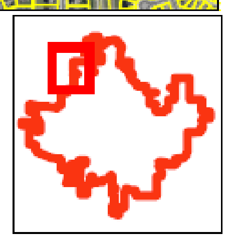


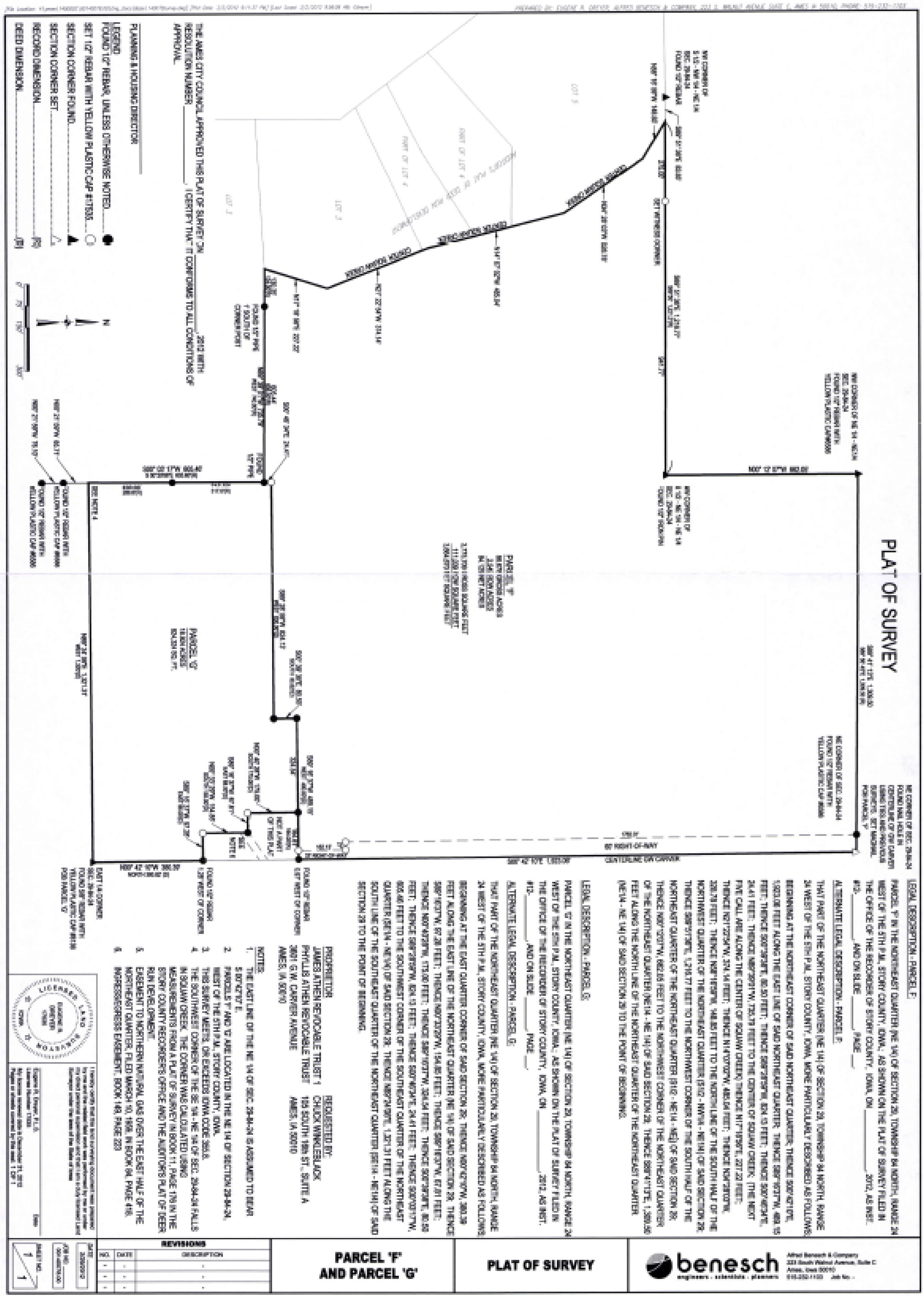
N

0 250 500 1,000 Feet

Location Map

Subject Parcels




PLAT OF SURVEY
LEGAL DESCRIPTION - PARCEL F:
PARCEL 'F' IN THE NORTHEAST QUARTER (NE 1/4) OF SECTION 29, TOWNSHIP 84 NORTH, RANGE 24 WEST OF THE 5TH P.M., STORY COUNTY, IOWA.; AS SHOWN ON THE PLAT OF SURVEY FILED IN THE OFFICE OF THE RECORDER OF STORY COUNTY, IOWA, ON ____________, 2012, AS INST. #12-________, AND ON SLIDE ______, PAGE ___.
ALTERNATE LEGAL DESCRIPTION - PARCEL F:
THAT PART OF THE NORTHEAST QUARTER (NE 1/4) OF SECTION 29, TOWNSHIP 84 NORTH, RANGE 24 WEST OF THE 5TH P.M., STORY COUNTY, IOWA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:
BEGINNING AT THE NORTHEAST CORNER OF SAID NORTHEAST QUARTER; THENCE S00°42'10"E, 1,023.06 FEET ALONG THE EAST LINE OF SAID NORTHEAST QUARTER; THENCE S89°16'37"W, 489.15 FEET; THENCE S00°39'38"E, 80.50 FEET; THENCE S89°28'59"W, 824.13 FEET; THENCE S00°46'34"E, 24.41 FEET; THENCE N89°39'01"W, 735.79 FEET TO THE CENTER OF SQUAW CREEK; (THE NEXT FIVE CALL ARE ALONG THE CENTER OF SQUAW CREEK) THENCE N17°18'56"E, 227.22 FEET; THENCE N21°22'54"W, 374.14 FEET; THENCE N14°07'02"W, 485.04 FEET; THENCE N34°28'03"W, 328.78 FEET; THENCE N58°16'59"W, 148.85 FEET TO THE NORTH LINE OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER (S1/2 - NW1/4 - NE1/4) OF SAID SECTION 29; THENCE S89°51'36"E, 1,216.77 FEET TO THE NORTHWEST CORNER OF THE SOUTH HALF OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER (S1/2 - NE1/4 - NE1/4) OF SAID SECTION 29; THENCE N00°12'07"W, 662.05 FEET TO THE NORTHWEST CORNER OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER (NE1/4 - NE 1/4) OF SAID SECTION 29; THENCE S89°41'13"E, 1,309.50 FEET ALONG THE NORTH LINE OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER (NE1/4 - NE 1/4) OF SAID SECTION 29 TO THE POINT OF BEGINNING.
LEGAL DESCRIPTION - PARCEL G:
PARCEL 'G' IN THE NORTHEAST QUARTER (NE 1/4) OF SECTION 29, TOWNSHIP 84 NORTH, RANGE 24 WEST OF THE 5TH P.M., STORY COUNTY, IOWA.; AS SHOWN ON THE PLAT OF SURVEY FILED IN THE OFFICE OF THE RECORDER OF STORY COUNTY, IOWA, ON ____________, 2012, AS INST. #12-________, AND ON SLIDE ______, PAGE ___.
ALTERNATE LEGAL DESCRIPTION - PARCEL G:
THAT PART OF THE NORTHEAST QUARTER (NE 1/4) OF SECTION 29, TOWNSHIP 84 NORTH, RANGE 24 WEST OF THE 5TH P.M., STORY COUNTY, IOWA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:
BEGINNING AT THE EAST QUARTER CORNER OF SAID SECTION 29; THENCE N00°42'10"W, 380.39 FEET ALONG THE EAST LINE OF THE NORTHEAST QUARTER (NE 1/4) OF SAID SECTION 29; THENCE S89°16'37"W, 97.28 FEET; THENCE N00°33'29"W, 154.85 FEET; THENCE S89°16'37"W, 67.01 FEET; THENCE N00°40'28"W, 175.00 FEET; THENCE S89°16'37"W, 324.54 FEET; THENCE S00°39'38"E, 80.50 FEET; THENCE S89°28'59"W, 824.13 FEET; THENCE S00°46'34"E, 24.41 FEET; THENCE S00°03'17"W, 605.46 FEET TO THE SOUTHWEST CORNER OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER (SE1/4 - NE1/4) OF SAID SECTION 29; THENCE N89°24'08"E, 1,321.31 FEET ALONG THE SOUTH LINE OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER (SE1/4 - NE1/4) OF SAID SECTION 29 TO THE POINT OF BEGINNING.
PROPRIETOR
JAMES ATHEN REVOCABLE TRUST 1
PHYLLIS ATHEN REVOCABLE TRUST
3601 G.W. CARVER AVENUE
AMES, IA 50010
REQUESTED BY:
CHUCK WINKLEBLACK
105 SOUTH 16th ST., SUITE A
AMES, IA 50010
NOTES:
1. THE EAST LINE OF THE NE 1/4 OF SEC. 29-84-24 IS ASSUMED TO BEAR S 00°42'10" E.
2. PARCELS 'F' AND 'G' ARE LOCATED IN THE NE 1/4 OF SECTION 29-84-24, WEST OF THE 5TH P.M., STORY COUNTY, IOWA.
3. THIS SURVEY MEETS, OR EXCEEDS IOWA CODE 355.8.
4. THE SOUTHWEST CORNER OF THE SE 1/4 - NE 1/4 OF SEC. 29-84-24 FALLS IN SQUAW CREEK. THE CORNER WAS CALCULATED USING MEASUREMENTS FROM A PLAT OF SURVEY IN BOOK 11, PAGE 176 IN THE STORY COUNTY RECORDER'S OFFICE AND THE AUDITOR'S PLAT OF DEER RUN DEVELOPMENT.
5. EASEMENT TO NORTHERN NATURAL GAS OVER THE EAST HALF OF THE NORTHEAST QUARTER, FILED MARCH 10, 1959, IN BOOK 84, PAGE 418.
6. INGRESS/EGRESS EASEMENT, BOOK 149, PAGE 223
THE AMES CITY COUNCIL APPROVED THIS PLAT OF SURVEY ON ____________, 2012 WITH RESOLUTION NUMBER ____________. I CERTIFY THAT IT CONFORMS TO ALL CONDITIONS OF APPROVAL.
PLANNING & HOUSING DIRECTOR
LEGEND
FOUND 1/2" REBAR, UNLESS OTHERWISE NOTED
SET 1/2" REBAR WITH YELLOW PLASTIC CAP #17535
SECTION CORNER FOUND
SECTION CORNER SET
RECORD DIMENSION (R)
DEED DIMENSION (D)
PARCEL 'F'
PARCEL 'G'
LOT 3
LOT 5
PART OF LOT 4
CENTER SQUAW CREEK
CENTERLINE GW CARVER
60' RIGHT-OF-WAY
NOT A PART OF THIS PLAT
SEE NOTE 4
SEE NOTE 6
SET WITNESS CORNER
LICENSED LAND SURVEYOR
EUGENE R. DREYER
17535
IOWA
Eugene R. Dreyer, P.L.S.
License Number 17535
benesch
engineers · scientists · planners
Alfred Benesch & Company
PLAT OF SURVEY
PARCEL 'F' AND PARCEL 'G'
REVISIONS
NO.
DATE
DESCRIPTION
SHEET NO.
1
1

License Application (   )

Applicant

Name of Applicant: LJPS, Inc

Name of Business (DBA): Olde Main Brewing Co

Address of Premises: ISU Alumni Center, 420 Beach Ave, Second Floor

City: Ames **County:** Story **Zip:** 50010

Business Phone: (515) 232-0553

Mailing Address: 316 Main St

City: Ames **State:** IA **Zip:** 50010

Contact Person

Name: Jamie Courtney

Phone: (515) 291-8346 **Email Address:** jcourtney@oldemainbrewing.com

Classification: Class C Liquor License (LC) (Commercial)

Term: 5 days

Effective Date: 04/13/2012

Expiration Date: 04/17/2012

Privileges:

Class C Liquor License (LC) (Commercial)

Status of Business

BusinessType: Privately Held Corporation

Corporate ID Number: 286196 **Federal Employer ID #** 770613629

Ownership

Len Griffen

First Name: Len

Last Name: Griffen

City: Potomac

State: Maryland

Zip: 24854

Position Vice President

% of Ownership 25.00 %

U.S. Citizen

Scott Griffen

First Name: Scott

Last Name: Griffen

City: Ames

State: Iowa

Zip: 50010

Position President

% of Ownership 50.00 %

U.S. Citizen

Sue Griffen

First Name: Sue

Last Name: Griffen

City: Potomac

State: Maryland

Zip: 24854

Position Treasure

% of Ownership 25.00 %

U.S. Citizen

Insurance Company Information

Insurance Company: Founders Insurance Company

Policy Effective Date:

Policy Expiration Date:

Bond Effective Continuously:

Dram Cancel Date:

Outdoor Service Effective Date:

Outdoor Service Expiration Date:

Temp Transfer Effective Date:

Temp Transfer Expiration Date:

License Application (   )

Applicant

Name of Applicant: Christiani's Events, LLC

Name of Business (DBA): Christiani's Events

Address of Premises: 420 Beach Avenue

City: Ames **County:** Story **Zip:** 50011

Business Phone: (515) 287-3169

Mailing Address: 1150 E. Diehl

City: DesMoines **State:** IA **Zip:** 50315

Contact Person

Name: Peter Christiani

Phone: (515) 287-3169 **Email Address:**

Classification: Class C Liquor License (LC) (Commercial)

Term: 5 days

Effective Date: 04/21/2012

Expiration Date: 04/25/2012

Privileges:

Class C Liquor License (LC) (Commercial)

Status of Business

BusinessType: Limited Liability Company

Corporate ID Number: 0 **Federal Employer ID #** 20-2195774

Ownership

Carol Christiani

First Name: Carol **Last Name:** Christiani

City: Des Moines **State:** Iowa **Zip:** 50321

Position member

% of Ownership 100.00 % **U.S. Citizen**

Insurance Company Information

Insurance Company: Founders Insurance Company

Policy Effective Date: 04/21/2012 **Policy Expiration Date:** 04/26/2012

Bond Effective Continuously: **Dram Cancel Date:**

Outdoor Service Effective Date: **Outdoor Service Expiration Date:**

Temp Transfer Effective Date: **Temp Transfer Expiration Date:**

ITEM # 22
DATE: 4-10-12

COUNCIL ACTION FORM

SUBJECT: APPROVAL OF CLOSURE OF PARKING SPACES ON CHAMBERLAIN STREET ON APRIL 20 – 22

BACKGROUND:

The Police Department has requested the closure of parking spaces on both sides of Chamberlain Street from Welch Avenue east to the Fire Station #2 driveway. The closure of these spaces would occur from 4:00 pm on Friday evening, April 20, until 6:00 am on Saturday morning April 21. Parking would again be prohibited in these spaces from 4:00 pm on Saturday evening until 6:00 am Sunday morning, April 22. Closure of these spaces will allow for the parking of law enforcement vehicles and other City equipment as may be necessary. Lost meter revenue is estimated at less than $5.00.

ALTERNATIVES:

1. The City Council may approve the closure of parking spaces on Chamberlain Street between Welch Avenue and the Fire Department Station #2 driveway as requested on April 20-22 during VEISHEA.

2. The City Council may deny the request.

MANAGER'S RECOMMENDED ACTION:

In order to facilitate staging of law enforcement vehicles and related equipment, the Police Department is requesting the closure of eight parking spaces on Chamberlain Street during the evening and early morning hours on April 20-22. The street will remain open the entire time.

Therefore, it is the recommendation of the City Manager that the City Council approve alternative #1 and allow for the closure of parking spaces on Chamberlain Street between Welch Avenue and the Fire Department Station #2 driveway as requested on April 20-22 during VEISHEA.

OLD CAF

ITEM # ~~33~~
DATE: ~~03-27-12~~

COUNCIL ACTION FORM

SUBJECT: IOWA STATE UNIVERSITY REQUEST TO LEASE CITY LAND AND LOCATE GOLF MAINTENANCE FACILITY ON THE SOUTHWEST PORTION OF MOORE MEMORIAL PARK

BACKGROUND:

In **March 2011** Iowa State University officials submitted a request to locate an approximate 5,000 square foot golf maintenance facility at the southwest corner of Moore Memorial Park. This location is immediately adjacent to a tree planting memorial that serves to honor victims of 911 and is approximately 50 feet west of a fenced natural gas restricted area (See Lease Agreement, Exhibit 1).

ISU staff explained that the existing golf maintenance facility is located in the floodplain, and that excessive damage has occurred to their building multiple times over the past several years. Long-term, the University is considering construction of a new clubhouse and practice green on the south side of their driveway west of their existing clubhouse. A lack of available land outside the floodplain would make it difficult to also construct a golf maintenance building on ISU property.

In **April 2011** members of the Parks and Recreation Commission met at the site to assess the impact this building would have upon Moore Memorial Park. At that time, the Commission supported ISU's proposal, but directed staff to host a public meeting and to meet with members of Trees Forever (who had planted the 911 Tree Memorial) to gain reaction to ISU's proposal.

In **October 2011** approximately **350 letters** were mailed to property owners that live in the Northridge and The Green subdivisions. Additionally, a press release was sent to the media inviting the general public to attend this informational meeting.

In **November 2011** staff, in conjunction with ISU Facilities Planning and Management staff, hosted a public meeting that was attended by approximately **23 residents**.

Staff also met with members of Trees Forever. In their formal written response (Attachment A), they requested that ideally the building should be located on the University's golf course property. However, they acknowledge that if construction on ISU land is not possible, the 911 Memorial should be relocated to another location at Moore Memorial Park or at another City park.

In addition to the comments received at the November public meeting (Attachment B), staff received a dozen e-mail comments and one phone call (Attachment C). Of the 350 letters that were mailed out, this is a feedback response rate of approximately 10%. **As you will glean from these comments, there is support for the City to enter into an agreement with ISU. However, you will also see that a few residents are adamantly opposed to park land at Moore Memorial being used for this purpose.**

At their February 2012 meeting, the Parks and Recreation Commission unanimously voted:

1) To recommend the City to enter into a 50 year, no fee lease agreement with ISU to locate a building at this City location at Moore Memorial Park,

2) To direct the City staff to work with members of Trees Forever to re-develop new 911 Memorial plantings, at ISU's expense, at another acceptable location within the park system, and

3) To ask University officials to return to the Parks and Recreation Commission to afford them the opportunity to "review and react" to the building contextually and aesthetically. Members of the Commission expressed concern that the building needs to "honor the feel of the park". This step would occur during the schematic design phase of the project.

It should be noted that **prior** to the City accepting the Moore bequest it contained only the following two conditions:

1) Improvements to include roadways, vehicle parking, and recreational facilities with special emphasis on playground equipment for young children.

2) The park to be named "Moore Memorial Park" with permanent entrance signage to include that the "land was donated by Fern and Bertha Moore".

However, in order to enhance the City's ability to carry out the purposes expressed in the Moore bequest, and prior its acceptance, the City asked that the following conditions also be included. These conditions were legally agreed upon by the Moore's estate attorney and were included in the approved Resolution in 1987 as follows:

1) The City may **sell** a portion of the land and use the proceeds to develop the remaining land for park purposes.

2) The City may **exchange** a portion of the land for other land for park purposes.

3) The City may **lease** a portion of the land to another party for development and / or operation for park purposes.

4) The City may **develop, use and manage** said real estate with the same authority and discretion it has with regard to the development, use and management of park land in general.

This third condition was relied upon in 1988 when the City and ISU entered into a lease agreement for 40 acres of land at Moore Memorial Park, west of Squaw Creek. The University uses this parcel for research plots, paying the City $3,000 annually in rent. Those funds are deposited into the "Moore Memorial Park Fund" and are periodically used to enhance this park.

ALTERNATIVES:

1. The City Council can accept the recommendations of the Park and Recreation Commission, thereby:

    a. Approving the provisions reflected in the attached 50 year, no fee lease agreement with Iowa State University allowing ISU to construct an approximate 5,000 square foot golf maintenance facility on the southwest edge of Moore Memorial Park;

    b. Directing staff to work with members of Trees Forever to re-develop, at ISU's expense, the 911 Memorial Planting to an acceptable location within the park system;

    c. Asking University officials to return to the Commission to afford them the opportunity to "review and react" to the building contextually and aesthetically; and

    d. Setting April 10, 2012 as the date of the public hearing to consider the lease of a portion of Moore Memorial Park property to ISU.

2. The City Council can accept the three recommendations from the Parks and Recreation Commission reflected in Alternative #1, with the exception that an annual fee should be charged to ISU for the lease of a portion of Moore Memorial Park.

    Rather than move ahead to set a public hearing date for this lease arrangement at this time, the next step associated with this alternative would be for the staff to meet with ISU staff, and then to return to Council with a recommended annual lease fee.

3. The City Council can decide to sell to the University a portion of Moore Memorial Park to the southwest, and use the proceeds to further develop the park.

Rather than move ahead to set a public hearing date at this time, the next step associated with this alternative would be for the staff to return to Council with a recommended sale price based on the Council's current policy for disposing of City property.

4. The City Council can deny the request to lease a portion of Moore Memorial Park to ISU.

MANAGER'S RECOMMENDED ACTION:

The City and Iowa State University have a long tradition of partnering for the community's benefit. The most recent example is ISU's granting to the City the right to lease a 50 acre parcel of land for the Furman Aquatic Center at no cost. Additionally, Brookside, Stuart Smith, and Franklin Parks are located on land leased free-of-charge from ISU to the City. Other examples of this cooperative spirit include sharing the responsibility to operate and fund capital investments at the Ames/ISU Ice Arena and for CyRide**.**

The approval of this request will represent yet another partnership with the University that will enhance the quality of life for Ames residents. **Therefore, it is the recommendation of the City Manager that the City Council approve Alternative #1, thereby accepting the three recommendations from the Parks and Recreation Commission, approving the provisions of the proposed lease agreement, and setting April 10, 2012 as the date of hearing for the proposed lease of land to ISU.**

The City Council, however, should also remember that a relevant condition included in the Council resolution when the park property was accepted in 1987 allows the City to lease a portion of the land to another party for development and/or operation for park purposes. Staff believes that this condition is being satisfied because the proposed contract affords the City the opportunity to store large equipment and supplies on the leased land. The equipment stored at this site could be used to mow the turf and remove snow on the trails at Moore Memorial Park and numerous other parks located in central and west Ames. This is advantageous as it would significantly reduce travel time and fuel usage for staff going to and from the existing Park Maintenance Shop, which is located on East 13th Street. Although the likelihood of a legal challenge to this proposed no-cost lease to ISU is small, one could arise and, therefore, the City Council should be made aware of that possible risk if an agreement is approved.

The City Council should also take note that the proposed agreement mirrors the contractual provisions currently in place with ISU for the lease of the land on which the Furman Aquatics Center is situated.

Attachment A

TREES FOREVER RESPONSE

"Our first option, which is strongly preferred, is that the building be built elsewhere. It appears that the building could be built directly east of the cart storage building. This site would not affect the ATF memorial planting or the view from Moore Memorial Park of the golf course.

"Our second option is that the building be built as proposed and then we would work with the city and ISU and a landscape architect to either replant the existing trees in a different location in a city park or plant new trees in the different location. We recognize the importance of the City of Ames and ISU working together and we want to continue to foster this amicable relationship."

Sincerely, Members of Ames Trees Forever
Dave Brotherson
Dianne Brotherson
Pam Helfer
Ginny Huntington
Bill LaGrange
Bob Schumer
Jan Thompson

ATTACHMENT B

Public Meeting Comments / Questions and Staff Responses
November 2, 2011

(Approximately 23 people attended. The public's input is in bold with staff responses indented)

- **Can you hide the building with additional trees being planted?**
  --Yes, this is only a conceptual drawing, additional trees can be planted

- **What other alternate locations did ISU consider?**
  --Around the perimeter, but the goal was to stay away from private property owners and to stay out of the floodplain

- **What are you going to do about the 911 Memorial? It appears that two trees are very close to the proposed building.**
  --Meet with members of Trees Forever to gain their reaction and input

- **What buildings would be removed at the existing maintenance site?**
  --The trailers and building would be removed
  --Employee parking would remain

- **What University vehicles will be at this site?**
  --Only golf course vehicles and equipment on the south side of the building
  --No additional Facilities Planning and Management vehicles would be allowed

- **The building would obstruct the open view from the walking trail to the golf course**
  --It would also obstruct the view if it was located on the south, versus north side of the driveway

- **The 911 Memorial trees will eventually obstruct this view too**

- **Does the building include an office and restroom? If so, could park users use the restroom?**
  --Yes, it will include an office and restroom
  --No, the general public will not be allowed to use it

- **Will any equipment, supplies be left outside the building?**
  --During the work day, equipment and vehicles will be allowed on the south side of the proposed building
  --Nothing, at anytime, can be on the west, north, or east sides. This will be assured by being included in the Agreement between the City and ISU

- **What type of activities will go on inside the building?**
  --Materials, supplies, equipment storage and repair
  --Staff meetings and training

- **Where will golf course employee's park?**
  --At the existing location

- **Aesthetically this looks good, but you must consider the impact on the 911 Memorial….it is going to be a problem?**
  --We agree and that is why we will be meeting with members of Trees Forever following this meeting

- **Would anyone stay overnight at this building?**
  --No
- **Will anything be stored outside the building?**
  --Only during the day on the south side. The Agreement will assure nothing is ever on the other three sides

- **You talked about the City and ISU cooperation over the years. I think partnering only works when the implication to the other party is "neutral". This is totally negative to the park.**

- **We** (golf course patron) **felt that way when the City put 13th Street through the golf course too in the mid-1980s**

- **What does the 911 Memorial actually consist of?**
  --Trees Forever responded 2 trees, a plaque and we believe the 5 pine trees but we need to check

- **People need to remember that the pine trees will eventually screen the view from the trail to the south looking into the golf course**

- **I can see the golf course from my house and I'll be able to see this building too…yet, I strongly support it at this location. If it is possible to slide it a bit to the south to help out the 911 Memorial planting that would be good.**

- **I bet the Moore family would have hoped this area could stay a park**

- **I totally support this proposal**

- **I want to present a great idea….ISU has land on the west side of the golf course….the Ames Lab….the Y grounds are over there too. You can locate this building over there**
  --We will review this suggestion

- **Who owns the land west of Squaw Creek?**
  --ISU
  --YMCA
  --City owns 40 acres of land that has been leased to ISU since 1988

- **Concern was expressed that the building would obstruct the view from the trail to the golf course and recommended locating it more to east (within the park) or on the south side of ISU's driveway. The building should look more like the other buildings in the park "farm like" and that the north side of the facility could have more landscaping so it would be more attractive to walkers.**
  --It would be difficult to move the structure to the east due to underground utilities
  --Moving it on the south side to ISU land would be a challenge due to a lack of space outside the floodplain
  --Additional landscaping will be considered, and we will be meeting with Trees Forever

Attachment C

Public Comments

(13 e-mails and 1 phone call were received)

Tom Barta:
My townhouse property at 2882 Greensboro Circle backs up to Moore Park and I walk my dog every day past the proposed site of the new golf course maintenance building. My initial reaction to the proposed site is that the golf course has plenty of ground above the flood plain so why is it necessary to borrow land from the city? I don't think they should even ask. The presence of an ugly maintenance building at the proposed location would spoil a nice view from the park. Thanks.

Janet Brimeyer:
Rick and I walk through Moore Memorial Park on a regular basis. We have seen the location of the stakes for the golf maintenance facility. We have no problem with ISU building the maintenance facility in the proposed location. One concern is for the evergreens located just to the north of the stakes - we hope that they can be preserved. This location is also a prime location for cross country skiers to access the golf course. It looks like there will be still be room on either side of the building for access to the course. Other than those concerns we are in favor of the proposal. We will not be attending the meeting and wanted you to know our thoughts since we are frequent users of the Moore park paths.

Richard Honzatko:
I am a frequent user of Moore Memorial Park. The proposed structure does not interfere with my use of the park, nor do I have objections to the proposal on grounds of aesthetics. Has anyone considered a façade for the new structure that matches the nearby barn/silo?

Bruce Janke:
As a 20-yr resident of Northridge subdivision who walks in Moore Park daily, sometimes twice a day, an ISU faculty member and an avid though not particularly skilled golfer, I am firmly opposed to this proposal. I doubt that providing a space for the golf course maintenance equipment was on the list of desired uses of that land when the donors decided to donate it to the city. Moore Park is a beautiful place, one of the best natural open-space parks in the city. When we first moved in, we had young children and I could not understand why some of the space was not used for creating ball fields or soccer fields. I was told that the donors of the land intended that it always be kept as a natural space. Now I appreciate the openness of the grassland as well as the trees. It was bad enough when the natural gas facility was put in place on the lower flat area several years ago (couldn't we at least screen it off with bushes or at least prairie grass between the fence and the walkway). The location for this shed further adds to an unsightly southern edge to the park, encroaches on the open area and blocks the best vista toward the golf course.

I believe ISU could come up with a different plan using the property already incorporated into the course. Having seen the flooding at close hand, I understand the need, but I think that they just looked at that nice flat open space next door and decided to ask if they could use it. My response would be: "No, you can't. You have plenty of space. Figure it out" To be sure, the land drops away from the road, but the facility could probably be placed next to the golf cart shed, maybe even attached at right angles to the west end, by either building up or digging out the foundation soil. Shorten the 1st tee box or move it south a bit. Granted, it would be more expensive than building a pole barn on a flat space. The course itself is well-maintained, but the university never seems to have put much into the buildings on the course. The clubhouse is an embarrassment for such a quality golf course. There is never money for upkeep (operations and maintenance) for any university buildings, and the golf course will likely continue to be at the bottom of the list. The fact that this is to be a maintenance building is a concern. Such buildings attract assorted paraphernalia and vehicles that get left outside, either for convenience or because there is no room inside. Look at all the assorted pieces of equipment and vehicles in the current maintenance yard and ask if it is desirable to have that moving into the park.

Moore Park is a heavily used but well-maintained park. It affords people an unusually accessible and close-at-hand opportunity to take a deep breath and appreciate fairly wide-open spaces. This facility will detract from that status and condition. Thank you for listening to my lament.

Ann Rudi:
Norman and I were very pleased to be notified of the proposed leasing of land in Moore Park for the construction of a golf maintenance facility for Veenker. As residents of the Green 5th Homeowners Association, located at the southwest corner of Moore Park, we were particularly happy to be apprised of the impending changes, as we were never notified prior to ISU's construction of the "Cyclone Golf Performance Facility," built just south of our property a few years ago.

Almost all of our Association members avail themselves of the Park facilities on a regular basis, particularly as a walking environment. We were sorry not to have attended the meeting last evening, but probably the rainy, cool weather led to our forgetfulness!! After having studied the maps online, and seeing the markers on the property, we feel the construction is in no way detrimental to Moore Park. The current structures just to the south have already been absorbed into the Park's landscape, and it is likely the new construction will do so as well, particularly since it is an interior project.

We certainly empathize with the rationale of the move, after seeing the recurring flooding and damage to Veenker through our 31 years of proximity to the course. I can so well remember John Newton commenting after another of our "500-year-floods" that he would be sending out his resume but he had lost it in the floods!

Again, many thanks for the update, and we look forward to hearing the sighs of relief from Veenker when all is done.

George Servoy (telephone call):
ISU is not looking toward the future; this is a “terrible idea”. The structure would block a lovely view of the golf course from the walking trail.

Ron Smith, 2209 Pinehurst Drive
I was present at the November 2, 2011 explanation of Veenker's suggestion of annexing part of Moore Park for a maintenance facility. I commend you for your very informative and pleasant presentation. I understand ISU's reasoning - to move their facility out of the flood plain, and also the convenience of locating it near the course "command center". My chief objection to this plan is that I do not think the Moore sisters wished to have any annexation of the parkland - this is not in the spirit of their gift.

Please examine the legal document that deeded the land to the city of Ames, and I would surmise (I haven't seen the document...) that their gift was stipulated for use as a park for the enjoyment of the people of Ames. And many, many people (and lots of dogs) do enjoy the park. I also believe that the Veenker plan encroaches much too close to the 9/11 tree memorial. I believe that ISU has architects and land use planers that can find a solution that places their proposed facility on Veenker property .

Steve Sornsen:
I support the efforts to move the Veenker golf maintenance shed to the city owned park. Thank you.

Don Sprague, Ames resident and Veenker golfer:
I think it's a good idea to let Veenker put its facility on the space indicated. I like to see cooperation between the City of Ames and the University. I'm in favor of this. I do not think it necessary for the City to be compensated.

Virginia Stafford, 2872 Greensboro Circle
I was not able to attend your meeting at Veenker to discuss a proposed lease of Moore Park land to Veenker for construction of a maintenance facility. I am opposed to leasing Moore Park land to Veenker. I have lived in the neighborhood since Moore Park was first developed, first in the Green Fifth addition, and

for the past 15 years in the Arbor on the Green addition. Moore Park is a treasure in the Ames Park system. It has developed with a clear site plan involving a subtle farm theme which would have pleased the Moore's. Except for the tower which was not kindly used (but is now demolished) each addition has contributed to a park with year round use, thanks to the fully paved loop trail. It is used by "walkers, strollers, dog walkers, runners, and cyclists" and bird watchers, deer spotters, and many groups. There are memorial trees, including the grove close to the southern path. It would be nice to NOT have the utility area on park land, but with plantings it can become less visible.

Moore Park has a view over the golf course to the rooftops of ISU. Veenker currently has a maintenance facility which includes a building, with outdoor storage of materials and maintenance machines during the season, and parking for maintenance staff members. This is obviously needed by a golf course, and is subject to flooding. One plan which might be considered by Veenker would be raising the ground level of the present facility site. Rebuilding would be possible, perhaps with storage and parking in an area less visible form the Veenker Center and golfers. If that happens, I would hope Veenker would use a dark colored roof, and replace the roof on the golf cart storage shed. Dark colored roofs improve the long range view.

Karen Thompson:
I think the proposal is practical and the Moore Park site looks well-designed.

Jan Walter, 2860 Greensboro Circle:
After looking at the website and the drawings of the project, I would see no problem with it. It appears from the drawings that it is placed in an area that should not be a problem for people. I will walk over and look at the posts indicating the site. Avoiding the flooding seems very important.

Linda and Bernie White:
I just looked at the sketches of the new building for the maintenance facility on line. The renderings and the maps are very good. The location seems very reasonable. However, the building will seem quite large I am sure. And so to fit with the ambience of this magnificent park, let's see if the design can be more in keeping with the surrounding buildings of the Moore farm. The barn and silo should be a great reference for the architects to work with. Since the building proposed is about the shape and size of a barn, I bet we can achieve a structure that will complement those salvaged from the farm and with the great barn like shelter at the top of the hill. I have surveyed other Moore park users and they agree with the need to have the structure be contextual with the existing structures. We are very sorry that we will be on our way to Milwaukee for a meeting at the very time of the meeting. I hope you will represent our views. Any questions, we are here until Wed morning. Thanks for having the meeting and know we support moving the facility to the new location.

Firth K. Whitehouse
I was unable to make it to the meeting last week about the proposed relocation of the Maintenance Facility at Veenker; I hope the meeting went well. It is a good idea to get that building out of low ground and to a new location. But I do have a question/concern:

When you look at Image 4 (aerial view), you can see that the existing building and proposed building are roughly the same size. But the existing Storage Yard appears to be much larger than the proposed yard size. How are they going to be able to park all of those vehicles and keep the site neat and tidy (i.e. put away all their toys)? I am not against this move at all; I just want to make sure that it does not become an eyesore for our beautiful park facility. Thanks.

LEASE AGREEMENT

CITY OF AMES
TO THE BOARD OF REGENTS, STATE OF IOWA ACTING FOR
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY
(Veenker Golf Course Maintenance Building in Moore Memorial Park)

THIS LEASE AGREEMENT made this ___ day of _____________, 2012, between the City of Ames, Iowa, hereinafter called "City", and the Board of Regents, State of Iowa acting for the Iowa State University of Science and Technology, hereinafter called "University",

WITNESSETH THAT:

WHEREAS, the University owns and operates a eighteen-hole golf course adjacent to the City's Moore Memorial Park; and,

WHEREAS, this golf course is utilized by the citizens of Ames as well as the students, faculty, and staff of the University; and,

WHEREAS, the current location of the maintenance building for this golf course is in an area of the flood plain that continually floods thus causing the closure of the course and the discontinuation of play for Ames residents; and,

WHEREAS, relocating the golf maintenance building to higher ground on Moore Memorial Park may result in more playable hours for Ames residents; and

WHEREAS, the relocated golf maintenance building will house City equipment and supplies that serve the operational needs of Moore Memorial Park;

NOW, THEREFORE, in consideration of the premises, the City does hereby agree to lease to the University a site consisting of approximately 17,000 square feet (land area) which includes a building of approximately 5,000 square feet located generally in the southwest corner of Moore Memorial Park in Story County, Iowa, and more particularly described in the attached Exhibit I.

1. The term of this lease agreement shall be fifty (50) years, commencing on the 1st day of May, 2012, and ending at midnight on the 31st day of April, 2062, unless earlier terminated by mutual agreement of the parties or as set forth in Paragraph 10 of this Lease Agreement. In recognition that the University might want to make additional improvements on the leased site in the future that will require time to depreciate, it is agreed that the University may request, and the City may grant, extensions to this Lease Agreement term at any time.

2. There shall be no money payments due or owing the City under this Lease Agreement. The full, complete, and satisfactory consideration for this Lease Agreement shall be and is the promise hereby made by the University to:

a. Maintain the leased premises at the University's expense in at least the same condition as the surrounding park property.

b. If a basement is constructed as part of the golf maintenance building, the public will be allowed access to this portion of the building as a shelter during City of Ames-declared severe weather warnings.

c. Assist with Moore Memorial Park operations by allowing the Ames Parks and Recreation Department to store park maintenance equipment and supplies in the golf maintenance building.

3. Said premises shall be used by the University solely as a golf maintenance building for Veenker Golf Course equipment and vehicles, and storage for tools, equipment, and other items necessary for the operation of Veenker Golf Course and the maintenance of its grounds. However, the outdoor storage of equipment, vehicles, tools, and other items associated with the above use shall not be permitted on the leased area, unless agreed upon in advance by the City and the University in writing.

4. The University is authorized to make all of the improvements, at its expense, on the leased site as generally shown on the conceptual plan attached as Exhibit II.

5. Following the completion of the initial construction project as described in Paragraph 4, the University may also make other improvements on the site that are consistent with the purposes set forth in Paragraph 3 of this lease agreement after obtaining the City's approval. The approval of the City for additional improvements shall not be unreasonably withheld.

6. The University may grade said real estate and install, at its expense, telephone lines and utilities necessary for the development of the golf maintenance building. In addition, the University shall pay all charges for the use of utilities, telephone lines, and services furnished to the leased premises.

7. The University shall, after taking possession of said premises and until the termination of this Lease Agreement, care for and maintain said premises in a reasonably safe and serviceable condition consistent with other University facilities. The University will not

knowingly permit or allow the leased site to be damaged or depreciated in value by any dumping of refuse, discharge of hazardous waste or any act of the University, its agents or employees. The University shall do what is reasonably necessary to control soil erosion resulting from the University's use of the leased site, including maintenance and preservation of existing watercourses and waterways. The University agrees to comply with all applicable laws, regulations, and ordinances. The University agrees that it will pay for or cause to be paid all costs for work done by it or caused to be done by it on the leased premises, and the University will keep the leased premises free and clear of all mechanic's liens or claims relating to the University's public improvements and other liens on account of work done for the University. The University agrees that it shall be primarily responsible for providing emergency services on the leased site. However, nothing herein shall contravene any existing 28E Agreements between the parties.

8. The University does hereby covenant and agree to indemnify and hold harmless the City, its officers and employees, against any loss or liability whatsoever, including reasonable attorney's fees, pertaining to any and all claims by any and all persons, resulting from or arising out of the University's construction, location, operation and maintenance of said leased area.

9. At the end of the term of the Lease Agreement, the University will remove all facilities, equipment, improvements, and personal property from the leased premises and return the leased premises to a safe, open green space, unless otherwise agreed to in writing by the parties. The Parties agree to meet and determine a reasonable schedule for the removal of facilities and return of the premises to open green space. However, if the University makes a request in writing to extend the term of the Lease Agreement for purposes consistent with Paragraph 3, and such request is made in the period beginning three years prior and ending no later than one year prior to the end of the fifty year term of the Lease Agreement (or any mutually agreed modification of the term), and the City denies the request, then the obligation to remove all improvements will be based on mutually satisfactory terms agreed to by the parties in writing.

Upon termination of the lease the University agrees to remove any hazardous materials that are deposited by the University or deposited as a result of University sponsored activities on the site during the term of the agreement.

10. This Lease Agreement is granted and all rights hereunder shall endure except that if one or more of the following events occurs the City may terminate the Lease Agreement following the procedures indicated in this Paragraph:

a. The University fails to begin construction of the improvements described in Paragraph 4 within two years from the commencement of this Lease Agreement.

b. The University uses the leased premises for purposes other than stated in Paragraph 3.

c. The University breaches a material term of this Lease Agreement and such breach is serious and goes to the essence of the transaction. A breach is serious and goes against the essence of the transaction only in the following cases:

i. The University has breached a term of this Lease Agreement and such breach has caused or is reasonably expected to cause damages in excess of

$500,000, such amount to be adjusted annually each July 1 for inflation using the Department of Labor's Consumer Price Index-Urban [CPI-U, All Items, All City Average, 1982-84-100] issued in the preceding month;

ii. The University has repeatedly breached a material term of this Lease Agreement within any two-year period, or the University has engaged in a pattern of material breaches of this Lease Agreement; provided, however, this clause may only apply where the University's breaches indicate deliberate indifference to the terms of this Lease Agreement.

For termination pursuant to Subparagraph 10(a), the City shall give at least 60 days advance written notice, and termination shall be automatic at the end of the 60 day notice period. For termination pursuant to Subparagraphs 10(b) and 10(c), the City shall notify the University in writing of its intent to terminate and the nature of the event or breach the City believes has occurred and shall provide the University with a reasonable period commensurate with the nature of the event or breach to cure such event or breach. If the University fails to cure such event or breach by the end of the cure period, the City shall give at least 30 days advance written notice, and termination shall be automatic at the end of the 30 day notice period.

11. This Lease Agreement may not be assigned by the University without the advance, written consent of the City of Ames.

IN WITNESS THEREOF the parties hereto have caused this lease to be signed by their duly authorized representatives as of the date first above written.

IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY

By: ________________________________
Warren Madden
Vice President for Business and Finance

BOARD OF REGENTS, STATE OF IOWA

By: ________________________________
Robert Donley
Executive Director

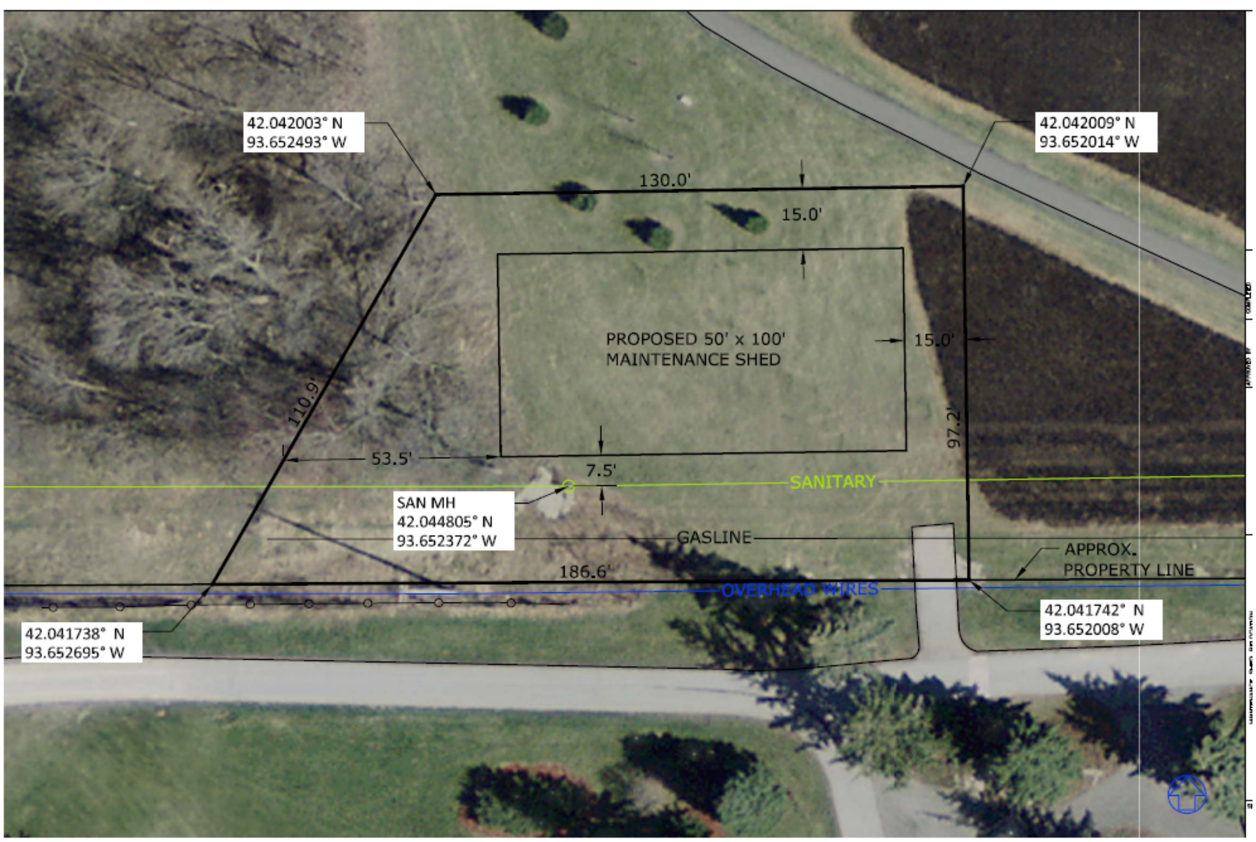
CITY OF AMES, IOWA

By: ________________________________
Ann H. Campbell
Mayor

By: ________________________________
Diane R. Voss
City Clerk

Exhibit I

Moore Memorial Park
Bike Path
Existing Gas Line
Maintenance Building
(Storage & Offices)
5000 sf
Existing Sanitary Sewer Line
Existing Gas Line
Existing Electric and Fiber Optics
Proposed
Service Yard
NNG site
Approximate 2010 Flood Level
Storage Yard
Cart
Storage
Practice
Green
920
Club
House
915
910
Veenker Golf Course
North
0 15 30 60 120 ft.



42.042003° N
93.652493° W
42.042009° N
93.652014° W
130.0'
15.0'
PROPOSED 50' x 100'
MAINTENANCE SHED
15.0'
110.9'
97.2'
53.5'
7.5'
SANITARY
SAN MH
42.044805° N
93.652372° W
GASLINE
APPROX.
PROPERTY LINE
186.6'
OVERHEAD WIRES
42.041738° N
93.652695° W
42.041742° N
93.652008° W

Exhibit IIA

Exhibit IIB

OLD CAF

~~ITEM # 28~~
~~DATE: 02-14-12~~

COUNCIL ACTION FORM

SUBJECT: CITY ELECTRICAL CODE UPDATE

BACKGROUND:

The National Electrical Code (NEC) is the model code standard for electrical construction of buildings throughout the United States and most of the developed world. The code is published by the National Fire Protection Association (NFPA) and is updated at three year intervals to reflect the latest improvements in public safety science and technology. The State of Iowa and major Iowa communities, including the City of Ames, adopt the most recent edition of the NEC soon after publication.

The 2011 edition of the NEC was adopted by the State with one minor amendment and became effective throughout the State's jurisdiction in Iowa on January 1, 2012. Iowa communities typically follow the State in adopting the most recent codes.

The City's Building Code Board is responsible by ordinance to recommend appropriate code revisions to the City Council. Copies of the 2011 NEC, the State of Iowa Electrical Code, and the current City of Ames Electrical Code provisions of Municipal Code Chapter 5 were recently reviewed by the Board. All Ames electrical contractors were notified of the proposed code change and were invited to attend the Board's meeting or to send comments. The Board did receive comments from a few of the electrical contractors.

The Board's recommendation is to adopt the NEC with three amendments. Two of these are amendments added by the State to exempt ground-fault circuit interrupters (GFCI) requirements from certain appliance circuits. Adding these to our local adoption of this code will allow us to be in conformity with the State's provisions. The third is the continuation of an existing local amendment requiring the use of conduit in commercial building construction. These proposed amendments are attached. This recommendation represents the consensus of the Board, local electrical contractors, and City staff.

ALTERNATIVES:

1. Direct staff to prepare an ordinance for adoption of the 2011 NEC, including both the State amendment and the City of Ames amendment.

2. Direct staff to prepare an ordinance to adopt the 2011 NEC as adopted by the State.

3. Direct staff to make other changes to the proposed code adoption.

4. Retain the current code text that adopts the 2008 NEC with one local amendment.

MANAGER'S RECOMMENDED ACTION:

Adoption of the new version of the NEC helps local contractors and those seeking electrical permits to operate under a statewide set of codes consistent with other jurisdictions. The proposed ordinance revision will make the electrical provisions of the Municipal Code consistent with the State Electrical Code and will retain a long standing local amendment. The local amendment requiring conduit in commercial installations has the support of the Board and most electrical contractors. Conduit protects the high voltage wiring from wear or damage resulting in an electrical hazard or fires.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby directing staff to prepare an ordinance for adoption of the 2011 NEC, including both the State amendment and the City of Ames amendment.

State of Iowa and Proposed Local Amendments to the 2011 NEC

The Building Code Board recommends City Council adopt the following changes to Ames Municipal Code Section 5.100, & 5.205:

Current text to be deleted is ~~stricken~~ and new text to be added is underlined.

Sec. 5.100. TITLE & ADOPTION.
These regulations shall be known as the Building Code of the City of Ames, hereinafter referred to as "this code."

(11) **Electrical.** The ~~2008~~ National Electrical Code, 2011 edition, ~~as adopted by the Iowa Electrical Examining Board, and~~ published by the National Fire Protection Association, One Batterymarch Park, Quincy, Massachusetts, and as adopted by the Iowa Electrical Examining Board, is hereby adopted as the electrical code of the City of Ames and shall govern electrical work and installations in the City of Ames, except for such specific, higher standards and requirements as have been or may from time to time be enacted by the City of Ames. ~~Violations of the standards of said rules, or failure to comply with the provisions of said rules shall, when occurring within the jurisdiction of the City of Ames, constitute an offense against the City of Ames.~~

Sec. 5.205. ELECTRICAL.
The provisions of the ~~2008~~ National Electrical Code (NEC), 2011 edition, are hereby amended as follows:

(1) Section 334.10 of the said National Electric Code is amended by ~~substituting the following for subsections (i) through (iii): Type NM, Type NMC and Type NMS cables shall be permitted to be used in:~~
~~(i) one-family dwellings and associated accessory buildings,~~
~~(ii) two-family dwellings and associated accessory buildings,~~
~~(iii) multifamily dwellings and associated accessory buildings.~~
~~All other structures shall be wired using other methods as allowed by the National Electrical Code.~~
deleting Subsection (3) therefrom and inserting in lieu thereof a new Subsection (3):
All other structures shall be wired using other methods as allowed by the NEC.

(2) Add the following exceptions to Article 210.8 Ground-Fault Circuit-Interrupter Protection for Personnel (A)(2):

a. Exception No. 1 to (2): Receptacles that are not readily accessible.
b. Exception No. 2 to (2): A single receptacle or a duplex receptacle for two appliances located within dedicated space for each appliance that, in normal use, is not easily moved from one place to another, and that is cord-and-plug connected in accordance with 400.7(A)(6), (A)(7), or (A)(8).
c. Receptacles installed under the exceptions to 210.8(A)(2) shall not be considered as meeting the requirements of 210.52(G).

(3) Add the following exceptions to Article 210.8 Ground-Fault Circuit-Interrupter Protection for Personnel (A)(5):

a. Exception No. 2 to (5): Receptacles that are not readily accessible.
b. Exception No. 3 to (5): A single receptacle or a duplex receptacle for two appliances located within dedicated space for each appliance that, in normal use, is not easily moved from one place to another and that is cord-and-plug connected in accordance with 400.7(A)(6), (A)(7), or (A)(8).
c. Receptacles installed under the exceptions to 210.8(A)(5) shall not be considered as meeting the requirements of 210.52(G).

ORDINANCE NO.

AN ORDINANCE TO AMEND THE MUNICIPAL CODE OF THE CITY OF AMES, IOWA, BY REPEALING SECTIONS 5.100(11), 5.205(1) AND ENACTING NEW SECTIONS 5.100(11) AND 5.205(1) THEREOF, FOR THE PURPOSE OF ADOPTION OF THE 2011 NATIONAL ELECTRICAL CODE AND LOCAL AMENDMENTS; REPEALING ANY AND ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT TO THE EXTENT OF SUCH CONFLICT; PROVIDING A PENALTY; AND ESTABLISHING AN EFFECTIVE DATE.

BE IT ENACTED, by the City Council for the City of Ames, Iowa, that:

Section One. The Municipal Code of the City of Ames, Iowa shall be and the same is hereby amended by repealing Sections 5.100(11) and 5.205(1) and enacting new Sections 5.100(11) and 5.205(1) as follows:

"**Sec. 5.100. TITLE & ADOPTION.**
These regulations shall be known as the Building Code of the City of Ames, hereinafter referred to as "this code."

…

(11) **Electrical.** The National Electrical Code, 2011 edition, published by the National Fire Protection Association, One Batterymarch Park, Quincy, Massachusetts, and as adopted by the Iowa Electrical Examining Board, is hereby adopted as the electrical code of the City of Ames and shall govern electrical work and installations in the City of Ames, except for such specific, higher standards and requirements as have been or may from time to time be enacted by the City of Ames.

Sec. 5.205. ELECTRICAL.
The provisions of the National Electrical Code (NEC), 2011 edition, are hereby amended as follows:

(1) Section 334.10 of the said National Electric Code is amended by deleting Subsection (3) therefrom and inserting in lieu thereof a new Subsection (3): All other structures shall be wired using other methods as allowed by the NEC.

(2) Add the following exceptions to Article 210.8 Ground-Fault Circuit-Interrupter Protection for Personnel (A)(2):

(a) Exception No. 1 to (2): Receptacles that are not readily accessible.

(b) Exception No. 2 to (2): A single receptacle or a duplex receptacle for two appliances located within dedicated space for each appliance that, in normal use, is not easily moved from one place to another, and that is cord-and-plug connected in accordance with 400.7(A)(6), (A)(7), or (A)(8).

(c) Receptacles installed under the exceptions to 210.8(A)(2) shall not be considered as meeting the requirements of 210.52(G).

(3) Add the following exceptions to Article 210.8 Ground-Fault Circuit-Interrupter Protection for Personnel (A)(5):

(a) Exception No. 2 to (5): Receptacles that are not readily accessible.

(b) Exception No. 3 to (5): A single receptacle or a duplex receptacle for two appliances located within dedicated space for each appliance that, in normal use, is not easily moved from one place to another and that is cord-and-plug connected in accordance with 400.7(A)(6), (A)(7), or (A)(8).

(c) Receptacles installed under the exceptions to 210.8(A)(5) shall not be considered as meeting the requirements of 210.52(G)."

Section Two. Violation of the provisions of this ordinance shall constitute a municipal infraction punishable as set out by law.

Section Three. All ordinances, or parts of ordinances, in conflict herewith are hereby repealed to the extent of such conflict, if any.

Section Four. This ordinance shall be in full force and effect from and after its passage and publication as required by law.

Passed this __________ day of ____________________________, _______.

______________________________________ Diane R. Voss, City Clerk

______________________________________ Ann H. Campbell, Mayor

ITEM: 25
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: 2010/11 AIRPORT IMPROVEMENTS (WEST APRON REHABILITATION)

BACKGROUND:

The projects included in this program are identified in the City's Airport Master Plan, which details airport development needs for a 10-year period. The Master Plan Update completed in 2008 identifies projects that qualify for Federal Aviation Administration (FAA) funding. FAA funding provides for 90% of the cost of identified projects; this project is shown in the 2010/11 fiscal year.

On Wednesday, April 4, 2012, bids were received as follows:

Bidder	Base Bid	Alternate (Local Funds)	Total
Engineer's Estimate	$1,458,880.06	$10,000.00	$1,468,880.06
Godbersen-Smith	$1,256,500.65	$41,880.00	$1,298,380.65
Allied Manatts Group	$1,379,610.47	$41,880.00	$1,421,490.47
Manatt's, Inc.	$1,379,257.30	$45,000.00	$1,424,257.30
Concrete Technologies	$1,393,419.40	$44,000.00	$1,437,419.40
Con-Struct, Inc.	$1,564,720.00	$41,880.00	$1,606,600.00

The bid alternate includes an item for automated gates with key-coded entry locks as per general guidance from FAA for security of the Airport grounds. However, during the FAA's review of project plans, it was determined that these items were no longer eligible under the discretionary grant, and therefore would be paid for using local funds only. Since the bid received for this alternate was high and needs to be covered solely by local funds, it is not recommended that this alternate be part of the final contract.

Engineering and construction inspection services are estimated in the amount of $130,000. This brings the total estimated project cost to $1,386,500.

This project has received an approved FAA grant for matching funds for 90% of all eligible costs. Based upon the estimated project total, this will provide approximately $1,247,850 in federal funding. In order to cover the local match requirement of 10%, $138,650 will come from the City's Airport Construction Fund. Maximum available local funds for this project are estimated at $150,480 in the 2011/12 fiscal year.

ALTERNATIVES:

1a. Accept the report of bids for the 2010/11 Airport Improvements (West Apron Rehabilitation).

b. Approve the final plans and specifications for the 2010/11 Airport Improvements (West Apron Rehabilitation).

c. Award the 2010/11 Airport Improvements (West Apron Rehabilitation) to Godbersen-Smith Construction of Ida Grove, Iowa, in the amount of $1,256,500.65, conditional upon receipt of an approved FAA grant.

2. Reject the project.

MANAGER'S RECOMMENDED ACTION:

By awarding this contract, the City will move forward with rehabilitating the west apron area where visiting aircraft stage their planes near the Terminal Building. This will help ensure the ongoing high safety standards and quality of the facility currently seen at our airport through leveraging federal funds.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby accepting the report of bids, approving the final plans and specifications, and awarding the 2010/11 Airport Improvements (West Apron Rehabilitation) to Godbersen-Smith Construction of Ida Grove, Iowa, in the amount of $1,256,500.65, conditional upon receipt of an approved FAA grant.

ITEM # 26
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: 2010/2011 CONCRETE PAVEMENT IMPROVEMENTS – LINCOLN SWING (BEEDLE DRIVE TO SOUTH DAKOTA AVENUE) AND OAKLAND STREET (NORTH HYLAND TO HAWTHORNE AVENUE)

BACKGROUND:

This annual program is to remove and replace concrete street sections that have deteriorated. Removal and replacement of these street sections provide enhanced rideability to residents and visitors.

The project locations are Lincoln Swing between Beedle Drive and South Dakota Avenue and Oakland Street from North Hyland to Hawthorne Avenue. Work will consist of concrete pavement reconstruction, storm sewer intake replacement, sanitary sewer manhole replacement, sanitary sewer main repairs, upgrading of existing pedestrian facilities to meet current Americans with Disabilities Act (ADA) standards, and restoration of the affected areas with sod.

The contract will require Lincoln Swing to be staged to allow for access to all properties at all times during construction and to accommodate the annual Hope Run this spring. Oakland Street will be constructed such that the street will be passable for local traffic during the move-in/move-out times associated with Iowa State University student leases, due to the number of rental properties in the area.

On April 4, 2012, bids on this project were received as follows:

Engineer’s Estimate	$963,641.00
Con-Struct, Inc.	$739,207.10

Engineering and construction administration costs are estimated at $200,000, bringing total estimated costs to $939,207.10. This project is programmed with financing in the amount of $1,000,000 from General Obligation Bonds. Unutilized funds from the 2011/12 Sanitary Sewer Rehabilitation Program in the amount of $200,000 will also be used, bringing total project funding to $1,200,000.

ALTERNATIVES:

1a. Accept the report of bids for the 2010/2011 Concrete Pavement Improvements – Lincoln Swing (Beedle Drive to South Dakota Avenue) and Oakland Street (North Hyland to Hawthorne Avenue).

b. Approve the final plans and specifications for the 2010/2011 Concrete Pavement Improvements – Lincoln Swing (Beedle Drive to South Dakota Avenue) and Oakland Street (North Hyland to Hawthorne Avenue).

c. Award the 2010/2011 Concrete Pavement Improvements – Lincoln Swing (Beedle Drive to South Dakota Avenue) and Oakland Street (North Hyland to Hawthorne Avenue) to Con-Struct, Inc. of Ames, Iowa, in the amount of $739,207.10.

2. Reject the project.

MANAGER'S RECOMMENDED ACTION:

By approving plans and specifications and setting the date of letting, it will be possible to move forward with the reconstruction of these streets during the 2012 construction season.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby accepting the report of bids, approving the final plans and specifications, and awarding the 2010/2011 Concrete Pavement Improvements – Lincoln Swing (Beedle Drive to South Dakota Avenue) and Oakland Street (North Hyland to Hawthorne Avenue) to Con-Struct, Inc. of Ames, Iowa, in the amount of $739,207.10.

ITEM # 27
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: ZONING TEXT AMENDMENT CONCERNING DELAYED DEPOSIT SERVICE PROVIDERS

BACKGROUND:

In September of 2011, the City Council directed staff to draft an ordinance “as restrictive as legally possible” to limit the locations in which payday lenders could operate. A payday lender is a business in which a check is accepted subsequent to the date it was written or where a check is held for a period of time prior to deposit pursuant to an agreement between the parties, typically for a fee.

Staff is aware of seven existing payday lenders in Ames. Under the current zoning code, payday lending is considered an Office Use and is permissible in any commercial base zone. Currently in Ames there are 794 existing parcels in commercial zones where payday lenders could locate.

Regulating and licensing payday lenders are powers reserved by the state. However, cities can determine the conditions and locations in which commercial activity occurs. A zoning ordinance that totally excludes a particular business from an entire municipality must bear a more substantial relationship to the public health, safety, morals and general welfare than an ordinance which merely confines that business to a certain area in the municipality.

In Ames, zoning restrictions have been imposed for specific uses that have an adverse impact on public health and welfare. For example, adult entertainment businesses may not be located within 1,000 feet of residential zones or each other.

For activities that are not constitutionally protected, such as payday lending, it is permissible to pass any number of conditions—even if that creates no area of the City where such an activity is allowed—as long as each condition adopted can be shown to tie back to a substantial impact on public health, safety, and welfare. Such rationales used by other communities include eliminating or reducing negative effects associated with that economic activity.

Ames itself would not necessarily have to have experienced those negative effects; evidence that other cities have experienced negative effects may be cited as justification for each condition. Negative impacts of payday lending can also be shown through published research reports indicating a correlation with economic distress and increases in crime, such as a 2011 article published in *Criminology & Public Policy*, which found payday lenders to be associated with both “a spike in neighborhood crime rates [and] a depressing impact on local property values.”

In 2010, the cities of Des Moines, West Des Moines, and Clive enacted new restrictions on the zones in which payday lending was permissible, with restrictions on minimum distances between payday lenders and other lenders, residential zones, and parks. The City of Des Moines noted the proliferation of payday lenders *"suggests a commercial corridor and the adjoining neighborhoods are in economic and social decline, negatively impacting reinvestment, economic development efforts and property values along the corridor and the adjoining neighborhoods […] These businesses do not create much foot traffic for adjacent businesses and a proliferation of them at particular locations can overwhelm a neighborhood and can be a disincentive for the location of other neighborhood businesses in close proximity to them […]"*

In response to the City Council's direction, staff drafted a text amendment that would add payday lenders, or "delayed deposit services," to the list outlining additional requirements for specific uses. The section defines delayed-deposit services and requires that they not be located:

- **Within 1,000 feet of other existing delayed deposit services**
- **Within 1,000 feet of residential zones**
- **Within 1,000 feet of schools, daycares, and parks**
- **Within 1,000 feet of any arterial street**
- **Within Highway-Oriented Commercial or Gateway Overlay zones.**

Violation of these provisions would be a municipal infraction. If adopted, the conditions of this text amendment would not permit new payday lenders in any existing parcels within the city.

The payday lenders that already exist would be able to continue operation. Based on their locations, all would become nonconforming uses, and therefore could not be enlarged or increased in intensity unless certain conditions were met and a Special Use Permit were granted by the Zoning Board of Adjustment.

Recommendation of the Planning & Zoning Commission. At its meeting of March 21, 2012, with a vote of 5-0, the Planning and Zoning Commission recommended approval of the language as proposed, creating a separate land use for delayed deposit service providers and enacting prohibitions against their locating in Highway-Oriented Commercial or Gateway Overlay Zones, or within 1,000 feet of certain specified facilities. No one from the audience spoke for or against the proposed text amendment.

ALTERNATIVES:

1. The City Council can adopt the language of the attached ordinance as proposed, creating a separate land use for delayed deposit service providers and enacting prohibitions against their locating in Highway-Oriented Commercial or Gateway Overlay Zones, or within 1,000 feet of certain specified facilities outlined above.

2. The City Council can decide to modify the proposed ordinance regulating delayed deposit service providers.

3. The City Council can decide not to adopt the proposed text amendment.

<u>MANAGER'S RECOMMENDED ACTION</u>:

The proposed text amendment fulfills the City Council's direction to prepare an ordinance limiting payday lending to the extent legally possible. It would essentially end the growth of this particular class of commercial activity in the City. This could put the City in the rare position of having determined the desirability of one type of business over another. The proposed text amendment would reduce the number of parcels in which payday lending is an allowable land use, while remaining within both the precedent set by other cities and the confines of what is in the City's power to control.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby adopting the limitations on payday lending locations as stated above.

ORDINANCE NO. _________

AN ORDINANCE TO AMEND THE MUNICIPAL CODE OF THE CITY OF AMES, IOWA, BY ENACTING A NEW SECTION 29.1312 THEREOF, FOR THE PURPOSE OF DEFINING THE LOCATION WHERE NEW DELAYED DEPOSIT SERVICE BUSINESSES CAN BE LOCATED; REPEALING ANY AND ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT TO THE EXTENT OF SUCH CONFLICT; PROVIDING A PENALTY; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the proliferation of delayed deposit service businesses suggests that a commercial corridor and the adjoining neighborhoods are in economic and social decline; and,

WHEREAS, delayed deposit service businesses can result in the disinvestment in the commercial corridor and can negatively impact property values in the surrounding neighborhood; and,

WHEREAS, it is reasonable and appropriate to regulate the placement and location of delayed deposit service businesses in order to protect the surrounding neighborhoods from the deleterious effects of such businesses, and to avoid the adverse effects on the health, safety and general welfare of the surrounding neighborhood that are likely to result from a concentration of such businesses;

Therefore, BE IT ENACTED, by the City Council for the City of Ames, Iowa, that:

Section One. The Municipal Code of the City of Ames, Iowa shall be and the same is hereby amended enacting a new Section 29.1312 as follows:

"1. Words and Terms Defined

a. Delayed Deposit Service Provider: Means every person who for a fee does either of the following:

1. Accepts a check dated subsequent to the date it was written.

2. Accepts a check dated on the date it was written and holds the check for a period of time prior to deposit or presentment pursuant to an agreement with, or any representations made to, the maker of the check, whether express or implied.

2. The following shall apply to delayed deposit service providers:

a. Location: No person, whether as principal or agent, clerk, or employee, either himself of any other person, or as an officer of any corporation, or otherwise, shall place, maintain, own, or operate any delayed deposit service business in the following locations:

1. Within 1000 feet of any parcel of real property upon which is located any of the following facilities:

a. Existing delayed deposit service facilities;

b. A children's daycare, nursery school, preschool, elementary school, junior high school, senior high school;

c. Park or recreational facilities operated and improved by the city, story county, the story county conservation board or the state of Iowa;

2. Within 1000 feet of any residentially zoned or used property, or any property designated on the city's land use policy plan as residential oriented;

3. Within 1000 feet of any arterial street;

4. In the highway-oriented commercial zones;

5. In gateway overlay zoning districts.

3. Measurement of distance: The distance between any two delayed deposit service facilities shall be measured in a straight line, without regard to intervening structures, from the closest exterior structural wall of each business. The distance between any delayed deposit service facility and any daycare, school, public park, or any property designated for residential use or used for residential purposes shall be measured in a straight line, without regard to intervening structures, from the closest property line of the delayed deposit service facility to the closest property line of any daycare, school, public park or any property designated for residential use or used for residential purposes. The distance between any delayed deposit service facility and any arterial street shall be measured in a straight line, without regard to intervening structures, from the closest property line of the delayed deposit service facility to the closest edge of the arterial street pavement.

Section Two. Violation of the provisions of this ordinance shall constitute a municipal infraction punishable as set out by law.

Section Three. All ordinances, or parts of ordinances, in conflict herewith are hereby repealed to the extent of such conflict, if any.

Section Four. This ordinance shall be in full force and effect from and after its passage and publication as required by law.

Passed this __________ day of ____________________________, _______.

ATTEST:

____ ____

Diane R. Voss, City Clerk Ann H. Campbell, Mayor

Public Policies to Alter the Use of Alternative Financial Services Among Low-Income households.

Rebecca M. Blank
University of Michigan and Brookings Institution

March 2008

Contact information:
Brookings Institution
1775 Massachusetts Avenue, NW
Washington, D.C. 20036
202-797-6299
rblank@brookings.edu

Written for the Federal Reserve Board Academic Consultants Meeting on Non-traditional Financial Services, April 16, 2008.

A substantial number of low-income individuals make use of services within the alternative financial sector (AFS), particularly pay-day lenders and check cashing outlets. Pay-day lending has grown over the past 20 years, as has the use of Refund Anticipation Loans (RALs). Although the number of households without a checking account has fallen, currently about 12 million households do not have a checking account, and must rely on check-cashing services. Fellowes and Mabanta (2008) indicate that non-bank establishments collected $8.5 billion in fees in a recent year. The high cost of these services has led many observers to seek policies that would reduce the use of informal financial services among lower income households.[1] This paper briefly reviews the reasons why individuals utilize AFS outlets, then discusses the policy options that could affect these decisions.

I. Why do low-income households use alternative financial services?

Before turning to a discussion of policies that would reduce reliance on informal financial services, it is important to understand why individuals utilize AFS providers rather than banks or other formal financial institutions. There are five primary reasons typically discussed.

A. Formal financial institutions provide services that are ill-fitted to the financial needs of low-income households. About 40 percent of payday loan recipients have bank accounts, suggesting that their payday loan provides a service that is not available from their bank (Elliehausen and Lawrence, 2001). About half of payday loan recipients claim to have considered a bank loan; many of these said that the payday loan involved

[1] For instance, see the many reports on this topic by the Center for Responsible Lending.

an easier process; some also cited the convenient location of payday providers. Short-term loans to lower-income customers are simply not available through many local banks.

High-minimum-balance checking accounts with multiple fees may be very expensive for low-income individuals who experience frequent penalties for lower balances or for overdrafts. About half of the non-banked say either they don't have enough money to start an account or the costs of an account are too high (Berry, 2005). About half of payday loan customers say their payday loan is cheaper than the cost of returned check fees (Elliehausen and Lawrence, 2001). Caskey (2005) argues that check-cashing outlets provide much more comprehensive services than banks (including money orders), while Berry (2005) indicates that 77 percent of those using check-cashing services say they are more convenient. A significant number of low-income households use *both* formal and informal financial providers for their transactions (Barr, forthcoming.)

B. Mistrust or misunderstanding on the part of lower-income households. Not all persons use AFS providers because they provide better services. Lower-income persons may mistrust banks or misunderstand the comparative costs of informal financial services. Low-income consumers may not understand the difference in interest rates or the compounding problems in roll-over payday loans. A survey of payday loan users found that almost all of them were aware of the dollar charges on their most recent payday loan, but few knew how these translated into an annual percentage rate that would let them compare rates across providers (Elliehausen and Lawrence, 2001). Persons may be unaware of bank-based alternatives, particularly if few people within their network regularly utilize bank services. In short, some low-income consumers may not understand the high price of many services or may not know about lower-cost options.

Some subset of lower-income persons actively mistrust banks or perceive using them as an unpleasant experience. They may feel unable to ask questions or be intimidated by tellers or bank staff who treat them brusquely. They may worry about incurring penalties or limitations on bank accounts that they don't understand or that they perceive as arbitrary and unreasonable. Berry (2005) indicates that 6 percent of the unbanked indicate they don't like dealing with banks for various 'perception' reasons.

C. Past credit problems that limit access to formal financial institutions. Past unpaid debts or past problems with overdrafts will prevent some low-income persons from qualifying for banking accounts or for bank loans. In Berry's (2005) data, 18 percent indicate they have histories that would prevent them from qualifying for an account. This could be a particular problem for immigrants (legal and illegal) who may face difficulties providing the financial documentation needed by banks. In this case, the simpler requirements of payday lenders make them the only viable source of credit.

D. *Short-term time horizons or inadequate self-discipline*. Many argue that one reason some people take out very high short-term loans, or pay high rates for immediate check-cashing, is that they have very short-term time horizons. If the value of a dollar today is worth far more than a dollar tomorrow to a low-income individual, he/she should be willing to pay a high price to avoid waiting. Future costs are also discounted at a high rate, making high interest rates acceptable.[2] A closely-related hypothesis focuses not on high discount rates, but on lack of self-control (which in turn produces high discount

[2] One can view predatory lending as a way to prey upon those with hyperbolic discount rates. See Della Vigna and Melmendier (2004).

rates.) If lower-income consumers seek immediate gratification, they will ignore future costs. Although much-discussed as a reason for high credit demand by low-income individuals, there is remarkably little evidence documenting differences in discount rates by income level.

A growing body of work in behavioral economics indicates that many people demonstrate time inconsistencies when making decisions. People (both low and high income) say they want to save, but then spent their money when they receive it. Shafir and Mullainathan (forthcoming) argue that the cost of these common human fallibilities may be greater for low-income persons, who live more marginal economic lives.

E. Unstable incomes. Finally, all of these issues may be exacerbated by the fact that the need for small amounts of short-term credit is quite high among lower-income individuals due to unstable incomes. Lower income or less-educated households experience greater income volatility (Bania and Leete, 2007; Hoynes, 2001). In part, this reflects the nature of their jobs. Work hours on low-wage jobs often vary substantially from week to week, especially in the service sector. Jobs may also be unstable. Hoynes (2001) indicates that less educated workers experience more employment cyclicality.

Household composition is also more unstable in lower-income families. Marriage is less common and cohabitors come and go with greater frequency.[3] Residential instability is more common, and is often linked with job changes. The annual rate of residential moves among poor families was 24 percent in 2002, versus 13 percent among non-poor families (U.S. Census Bureau, 2004). This type of household instability feeds into earnings and income volatility.

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[3] Seefeldt and Smock (2004) provide evidence that children in lower-income families experience more frequent parental relationship transitions.

Families can deal with instability in household income in three ways. First, they can reduce expenditures when income falls. Expenditure reductions may be quite difficult for lower-income families, however, since a higher share of expenditures in low-income households goes to necessities, such as rent or food. The 2005 Consumer Expenditure Survey indicates that households in the bottom quintile of the income distribution spend 55 percent of their income on food and housing; families in the top quintile spend only 42 percent of their income on these items.

Second, households can utilize savings to help smooth expenditures. For many reasons (not the least of which is their low income relative to needs) low-income households are far less likely to have savings than higher-income households, so this mechanism may be unavailable to them.

This leaves the third option, borrowing to smooth spending in the face of income fluctuations. Although expensive, a short-term high-interest payday loan may be a better choice than having one's phone or electricity turned off. If the marginal value of the next dollar of expenditure is higher for low-income families, their use of frequent short-term credit to help smooth expenditures may not be a surprising choice.

In summary, the need for short-term income smoothing among lower-income families may be greater than among higher-income populations. High-income families are likely to have more stable jobs, more stable household composition, greater savings, and a lower marginal value for the next dollar of spending.

This quick review suggests that there are multiple reasons why low-income individuals utilize informal financial services; this implies that there are a variety of policy approaches that would reduce AFS usage. In the next three sections, I discuss three different policy approaches, looking at ways to attract more persons into formal financial institutions; ways to avoid high-cost and unpredictable fluctuations in expenditures among lower-income houses; and looking at policies that stabilize incomes.

II. Policies designed to encourage greater use of formal financial institutions by low-income households

The most direct way to reduce the utilization of informal financial services is to expand and market competitive services through formal financial institutions. This includes no-minimum-balance debit accounts that do not allow overdrafts; short-term loans that may mimic payday loans in some respects; or low-cost check-cashing facilities inside banks for non-customers. A key question is whether these activities can be profitable or whether they require public subsidies to persuade banks to engage in them.

A. Voluntary private sector action, perhaps in partnership with the public sector. In a variety of communities, individual financial institutions have taken leadership in providing banking services to low-income communities or low-income households. ShoreBank in Chicago is perhaps best-known for its efforts to provide banking services to low income families, but other institutions around the country are experimenting with ways to serve low income customers profitably. In the Bank on San Francisco project, the city is providing free marketing to banks and credit unions that offer products aimed at low-income customers, with the goal of opening bank accounts for 20 percent of the unbanked. Bair (2005) provides a number of examples of local credit unions or banks that offer short-term loans, explicitly designed to compete with payday lenders, for much lower fees than found among AFS providers. Caskey (2005) describes "Starter" Bank accounts that he recommends banks offer for low-income customers.

In addition, private and public sector employers can also help increase bank account usage. Employers (particularly larger employers) can require direct deposit, arranging for banks to provide debit accounts to unbanked employees, or can help employees open bank accounts.

B. Public sector policies and programs, aimed at incentivizing financial institutions to serve to low-income households. There are a variety of public sector actions that can increase the services provided by formal financial institutions, and the utilization of these services.

First, banks can be incentivized to offer accounts designed to serve low-income persons, with low minimum balances and overdraft protection. Barr (2004) proposes First Accounts tax credit to banks, based on the number of accounts opened for low-income persons. Demonstration projects have tested tax credits and indicate they increase banking services to the unbanked. Regular CRA evaluations of banks could include an evaluation of the services they provide to lower-income customers.

Second, public assistance benefits can be provided through bank debit accounts. Benefit programs, such as cash welfare or Food Stamps, typically provide monthly income support through an electronic benefit card. Most states utilize a contractor who issues these debit cards, allowing states the 'float' on these dollars until they are spent. The alternative is to provide these benefits through a bank debit card, giving families a relationship with a local bank. (Such accounts should be retainable by families when they leave public assistance and move into work.) This is likely to be more expensive than using a single contractor, but provides an opportunity for recipients to establish a banking relationship. It may also open up opportunities for financial education and counseling, as part of the receipt of the bank debit card.

Third, there may be ways for the public sector to support banking services in underserved areas. For instance, the First Accounts demonstration program helped defray the costs of expanded services (such as ATMs) in low-income neighborhoods (Barr, 2004). Parish, et al, (2006) discuss the utilization of Community Development Financial Institutions in communities where no other financial services are available, such as Native American reservations.

Fourth, the IRS can expand the ability of taxpayers to receive tax refunds in electronic debit accounts, especially important for EITC recipients. Beverly, et al, (2005) describes a demonstration project by ShoreBank, which indicated that over half of the unbanked participants whose refunds were placed in accounts went on to use these accounts for other purposes. The IRS may want to partner with tax preparers, such as H&R Block, who serve many low-income clients, to encourage low-cost electronically based bank accounts for refunds (Barr, 2007). Smeeding (2005) proposes ways to link EITC refund accounts with savings plans.

Fifth, a growing body of evidence suggests that low-income families can save and that certain policies can increase savings (Sherraden and Barr, 2004; Tufano and Schneider, forthcoming). This includes employer-based savings plans, government matched-savings plans, or national development or savings accounts. Savings plans help smooth expenditures without the need for short-term credit and create connections with formal financial institutions.

Sixth, there are a variety of ways to regulate and limit AFS providers. Some states have made it impossible for payday lenders to operate, limit rollovers, or limit the size of payday loans. Research on the effects of this, however, are somewhat mixed. Morgan (2007) finds that low-income households in states with higher payday loan limits do not have higher delinquency rates, although they do have marginally higher debt levels. Morgan and Strain (2007) find that households bounced more checks and filed for bankrupty at a higher rate after North Carolina and Georgia eliminated payday lending. Morse (2007) finds that areas with payday lenders recover more quickly following a natural disaster, with fewer foreclosures. On the other side, Skiba and Tobacman (2008) and Caskey (2005) indicate that the average payday loan recipient uses multiple loans and runs up quite large debt, which suggests these individuals are not using payday loans occasionally for unexpected expenditures.

While there is clear evidence that an uncomfortably high share of people roll over payday loans frequently and pay enormous interest rates, it may not make sense to ban payday lenders without a strong effort to provide short-term loans and access to low-cost financial services through the formal financial sector. In fact, there is clear evidence that greater competition appears to bring down the cost of AFS services (Flannery and Samolyk, 2005; Morgan, 2007), so that regulating the number of AFS providers may be counterproductive. *My own reading of the evidence is that strict regulations on AFS providers will not reduce the demand for short-term credit (and may even make the costs higher), unless such an effort is closely linked with efforts to provide the affordable credit and banking services low-income households through formal financial institutions.*

III. Policies to reduce high-cost expenditures among lower income households.

While providing credit through formal financial institutions may lower the debt-related costs borne by low-income households, one may also want to reduce the need for such credit. When low-income persons face large lump-sum payments this creates a need for credit and increases their use of AFS providers (as well as creating potential problems in their interactions with formal financial institutions.) Let me highlight three policies that might reduce big-ticket expenditure needs.

First, many analysts believe there is a need for more financial education programs aimed at effective money management and financial planning. The need to borrow in order to purchase consumer goods or to pay bills is sometimes the result of poor financial management. One of the key goals of many financial education programs is to encourage participants to avoid splurge spending, to shop effectively for lower-cost items and to prepare for future large-cost expenditures (such as a car) through savings and financial planning.

Unfortunately, our knowledge of how to run effective financial education programs is limited. Caskey (2006) critiques the existing work and suggests there is at best limited information that financial literacy courses may help increase savings or improve credit records. This is an area where well-evaluated demonstration programs would greatly advance our knowledge of best practices around financial education.

Second, health care expenditures remain an ongoing problem for many lower income families who have inadequate or no health insurance. Providing better health care coverage for low-income families would reduce high-cost medical debt. With very low levels of private health insurance, and limited Medicaid eligibility[4], families often pay cash for dental or eye care. Emergency room care or community clinics may provide short-term uncompensated care, but will rarely help cover expenses for major health problems that require multiple doctor visits. Uninsured families that face health crises for family members typically run up large bills. Better health insurance coverage for low-wage families would help these families avoid emergency high-cost medical expenditures and debt.

Third, a subset of low-income families face financial problems because of their inability to resist 'temptation goods' and successful efforts to reduce addiction and abuse of such goods would greatly improve the financial circumstances of these individuals, as well as increase their work effort and economic productivity. Excessive expenditures on alcohol, other drugs, or gambling, is a cause of ongoing financial problems. The greater availability of such goods clearly increases their use. For instance, Kearney (2005) finds that non-gambling expenditures go down 2.5 percent in low-income households when state lotteries are introduced.

Drug or alcohol abuse treatment programs are often relatively costly, with high recidivism rates. Few low-cost treatment programs are readily available (Alcoholics Anonymous is an exception.) Policies that increase the price of these goods, such as so-called 'sin taxes', typically reduce their consumption but raise expenditures among those who continue to spend.[5] More controversially, policies to limit access (drugs interdiction, hours' restrictions on alcohol sales, limits on the number of casinos, etc) are

[4] Medicaid typically covers children in low-income families, the disabled and low-income elderly. It is rarely available to other adults.

[5] For instance, see Chaloupka, Grossmand and Saffer (2002) for a review of the evidence of negative price elasticities for alcohol, and Rhodes, et al. (2001) for evidence on negative price elasticities for illegal drugs.

often proposed at least in part to limit abuse and addiction. The evidence about the value of such policies is somewhat mixed, however. In short, this is a policy area where there is concern, but little sense of the most effective way to address existing problems.

IV. Policies to stabilize incomes

The less short-term income fluctuates among lower-income households, the less need for short-term credit and the more attractive low-income persons are as customers to financial institutions. Income stabilization policies can help reduce income fluctuations. I indicate four of the more important stabilization policies.

First and probably most important is *a macroeconomic policy of maintaining low unemployment*. Given the much greater cyclicality in employment and jobs among lower-wage workers, maintaining a high-employment economy is more important for this group than any other. Blank (2000) notes that a strong macroeconomy is probably the most effective long-term antipoverty strategy. As welfare reform has moved more single mother families off public assistance and into low-wage employment, even more families rely on low-wage jobs for their primary income support.

Second, it is important to *maintain high coverage within the Unemployment Insurance (UI) system*. The UI system is designed to smooth income following job loss, but only a little more than one-third of unemployed workers receive UI; lower-wage workers have higher unemployment rates but are less likely to receive UI than higher-income workers (Kletzer and Rosen, 2006; Vroman, 2007). In part, this is because lower-wage workers are less likely to be eligible for UI benefits when a job ends. UI eligibility requires working at least 6 quarters in one job; in many states, part-time work, quits, and firing for cause are not covered. The UI system could be reformed to cover a higher share of low-wage workers and to encourage use among those eligible, making it a more effective income smoothing mechanism for lower-wage workers.

Third, *maintaining eligibility for and take-up in safety-net programs can also help stabilize income*. While relatively few working low-income persons are eligible for cash assistance, various in-kind programs help supplement earnings and smooth incomes, including food stamps, housing assistance, and Medicaid. While take-up in food stamps and Medicaid has risen, due to efforts following welfare reform to increase program use among working low-income families, large numbers of eligible persons do not receive benefits (Currie, 2006).

Fourth, the most important cash support program for low income working families is the Earned Income Tax Credit (EITC). *Expanding EITC support to low-wage workers without children would greatly increase its power as an income supplement*. The EITC provides substantial income support to low-income families with children, but low-wage workers without dependents receive only small EITC supplements. A variety of proposals to expand EITC to this group would particularly help low-wage men, many of whom help support their non-resident children (Berlin, 2007; Scholz, 2007).

V. Conclusions

There are many ways to encourage more low-income households to utilize the services of formal financial institutions. On the one hand, expanding the services that banks and credit unions provide to meet the needs of low-income persons is important; there may also be policies that make informal financial services less attractive. On the other hand, simply focusing on banking services ignores some of the primary reasons why families seek short-term credit and immediate refund returns. Helping families save and helping them smooth their expenditure and income streams is also important, and this requires focusing on a range of policies, from economic stability to savings policies to EITC payments to financial education.

Given the many reasons why different families utilize AFS, there are multiple policies that can reduce their use. At present, it is difficult to select the most effective approaches, however. We have only limited evidence on the comparative costs and benefits of many of the policies discussed above. With many institutions around the country experimenting with better ways to provide financial services to lower income customers, it might be a particularly fruitful time to evaluate this mix of efforts, their outcomes, and their implementation challenges. It would be highly useful to have a better sense of 'best practices,' to give guidance to those city, state, and private institutions that would like to improve the financial well-being of lower-income households and provide them with greater access to formal financial institutions.

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FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Payday Loans Equal Very Costly Cash: Consumers Urged to Consider the Alternatives

"I just need enough cash to tide me over until payday."

"GET CASH UNTIL PAYDAY! . . . $100 OR MORE . . . FAST."

The ads are on the radio, television, the Internet, even in the mail. They refer to payday loans, cash advance loans, check advance loans, post-dated check loans, or deferred deposit loans. The Federal Trade Commission, the nation's consumer protection agency, says that regardless of their name, these small, short-term, high-rate loans by check cashers, finance companies and others all come at a very high price.

Here's how they work: A borrower writes a personal check payable to the lender for the amount the person wants to borrow, plus the fee they must pay for borrowing. The company gives the borrower the amount of the check less the fee, and agrees to hold the check until the loan is due, usually the borrower's next payday. Or, with the borrower's permission, the company deposits the amount borrowed — less the fee — into the borrower's checking account electronically. The loan amount is due to be debited the next payday. The fees on these loans can be a percentage of the face value of the check — or they can be based on increments of money borrowed: say, a fee for every $50 or $100 borrowed. The borrower is charged new fees each time the same loan is extended or "rolled over."

The federal Truth in Lending Act treats payday loans like other types of credit: the lenders must disclose the cost of the loan. Payday lenders must give you the finance charge (a dollar amount) and the annual percentage rate (APR — the cost of credit on a yearly basis) in writing before you sign for the loan. The APR is based on several things, including the amount you borrow, the interest rate and credit costs you're being charged, and the length of your loan.

A payday loan — that is, a cash advance secured by a personal check or paid by electronic transfer is very expensive credit. How expensive? Say you need to borrow $100 for two weeks. You write a personal check for $115, with $15 the fee to borrow the money. The check casher or payday lender agrees to hold your check until your next payday. When that day comes around, either the lender deposits the check and you redeem it by paying the $115 in cash, or you roll-over the loan and are charged $15 more to extend the financing for 14 more days. If you agree to electronic payments instead of a check, here's what would happen on your next payday: the company would debit the full amount of the loan from your checking account electronically, or extend the loan for an additional $15. The cost of the initial $100 loan is a $15 finance charge and an annual percentage rate of 391 percent. If you roll-over the loan three times, the finance charge would climb to $60 to borrow the $100.

Alternatives to Payday Loans

Before you decide to take out a payday loan, consider some alternatives.

1. Consider a small loan from your credit union or a small loan company. Some banks may offer short-term loans for small amounts at competitive rates. A local community-based organization may make small business loans to people. A cash advance on a credit card also may be possible, but it may have a higher interest rate than other sources of funds: find out the terms before you decide. In any case, shop first and compare all available offers.

2. Shop for the credit offer with the lowest cost. Compare the APR and the finance charge, which includes loan fees, interest and other credit costs. You are looking for the lowest APR. Military personnel have special protections against super-high fees or rates, and all consumers in some states and the District of Columbia have some protections dealing with limits on rates. Even with these protections, payday loans can be expensive, particularly if you roll-over the loan and are responsible for paying additional fees. Other credit offers may come with lower rates and costs.

3. Contact your creditors or loan servicer as quickly as possible if you are having trouble with your payments, and ask for more time. Many may be willing to work with consumers who they believe are acting in good faith. They may offer an extension on your bills; make sure to find out what the charges would be for that service — a late charge, an additional finance charge, or a higher interest rate.

4. Contact your local consumer credit counseling service if you need help working out a debt repayment plan with creditors or developing a budget. Non-profit groups in every state offer credit guidance to consumers for no or low cost. You may want to check with your employer, credit union, or housing authority for no- or low-cost credit counseling programs, too.

5. Make a realistic budget, including your monthly and daily expenditures, and plan, plan, plan. Try to avoid unnecessary purchases: the costs of small, every-day items like a cup of coffee add up. At the same time, try to build some savings: small deposits do help. A savings plan — however modest — can help you avoid borrowing for emergencies. Saving the fee on a $300 payday loan for six months, for example, can help you create a buffer against financial emergencies.

6. Find out if you have — or if your bank will offer you — overdraft protection on your checking account. If you are using most or all the funds in your account regularly and you make a mistake in your account records, overdraft protection can help protect you from further credit problems. Find out the terms of the overdraft protection available to you — both what it costs and what it covers. Some banks offer “bounce protection,” which may cover individual overdrafts from checks or electronic withdrawals, generally for a fee. It can be costly, and may not guarantee that the bank automatically will pay the overdraft.

The bottom line on payday loans: Try to find an alternative. If you must use one, try to limit the amount. Borrow only as much as you can afford to pay with your next paycheck — and still have enough to make it to next payday.

Protections for Military Consumers:

Payday loans (and certain other financing) offered to servicemembers and their dependents must include certain protections, under Federal law and a Department of Defense rule. For example, for payday loans offered after October 1, 2007, the military annual percentage rate cannot exceed 36%. Most fees and charges, with few exceptions, are included in the rate. Creditors also may not, for example, require use of a check or access to a bank account for the loan, mandatory arbitration, and unreasonable legal notices. Military consumers also must be given certain disclosures about the loan costs and your rights. Credit agreements that violate the protections are void. Creditors that offer payday loans may ask loan applicants to sign a statement about their military affiliation.

Even with these protections, payday loans can be costly, especially if you roll-over the loan. You instead may be able to obtain financial assistance from military aid societies, such as the Army Emergency Relief, Navy and Marine Corps Relief Society, Air Force Aid Society, or Coast Guard Mutual Aid. You may be able to borrow from families or friends, or get an advance on your paycheck from your employer. If you still need credit, loans from a credit union, bank, or a small loan company may offer you lower rates and costs. They may have special offers for military applicants, and may help you start a savings account. A cash advance on your credit card may be possible, but it could be costly. Find out the terms for any credit before you sign. You may request free legal advice about a credit application from a service legal assistance office, or financial counseling from a consumer credit counselor, including about deferring your payments.

Military consumers can contact the Department of Defense, toll-free 24 hours a day, 7 days a week, at 1-800-342-9647, or at **www.militaryonesource.com**. Information on the Department of Defense rule, alternatives to payday loans, financial planning, and other guidance is available.

To Complain/For More Information

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit **ftc.gov** or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

For more information on any state or local protections for payday loans, contact the consumer protection agency in your area. This information is available in the GSA Consumer Action Handbook, at **www.consumeraction.gov**. The state offices are listed at: **www.consumeraction.gov/state.shtml**

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1-877-FTC-HELP	FOR THE CONSUMER

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Payday lenders and economically distressed communities: A spatial analysis of financial predation

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Abstract

The payday lending industry has grown considerably in recent years, reflecting both widespread economic insecurity and market neglect by the traditional banking sector. Outlets are now commonplace in many communities across America. Accused by many of predatory practices, payday lenders can be viewed as financial hazards in already economically distressed communities. Using a Geographic Information System (GIS) and associated statistical analyses, this paper examines the social ecology of payday lending along the Front Range communities of Colorado. Comparison of means and logistic regression results reveal how communities' composition by class, occupation, race/ethnicity, nativity, age, and military affiliation affect their likelihood of hosting payday lending.

1. Introduction

The past decade has seen a rise in both economically distressed communities and predatory industries which profit from them (Carr & Schuetz, 2001; Hudson, 1996). Among those industries, payday lending stands out for its rapid expansion and its near ubiquitous presence in some communities. Functioning as short-term, low-value lenders, payday outlets provide high-interest loans in cash to those able to show proof of income. While payday lenders can be a convenient source of quick cash, filling a credit gap in many communities, they can also trap borrowers in a spiral of debt (Carr & Schuetz, 2001; Stegman & Faris, 2003). In the event

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a borrower does not have the means to pay off the original loan, payday lenders pursue one of two options: a rollover or renewal of the initial loan with additional interest and extension fees; or the depositing of the borrower's original check, leaving the borrower to deal with the cost of a bounced check (Huckstep, 2003). Fees associated with the original loan are already excessive when expressed as an annual percentage rate, running nearly as high as 400% (Christie, 2008). Payday lending functions as a stopgap only about 2% of the time (King & Parrish, 2007). Loan flipping, King, Parrish, and Tanik (2006, p. 3) argue, is "the foundation of the payday lending business model." It is estimated that 91% of payday loans go to repeat borrowers (McGill & Monast, 2006).

The payday industry's rapid expansion in recent years indicates the growing distress of communities as much as it reflects a successful business model. Since the first payday lender opened in 1993, the industry has grown considerably. Estimates on the number of payday lending outlets in the country vary, but range between 15,000 and 22,000 (Kim, 2008; Lawrence & Elliehausen, 2008; Pyper, 2007). Payday industry outlets now outnumber McDonald's in the U.S. (Center for Policy Alternatives, 2007). As of 2007, payday lending had become a $50 billion industry (Driehaus, 2008), up from $25 billion just 4 years earlier (Ernst, Farris, & King, 2004).

The proliferation of payday lending outlets, occurring against the backdrop of growing economic insecurity and lax regulatory environments, is beginning to attract the attention of news agencies, community advocates, and elected officials (McGray, 2008; Smith, Mosher, & Akins, 2006; Squires, 2008). Thirteen states have already passed legislation placing limits on the fees and rates imposed by lenders, though such legislation has proven largely ineffective at completely curbing predatory practices (Center for Policy Alternatives, 2007; Driehaus, 2008). Only North Carolina and Georgia have succeeded in all but eliminating payday lending (Carr & Kolluri, 2001; Christie, 2008). In some cases even cities have taken action, imposing restrictive zoning ordinances to slow the spread of payday lending outlets (McGray, 2008). The national government, too, has begun to address the issue following reports of lenders exploiting military personnel.

We argue that payday lending outlets serve as an indicator of community economic distress, just as they function as an exacerbating factor in that distress. While lenders may cater to an unmet financial need among underserved or otherwise neglected populations (Lawrence & Elliehausen, 2008; McGray, 2008), it is also true that they contribute to the "poverty penalty" those populations endure, exacerbating their financial insecurity (Caplovitz, 1967). As such, their presence can be seen to represent a financial hazard to communities, one which reminds residents of the economic uncertainty which surrounds them. Seeking to better understand the populations and communities exposed to this hazard, as well as the social ecology of the industry, we identify the socio-demographic characteristics of communities that host payday lenders using Geographic Information Systems (GIS) software and associated statistical analyses. Specifically, we address the following sets of questions: First, what is the relationship of payday lenders to the economic profile of communities? Are payday lenders more likely to cluster in lower income communities and those that are most heavily impoverished? Does their presence correspond to the composition of the local labor force? Second, what is the relationship of payday lenders to the socio-demographic profile of communities? Are lenders more prevalent in minority and immigrant communities? Do they occupy neighborhoods disproportionately comprised of the elderly and military personnel—populations with guaranteed, albeit modest, incomes? Finally, to what extent do predictive socio-demographic effects merely reflect the income and labor force profile of communities? In addressing these questions, our spatial analysis sheds light on the social ecology of the payday lending industry and adds a valuable dimension to our understanding of economically distressed communities and the "landscapes of predation" they encounter (Graves, 2003).

2. Payday lending in context

Driven by the convergence of a number of trends, economic insecurity and distress have spread in recent years, affecting ever more populations and communities (Frank, 2007). It is in this distress and insecurity that predatory industries find fertile soil within which to grow. The segmentation of the labor market, the steady decline in unionization, and a minimum wage systematically eroded by inflation have come together to compromise the economic standing of more and more Americans (Economic Policy Institute, 2006; Fox, 2007; Hacker, 2006; Lardner & Smith, 2005; Mishel & Bernstein, 2007; Rubin, 1996). Moreover, the proliferation of part-time and temporary work arrangements has led to higher levels of underemployment among a growing number of workers (Kalleberg, Reskin, & Hudson, 2000; Rubin, 1996). Whereas only about 10% of workers were part-time in the 1950s, by the 1990s nearly 19% of workers were employed part-time, while 4.9% were employed on a temporary basis (Hacker, 2006).

The results of these broader changes are reflected in income statistics. The average after-tax income level for the lowest quintile of Americans has experienced a negligible increase in the past three decades; in 1979 this figure was $13,500, while the 2003 figure was $14,100 (Mishel & Bernstein, 2007). Over this same time period, the share of national income for the bottom fifth of American families declined from 4.3% to 3.5% (Lardner & Smith, 2005). If growing income inequality and stagnant wages were not enough, families' economic insecurity is exacerbated by the rise in income volatility (Hacker, 2006; Ip, 2007). Ip (2007) points to a 23% increase in volatility between the early 1970s and early 2000s, while Hacker (2006) finds income instability in the mid-1990s to be approximately five times as great as in the early seventies.

The economic distress of communities and their neglect by traditional financial institutions creates a hospitable environment for predatory industries (Karger, 2005; McGray, 2008). It is the relationship between these vulnerable communities and the payday industry to which we direct this study. A spatial analysis provides a unique yet powerful method of exposing the social ecology of economic distress and the payday industry.

3. Spatial analysis and the ecology of payday lending

Interest in the spatial dimensions of social phenomena, particularly forms of inequality, has grown rapidly in recent years, facilitated by new methodological techniques. GIS, a mapping and database management software program, has facilitated the exploration of hypotheses, contributing to an ever expanding body of spatial analysis studies (Galster, Cutsinger, & Booza, 2006; Lobao, Hooks, & Tickamyer, 2007; Massey & Denton, 1993; Massey, Gross, & Shibuya, 1994; Tickamyer, 2000). GIS has opened up possibilities for researchers to develop new ways of thinking about place-based social inequality and envision new solutions to methodological quandaries (Downey, 2006; Steinberg & Steinberg, 2006).

While GIS has been widely used in studies on environmental inequality (Downey, 2006; Houston, Wu, Ong, & Winer, 2004; Morello-Frosch, Pastor, & Sadd, 2001; Pastor, Sadd, & Hipp, 2001; Pastor, Sadd, & Morello-Frosch, 2004), it is increasingly being used to explore the spatial dimensions of other issues of concern, from the distribution of urban green space (Heynen, Perkins, & Roy, 2006) and crime (Lee, Hayes, & Thomas, 2008), to the effects of subprime lending on neighborhood foreclosures (Immergluck & Smith, 2005). Increasing income inequality, too, has been examined spatially. In their analysis of data from 1970 to 2000, Galster et al. (2006) document the disappearance of middle-income neighborhoods in a number of cities. In their sample, the number of middle-income neighborhoods dropped from 58% in 1970 to 41% in 2000. For twelve select metropolitan areas, the number of such neighborhoods dropped from 45% to 23% over the same time period.

It is against this backdrop of methodological advances that studies exploring the spatial patterning of payday lending have recently emerged (Burkey & Simkins, 2004; Graves, 2003; Graves & Peterson, 2005; Smith et al., 2006). These studies, though few in number, consistently point to disproportionate concentrations of payday lenders in poor, minority, and military neighborhoods. We review this literature before highlighting the ways in which our study builds upon and expands this growing body of research.

It is perhaps no surprise that studies routinely find minority communities are disproportionately exposed to predatory industries. Historical racism and exclusion have placed minority groups, on average, in the lower tiers of the labor market and income ladder. Add in continued discrimination and marginalization by traditional lending institutions and minority communities can be seen as vulnerable to the payday industry. Indeed, minority communities appear to be attractive environments for the industry. Graves (2003), looking at seven parishes in Louisiana and Cook County in Illinois, finds payday lenders are more likely to be located in poor and minority neighborhoods. Smith et al. (2006) find a similar pattern in Washington State.

Similarly, immigrant communities offer a potentially lucrative market for payday lenders. The precarious financial situation of many immigrants and the barriers to traditional banking and lending may make payday lending a necessary resource in immigrant communities. Although immigration has been cited as a contributing factor to the boom in fringe banking (Caskey, 1994), almost no empirical work has examined their relationship. In a notable exception, Burkey and Simkins (2004) report that, in addition to having a higher percentage of minorities, Zip Code Tabulation Areas with a higher density of payday lenders tend to have higher concentrations of recent immigrants. The consequences of these patterns can be considerable. Bailey (2005) goes so far as to argue that such predatory lending helps to perpetuate the widening wealth gap between whites and people of color.

The age profile of communities may also affect the likelihood of payday lending presence. Recent studies find that young workers, lacking in both financial security and experience, are disproportionately represented among users of payday lenders (Lawrence & Elliehausen, 2008; Pyper, 2007). The elderly, too, constitute another potentially vulnerable population. Many older Americans live on low incomes which stagnated or declined during the 1990s while costs increased, especially those associated with health care (McGhee & Draut, 2004; Seifert, 2004). In addition to these economic stresses, Kim (2008) cites three other reasons for why the elderly are an attractive target for predatory lenders: they have a guaranteed monthly income (Social Security); they tend to have higher home equity; and they have little to no control over how much money they receive. As a former payday loan manager stated of the elderly, "They always get paid, rain or shine" and "will always have money, every 30 days" (as quoted in Schultz & Francis, 2008). Despite the vulnerable situation of the elderly as it relates to predatory industries, they remain a hidden population in most analyses. In fact, only a single study, a Wall Street Journal analysis (Schultz & Francis, 2008), has explored the spatial dimensions of this relationship. Based on an analysis of data from the U.S. Department of Housing and Urban Development, the study found payday lenders cluster around government-subsidized housing for seniors and the disabled. While not direct evidence of actual use by the elderly, such findings suggest lenders find fertile ground in neighborhoods that are home to the elderly poor, at the very least exposing the latter to the financial hazard of payday lending.

The proximity of payday lenders to military communities has also been a central focus of spatial analyses of the industry. Graves and Peterson (2005), examining payday lender density in buffer zones around military bases, find payday lenders exist in military communities in significantly disproportionate numbers. Military communities provide fertile ground for payday lenders due to their relative youth, financial inexperience, and geographic mobility. It is also likely that military personnel, often temporarily stationed, occupy rentals that often cluster along major roadways and commercial zones, putting them in close proximity to payday lenders. Moreover, much like the elderly, military personnel receive steady, albeit modest, incomes, making them good credit risks. Since military personnel are geographically concentrated, lenders are also able to efficiently amortize the fixed costs of outlet operations (Carrell & Zinman, 2008).

By most accounts, payday borrowing by military personnel is prevalent. The Center for Responsible Lending reports that military personnel take out payday loans at three times the rate of civilians. Estimates on usage by military personnel range from 20% to 25% (Carrell & Zinman, 2008). According to Tanik (2005), one in five active-duty personnel were payday borrowers in 2004, resulting in an estimated annual cost to military families of $80 million. The rate of usage among junior personnel is projected to be even higher. Responding to critics who point out this relationship, the Community Financial Services Association of America, an industry trade group, reports on its website that military personnel make up "only 13%" of the industry's customer base (CFSA, 2008), an interesting statistic to trumpet given that active-duty military personnel make up less than 1% of the American adult population.

The Pentagon, following reports that payday lenders target military markets (Graves & Peterson, 2005), recently lobbied Congress for a federal cap of 36% APR on loans to military members and their families. It was argued that "predatory lending undermines military readiness, harms the morale of troops and their families, and adds to the cost of fielding an all volunteer fighting force" (as quoted in Center for Responsible Lending, 2006). A study by Carrell and Zinman (2008) finds the consequences of payday lending availability for military personnel can indeed be significant. They document significant average declines in overall job performance and retention among Air Force personnel who are exposed to payday lending. As they state, "payday loan access causes financial distress and severe misbehavior for relatively young, inexperienced, and financially unsophisticated airmen" (p. 1).

The aim of this study is to build on and extend this emerging body of research. We therefore conduct a spatial analysis of the urban neighborhood characteristics associated with the presence of payday lenders. While the presence of a lender does not directly measure its use by those living in the neighborhood, it does, as noted earlier, represent a financial hazard and functions as both a signal and aggravating factor of economic distress in those communities. While we seek to submit the findings of prior studies to renewed testing, our study is unique in that it considers a wide range of variables not often included in the same analysis, including race/ethnicity, immigration, income and poverty, age groups, and military personnel concentration. Unlike previous studies, we also examine the relationship of labor force composition to the payday lending presence. This allows us to assess the degree to which any socio-demographic relationships represent income and labor force composition relationships. What is more, our study design allows us to include control variables not used in other studies and to test for curvilinear effects for poverty and income. Finally, the study complements previous work on other regions by examining Colorado's Front Range communities, an understudied region of the country, yet one which reflects many of the economic and social trends transforming the country.

4. Methods and data

Our study focuses on the Front Range of Colorado, an area encompassing the metropolitan areas of Denver, Colorado Springs, Pueblo, Ft. Collins, and Greeley. Like much of the U.S., Colorado has witnessed dramatic growth in the number of economically distressed people turning to the payday lending industry to cover both short-term and long-term debts. The payday industry, responding to growing economic insecurity and a favorable regulatory environment,[1] has flourished in Colorado (UCCC, 2007). Since 2003 the state has experienced a 117% increase in payday loans (Brown, 2008), costing certain populations in Colorado an estimated $76 million annually (estimated for 2005, as reported by King et al., 2006). In 2007 Colorado ranked 12th in the nation in terms of payday lending activity (Graves & Peterson, 2007).[2] The impact on borrowers and their communities has been significant. The percentage of Colorado borrowers who have been indebted to a payday lender during the past 6 months has increased steadily since 2001 (King & Parrish, 2007). The average Colorado payday borrower in 2006 took out nine loans, 65% of which were oriented toward refinancing other loans. The average APR paid was 353% and 70% of loans were made to borrowers who had received eleven or more loans in the previous 12 months (The Bell Policy Center, 2008).

By 2007 Colorado's Front Range communities were home to 638 individual payday lending outlets. With a population of 3.25 million, there is approximately one payday outlet per 5100 people. While the proliferation of payday lenders along the Front Range makes the area attractive for study, so too does the area's socio-demographic diversity. Our data show that 21.6% of the Front Range population falls below 185% of the federal poverty line, 28% are ethnic/racial minorities, 9.6% are foreign born, 18.6% are between the ages of 18 and 29, 9.3% are over the age of 65, and 1.1% are active-duty military personnel. In terms of the labor force composition of the Front Range, 38.6% of adult civilian workers are employed in management/professional occupations, while 28% are employed in sales/office work and another 33.2% are collectively employed in service, construction and maintenance, or production/transport occupations. This diversity makes the Front Range ideal for a broad-based study such as the one we pursue here.

Our analysis focuses on socio-demographic characteristics of populations for defined geographic areas hypothesized to be associated with the presence of payday lending outlets. For this study we use census block groups, a common proxy for neighborhoods (Graves, 2003; Williams, 1999). Block groups provide a more focused measure than either census tracts or zip codes. Data for the 2413 block groups along the Front Range were obtained from the U.S. Census Bureau's Census 2000 Summary File 3. We examine block group composition variables covering income, poverty, labor force quality, race/ethnicity, nativity, age, and military personnel presence.

The economic profile of communities is measured using three different variables—median household income (MHI), the percent of the population falling below 185% of the federal poverty line, and labor force composition. MHI serves as a core income profile variable. Our decision to use an expanded measure of poverty reflects a growing concern among many that the official federal poverty line is an inadequate measure of financial insecurity (Besharov & Germanis, 2004; Short, Iceland, & Dalaker, 2002). Indeed, it is the communities with populations that fall below 185% of the official line that may be most attractive to payday lenders. It is worth noting, however, that the results we identify using this measure are comparable to those produced by models using the official poverty line measure.

As noted, we also include a measure of labor force composition, a factor not previously examined in the literature on payday lending. Our measures are based on the Census Bureau's data on occupation types by employed civilian population 16 years and over. Occupations are separated into five main categories—management/professional, sales/office, service, construction/maintenance, production/transport, and farming. We make use of measures based on the percent of the adult civilian population employed in each sector. With such measures, of course, collinearity poses an issue. As the percent of workers in one category rises, the percent of workers in other categories necessarily decreases. In particular, we found the percent of workers employed in management/professional occupations to be highly and inversely correlated with the percent of workers employed in service, construction/maintenance, and production/transport (these latter are positively correlated with one another). Only the percent of sales/office workers is not significantly correlated with the other categories, as it captures jobs that range the income ladder. The percent of workers along the Front Range employed in farming is very small and, as we show below, not a significant factor in *t*-tests. We therefore drop it from the regression analysis. Thus, for the purposes of our analysis we include only two labor force composition measures—one for the percent of workers employed in sales/office occupations and another for the percent of workers collectively employed in service, construction/maintenance, and production/transport. The percent of workers employed in management/professional occupations is excluded from the models, effectively serving as a reference category. In results not shown, the effect of this measure is simply the mirror opposite of that of the collective service/construction/production measure.

The race/ethnic composition of block groups is measured by the percent of ethnic/racial minority respondents. The immigrant composition of block groups is captured by the percent of the population that is foreign born. For age structure, we examine the relative presence of two separate demographic groups—the percentage of young adults (individuals between the ages of 18–29) and the percentage of people 65 years and older. To assess the relationship between payday lending and the military population, we look at the percent of the population in each block group that is comprised of active-duty military personnel. As is often the case, a large percentage of active-duty personnel are housed on or near bases. Since payday lenders are not permitted on the bases themselves, they are likely to populate the surrounding neighborhoods. Because military bases contain high concentrations of military personnel but no payday lenders, they may function as distorting outliers in our analyses. To correct for this, we include a dummy variable for the four block groups along the Front Range of Colorado that encompass military bases or installations. The means for our variables across block groups in our sample are provided in the comparison of means tests in Table 1.

Data on the location of active payday lending outlets was obtained from the Colorado Attorney General's Office. The addresses for 638 payday lending sites along the Front Range were geo-coded and incorporated into GIS. Spatially joining payday sites to census block groups poses an issue for spatial analyses such as this one. The borders of block groups may be defined by roadways, artificially separating neighborhoods (Downey, 2006). If a payday lender lies on one side of a road, it most likely services and impacts those in nearby neighboring block groups in addition to the block group in which it technically lies. We addressed this issue by creating a 1/4 mile buffer around each of the payday sites.[3] Thus, any block group within a quarter mile of a site is considered to be occupied by a payday lending site. The effect of this buffer is to more accurately capture the number of block groups exposed to payday lending. By this measure, we find that 1064 of the 2413 block groups in the Front Range of Colorado are effectively "occupied" by one or more payday lending outlets.

Census and payday lender data were collated in GIS and then analyzed with Stata software (StataCorp, 2007). Our analysis starts with illustrative maps of the Front Range. We follow with comparison of means tests which allow us to determine whether payday lender-occupied neighborhoods differ significantly from unoccupied neighborhoods in terms of their socioeconomic and demographic composition.[4] Since the data for many of our variables are not normally distributed, we report results of both Student *t*-tests and Mann–Whitney tests.

We also employ multivariate logistic regression. Logistic regression estimates the probability of payday lending presence based on our explanatory variables. Odds ratios are reported, indicating whether each variable increases or decreases the odds of payday presence controlling for all other explanatory variables in the model. Logistic regression also allows us to check for curvilinear effects for our income and impoverished composition variables, a possibility that goes unexplored in most analyses (Burkey & Simkins, 2004). While lenders may opt for or experience greater success in economically strained communities, they may also seek to avoid the most impoverished communities, since payday lending requires a customer base with at least a modest flow of income. As Burkey and Simkins (2004, p. 202) note, payday lenders may locate "not in the poorest of neighborhoods but neighborhoods populated by the working poor." Finally, multivariate models permit us to investigate whether patterns remain significant while controlling for key variables. With this in mind, we use median household income and labor force composition variables as control variables in later models to discern whether our other socio-demographic composition variables exert independent effects on the likelihood of hosting a payday lending site, or are merely masking income or labor force composition effects. Additionally, we control for both population size and the presence of a major roadway, a convenient proxy for commercial zoning.[5]

5. Results

Fig. 1a provides a map of Colorado's Front Range communities and the distribution of its 638 payday lenders. Fig. 1b and c provide focal maps of the area's two largest population centers—the Denver metropolitan area and Colorado Springs. For illustration purposes, each is shaded in two tones according to a separate variable of interest. The Denver metropolitan map (Fig. 1b) shows the distribution of payday lenders against percent foreign born, while the Colorado Springs map (Fig. 1c) shows the distribution of lenders against percent military personnel. One can see that payday lenders in Denver often cluster in or near population pockets defined by higher concentrations of foreign born, just as payday lenders in Colorado Springs occupy neighborhoods with higher percentages of active-duty military personnel.

Table 1 presents the results of the comparison of means tests, both parametric and nonparametric. It includes mean values of the variables for the entire sample of Front Range block groups as well as occupied and non-occupied block groups. Significant differences are reported for each variable examined, except for percent farming, and occur in expected directions. Neighborhoods occupied by payday lenders are characterized by lower median household income levels and higher mean poverty rates, ethnic/racial minorities, immigrants, young adults, elderly, and active-duty military. In terms of labor force composition, neighborhoods occupied by payday lenders have, on average, lower percentages of civilian adults employed in management and professional positions, and higher percentages of people employed in sales/office, service, construction/maintenance, and production/transport occupations. We also include a collective measure for the latter three categories, finding a robust significant difference. Tests performed on data specific to the Front Range's two largest urban populations, Denver metro and Colorado Springs, yielded similar results.

Univariate analyses and means tests, though informative, are insufficient when trying to confirm a pattern of persistent spatial disparities. Certain composition effects may be merely reflecting income or labor force profile effects, for instance. To explore this possibility, we employ multivariate logistic regression. Our models progress in systematic fashion. We begin by testing for possible curvilinear effects for our poverty and income variables. Next, we examine the predictive effects of our socio-demographic variables. Finally, we introduce both labor force composition and income variables to assess the degree to which socio-demographic variables exert a significant net effect, over and above the economic profile of communities.

Table 2 reports on the odds ratios of the likelihood of the presence of payday lending in a block group. As all models show, the presence of a major roadway and population size both greatly increase the likelihood of payday lending. Models 1 and 2, incorporating quadratic terms, investigate the possibility of curvilinear effects for our percent poor and income composition variables. A curvilinear relationship is apparent for percent impoverished, suggesting

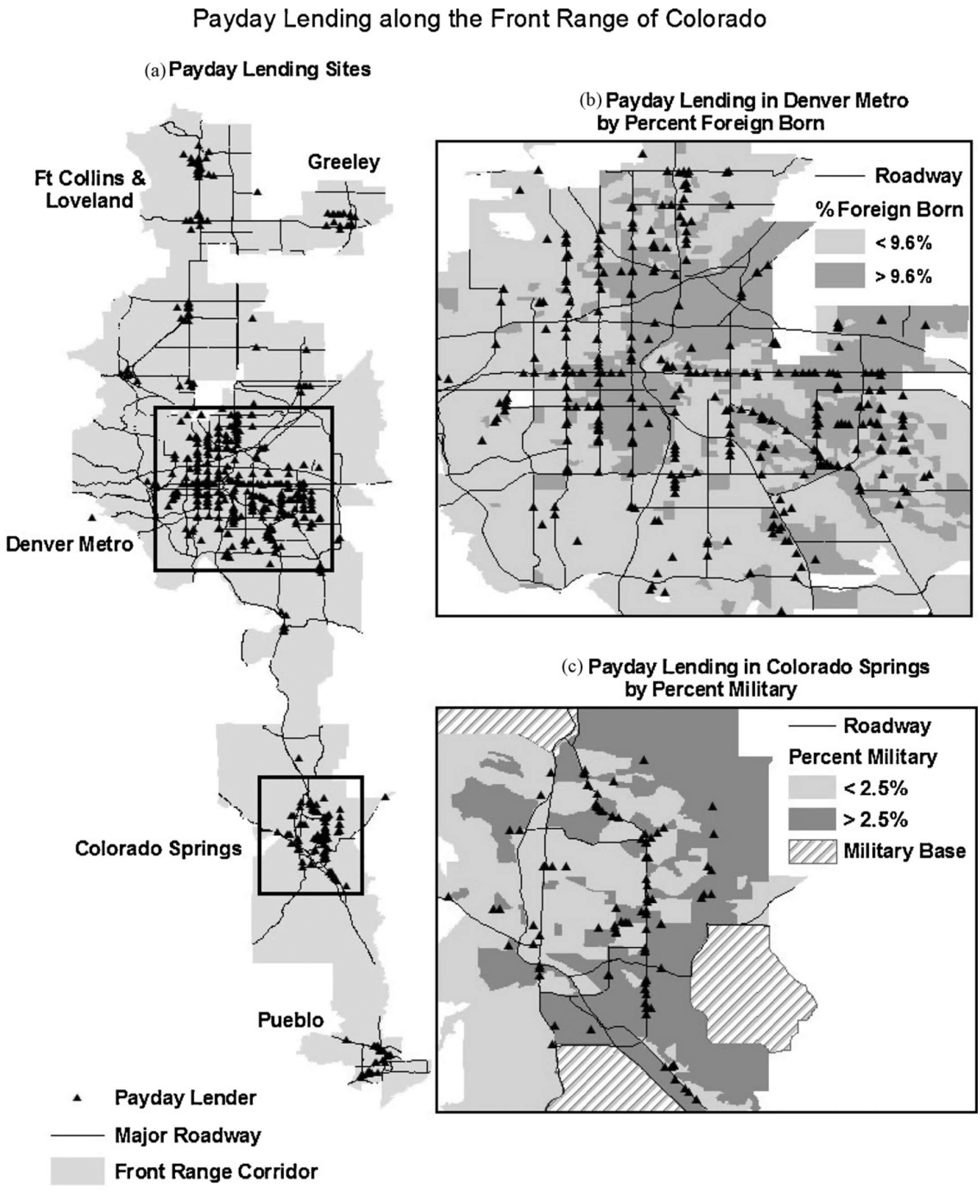

Fig. 1. Payday lending along the Front Range of Colorado: (a) payday lending sites, (b) payday lending in Denver Metro by percent foreign born, and (c) payday lending in Colorado Springs by percent military.

Table 1
Comparison of means tests.

Variables	Front Range mean	Payday lender(s) absent	Payday lender(s) present	Student's *t*-test	Mann–Whitney test
MHI	53,263	59,040	45,938.90	12.6176***	12.601***
%Impoverished	21.62	18.61	25.08	−9.1449***	−11.141***
%Ethnic minority	27.99	33.64	42.68	−6.9027***	−10.818***
%Foreign born	9.30	8.18	10.73	−6.6421***	−8.653***
%18–29	17.89	16.48	19.69	−7.1628***	−10.297***
%65+	10.32	9.57	11.27	−4.9940***	−5.634***
%Military	0.64	0.44	0.64	−3.0115**	−2.328*
%Mgmt/Prof	37.05	40.07	33.21	10.3617***	10.138***
%Sales/Office	27.75	27.21	28.44	−4.0140***	−4.622***
%Service	13.69	12.88	14.71	−6.3869***	−7.315***
%Const/Maint	10.28	9.58	11.17	−5.6545***	−6.578***
%Prod/Transp	10.28	9.99	12.24	−7.6855***	−8.607***
%Serv/Const/Prod	34.95	32.08	34.95	−9.4123***	−9.876***
%Farm/Agric	0.25	0.27	0.23	0.8646	0.700

Notes: Percent military statistics based on the exclusion of the four military base block groups. $N = 2413$ block groups for the sample; 1064 occupied and 1349 not occupied.

* $p < .05$ (two-tailed test).

** $p < .01$ (two-tailed test).

*** $p < .001$ (two-tailed test).

Table 2
Odds ratios for the effects of economic and socio-demographic variables on the likelihood of payday lending presence.

	1	2	3	4	5	6
Major roadway	2.139*** (.189)	2.132*** (.190)	2.241*** (.199)	2.125*** (.192)	2.194*** (.197)	2.154*** (.196)
Population (log)	1.352*** (.113)	1.423*** (.110)	1.421*** (.122)	1.463*** (.003)	1.411*** (.123)	1.43*** (.128)
%Poor	1.070*** (.008)					
%Poor^2	0.999*** (.000)					
MHI		0.969*** (.006)		0.978*** (.003)		0.979*** (.003)
MHI^2		1.000 (.000)				
%Sales/Office					1.036*** (.007)	1.026*** (.007)
%Serv/Const/Prod					1.019*** (.004)	1.001 (.004)
%Ethnic minority			1.007** (.003)	1.000 (.003)	1.001 (.002)	0.999 (.003)
%Foreign born			1.020** (.007)	1.022*** (.006)	1.024*** (.006)	1.026*** (.007)
%18–29			1.029** (.011)	0.989 (.012)	1.012 (.012)	0.986 (.012)
%65+			1.053*** (.009)	1.018* (.009)	1.041*** (.009)	1.016+ (.009)
%Active military			1.103*** (.032)	1.096*** (.031)	1.096*** (.032)	1.089** (.031)
Log likelihood	−1540.66	−1512.52	−1538.33	−1493.83	−1513.91	−1484.26

Notes: Models 3–6 control for military base block groups. Standard errors are presented in parentheses.
+ $p < .10$ (two-tailed test).
* $p < .05$ (two-tailed test).
** $p < .01$ (two-tailed test).
*** $p < .001$ (two-tailed test).

that it is neither the most impoverished nor the least impoverished communities that attract or successfully host payday lenders. Rather, it would appear that modestly impoverished communities provide the most fertile soil for the payday industry. No such curvilinear relationship is found for median household income. In the models that follow, we use median household income as a control variable in order to assess the robustness of other neighborhood composition variables in predicting the likelihood of payday lending.

Model 3 introduces our socio-demographic variables. The findings reinforce the results in Table 1, demonstrating each to be a significant predictor of payday lending, even controlling for block group population size and the presence of a major roadway. Payday lenders are more likely to be present in communities characterized by higher percentages of race/ethnic minorities, foreign born, young adults, senior citizens, and military personnel. When income is included in Model 4, however, the significance of these variables is reduced or drops out in certain cases. In particular, our percent racial/ethnic minority and percent young adults variables become non-significant when controlling for median household income. Thus, initial effects for those variables appear to reflect income composition effects. While payday lenders are more likely to populate neighborhoods with higher percentages of each, it is a pattern that appears to be based more on the income composition of such neighborhoods than their young adult profile or racial/ethnic composition. Of course, the lack of any independent effects, over and above income, does not negate those populations' disproportionate exposure to payday lending nor the influence of historical and contemporary discrimination in establishing the lower income profile of minority neighborhoods.

In contrast, percent foreign born, elderly, and active-duty military all retain significant positive associations with payday lending even when median household income is accounted for. These findings suggest that communities hosting higher percentages of these populations provide fertile ground for the payday industry, a relationship which cannot be reduced to those communities' income profile. As the literature suggests, it may be that immigrants are more likely as a population to make use of nontraditional lending institutions and the elderly and military personnel, with their low yet stable income, make for an attractive and reliable clientele base for the payday industry. Of course, our analysis can make no claims about the socio-demographic make up of payday borrowers; we can only ascertain the characteristics of the communities disproportionately exposed to the presence of payday lending.

Model 5 assesses the degree to which our socio-demographic effects are a function of the labor force composition of those communities. As with MHI, controlling for the percent of the population employed in both sales/office and service/construction/production combined accounts for the young adult and ethnic/racial minority effects. Model 6 reincorporates MHI, showing the service/construction/production effect itself to be a function of the income profile of those neighborhoods. Interestingly, the percent of the population employed in sales/office work remains a significant positive predictor of payday lending, likely reflecting the sector's varied income profile.

6. Discussion

The payday industry has expanded rapidly over the past decade, fed by growing economic insecurity and the financial marginalization of communities. As such, payday lenders have become an indicator of economically distressed communities, just as they function as an aggravating factor in that distress. While offering apparently needed services to populations that are often underserved or alienated by traditional banking establishments, the presence of payday lenders nonetheless represents a financial hazard to communities and serves as a signal to residents of the economic uncertainty which surrounds them.

To better understand the social ecology of the industry, we used GIS software and statistical analyses to examine the economic and socio-demographic composition of communities that are disproportionately exposed to the hazards and signals of payday lenders. Our results, based on comparison of means tests and multivariate logistic regression, show that payday lenders are more likely to populate neighborhoods that have lower income, moderate poverty (neither too high nor too low), and higher percentages of ethnic minorities, immigrants, young adults, elderly, military personnel, and those working in non-management/professional occupations. Our multivariate logistic results show these relationships to be robust even controlling for population size and the presence of a major roadway. However, they also show income and labor force composition to be the driving factors behind certain relationships. Specifically, based on payday lending presence alone, it does not appear that minority communities or those with higher percentages of young adults, independent of their income profile, disproportionately attract, sustain, or serve as a target for payday lenders. The same can be said of communities with a larger share of the civilian labor force employed in service, construction/maintenance, and production/transport. However, we do find that communities characterized by a larger percentage of foreign born, elderly, and military personnel are significantly more likely to host payday lending, even controlling for their economic profile. There is indeed something about these communities, apart from their income profile, which attracts and/or sustains payday lenders. Though we are unable to comment on actual users of payday lenders in these communities, we might surmise that immigrant populations, based on their economic status and mobility, are more likely to use payday lenders in lieu of traditional banking services. The elderly and military personnel, with their relatively low, yet steady income, serve as attractive customers for the industry.

Our study, while building on previous spatial analyses of payday lending, makes a number of important contributions to the literature. For one, our study examined a wider range of variables than most other studies. In particular, our inclusion of immigrant, age, and labor force composition variables addressed noticeable gaps in the literature. Future research ought to explore these relationships more closely. In particular, more research is needed to better understand the relationship between senior citizens, their communities, and payday lenders. While the present study represents the second analysis to identify a spatial relationship, recent analyses on actual users of payday lenders finds very low usage rates among the elderly (Lawrence & Elliehausen, 2008; Pyper, 2007). The use of a dummy variable for military bases, effective at eliminating their outlier effect on the results, also provides a model for future studies seeking to examine the relationship between military communities and community resources or hazards. Second, our focus on Colorado's Front Range communities allowed us to expose a rather understudied region of the country, just as those communities' diversity facilitated our analysis. Lastly, we moved beyond traditional comparison of means tests to include multivariate logistic regression. This allowed us to assess the robustness of relationships through the inclusion of key control variables and explore potential curvilinear relationships for income and poverty. By subjecting our variables to the rigors of multivariate regression, we were able to expose nuances in the patterning of payday lending that previous studies have largely failed to explore.

While we believe this study contributes much to the literature on economically distressed communities and the ecology of the payday lending industry, it is worth noting a few limitations and important qualifications. For one, an ecological study such as this does not directly measure populations' use of payday lenders. We sought to avoid committing ecological fallacy, generally noting our primary interest in payday lenders as financial hazards and signals of community economic distress. That said, it is likely that the patterns we identified did not come about by accident. We are also cautious not to overly generalize our findings. Although our results conform to and reinforce the findings of other studies, it always remains a question whether one's conclusions can be generalized to other areas. This is particularly true given regional and local variations in population, labor markets, residential patterning and regulatory oversight. Given the growing economic distress of communities, it is important to continue the examination of this industry and its relationship to vulnerable populations. Such studies can provide the empirical backing to legislative and regulatory drives to curb the predatory abuses of lenders while keeping needed credit services available.

Notes

1. The Colorado Deferred Deposit Loan Act ("DDLA") exempts payday lenders from Colorado usury laws, granting payday lenders the right to charge 20% on the first $300 loaned, plus 7.5% of any amount loaned in excess of $300 (Graves and Peterson, 2005). Payday lenders are asked not to renew loans more than once, but they may refinance the loans. While some cities around the country have taken action to limit payday lending, no such city-level ordinances currently exist among the cities comprising our sample.
2. Colorado's legislature attempted, unsuccessfully, to place limits on the industry in the spring of 2008. The proposed legislation would have set a maximum finance fee of $30 per year and an APR cap of 45% (Brown, 2008).
3. In general, our results are not sensitive to alternative specifications for our buffer.
4. Although the data for several variables are not normally distributed, non-parametric tests returned a similar pattern on findings. This is in part due to the large sample size of block groups in this study.
5. Analyses of this sort raise the prospect of spatial autocorrelation. While it can be reasonably argued that the spatial clustering of variables is what is of interest in studies such as this, it is also important to note that spatial dependence may result in findings that overstate the significance of multivariate relationships. The need to employ highly specialized techniques to deal with the issue in this kind of research remains a subject of methodological debate (Pastor et al., 2004). In fact, most environmental inequality studies that use a similar research design as this study ultimately side-step the issue for practical reasons, namely the sheer logistical obstacles associated with performing the necessary calculations on large data sets (Morello-Frosch et al., 2001; Pastor et al., 2004). Moreover, while such techniques may impact the significance level of individual variables, they often do not alter the overall pattern of results. Given these considerations, this study follows many other spatial analysis studies in using standard regression methods.

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Payday Loans, Inc.:
Short on Credit, Long on Debt

Uriah King and Leslie Parrish

Center for Responsible Lending

March 31, 2011

CENTER FOR RESPONSIBLE LENDING

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Overview

While payday loans are advertised as a quick solution to the occasional financial shortfall, new data analyzing the use of payday loans by borrowers over two years after their first payday loan show that borrowers are typically indebted to payday lenders for much of the year, with those who remain active borrowers taking on more debt over time. This study tracks the transactions of the 11,000 borrowers in Oklahoma who took out their first loans in either March, June, or September of 2006 for the following 24 months.

Specifically, this report finds:

- **The typical payday borrower remains in payday loan debt for much of the year, and many borrowers remain indebted in payday loans for extended periods of time.** While the Federal Deposit Insurance Corporation (FDIC) has ruled that it is inappropriate for payday borrowers to remain indebted for more than 90 days in any 12 month period, we find that borrowers are indebted for more than double this limit on average. For example, in their first year of payday loan use, borrowers are indebted an average of 212 days. Over the full two-year period, borrowers are indebted a total of 372 days on average.

- **Payday borrowers' loans increase in size and frequency as they continue to borrow.** Those payday borrowers who continue to take out loans over a two year period have 12 payday transactions in their second year of borrowing, up from 9 transactions in the first year. In addition, evidence suggests that borrowers' loan sizes increase after their initial loan. While borrowers' initial loans averaged under $300, the average Oklahoma borrower owes $466 on payday loans.

- **A significant share of borrowers become late or default on their payday loan, triggering more fees and placing their bank account at risk.** Over the first two years of payday loan use, 44 percent of borrowers will experience a "return event" or default in which they are cannot service their payday loan debt in a timely manner. These defaults place additional financial stress on borrowers by triggering bounced check fees from the lender and the borrrower's bank.

About the Center for Responsible Lending

The Center for Responsible Lending (CRL) is a national nonprofit, nonpartisan research and policy organization dedicated to protecting home ownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, the nation's largest community development financial institution.

For additional information, please visit our website at **www.responsiblelending.org**.

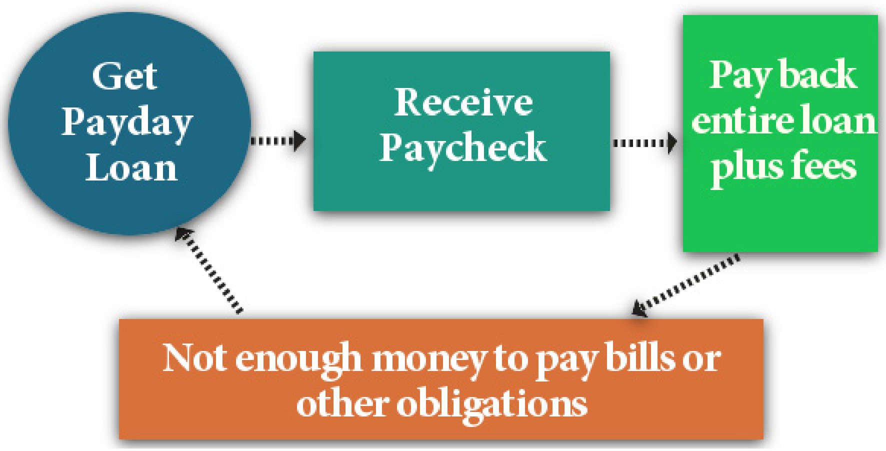
Data collected by regulators of the payday lending industry in many states have demonstrated that the payday lending business model relies on borrowers taking out multiple loans in a year, often on a back-to-back basis. This report supports this finding by showing that very few new borrowers begin borrowing from a payday lender at any given point, but those who do begin borrowing are likely to continue for long stretches of time. This repeated borrowing is a result of the structure of the payday loan product itself—requiring that the borrower repay the entire amount due with a single paycheck virtually ensures that they will not have enough money left over to get through the rest of their pay period without quickly taking out another loan. Borrowers are misled by the promise of a short-term credit product to take a loan that is designed to keep them indebted for extended periods. Payday lenders themselves acknowledge that their product is harmful if used on a continuing basis even though the bulk of payday revenue comes from borrowers stuck in repeated payday loans.

To ensure that available small loans help borrowers cover a financial shortfall without trapping them in long-term debt, states should end special exemptions for payday lenders that authorize triple-digit annual interest rates and restore traditional interest rate limits which are commonly set at or around 36 percent APR. While the new Consumer Financial Protection Bureau (CFPB) at the federal level cannot limit interest rates on payday loans as states can, both the new Bureau and states can take other steps to ensure that payday borrowers' short-term loans do not turn into long-term debt, such as (1) limiting the amount of time a borrower can remain indebted in high-cost payday loan debt; (2) setting sustainable loan terms which provide the borrower adequate time to repay and prohibit the taking of a borrower's personal check or an ACH authorization as security for the loan; (3) responsible underwriting standards that take the borrower's income and other obligations fully into account; and (4) facilitating efforts to help households save.

I. BACKGROUND AND METHODS

Payday loans—small, short-term loans due on a borrower's next payday—are marketed as a quick solution to a financial shortfall. Despite the contention that these loans are intended to be used only on an occasional basis, research from CRL and others confirms that the typical payday borrower has multiple payday loans per year, usually taking one after the other and paying a new fee each time.[1] This "debt treadmill" on which borrowers commonly find themselves is created by the nature of the loan itself—the loan must be repaid in full from a single paycheck, a tall order for a household already living close to the edge. Borrowers routinely find themselves short of cash soon after paying one loan back, and then must take out another to meet their ongoing financial obligations. Chart 1 illustrates this cycle of having to take out one payday loan after another.

Chart 1: Payday Lending Debt Treadmill



In a proposed rule on providing responsible small loans, the National Credit Union Administration (NCUA) found that a dependence on payday loans "often reflects or exacerbates other financial difficulties payday loan borrowers are experiencing."[2] This is consistent with studies which have found that payday lending is associated with higher rates of bankruptcy filings and credit card delinquency, trouble paying bills and medical expenses, and a greater risk of losing a bank account due to excessive overdrafts.[3]

The fees allowed on payday loans vary by state, but are generally between $15-20 per $100 borrowed, the equivalent of an annual percentage rate (APR) of around 400 percent or more on a two-week loan. In most states in which payday lenders operate, they are allowed to charge these triple-digit rates because of special exemptions from the state's traditional interest rate caps, which apply to consumer finance loans and other small loan products. Payday lenders do not operate in 17 states and the District of Columbia either because these jurisdictions do not authorize the product, or because they will not allow lenders to charge triple-digit rates.[4] Payday lenders also do not make loans to active duty military personnel and their families in any state, because these families are protected from payday loans by a federal 36 percent APR limit.[5]

Many of CRL's previous studies of payday borrowing activity have been derived from annual reports from regulators in the states in which payday lenders operate. While these reports provide valuable summary statistics, they do not tell the full story of the experience of borrowers over time. For example, the average number of loans per borrower in a given year is reported, but how many years a consumer remains in payday lending, or whether their borrowing patterns change over time, has not been documented.

This report fills part of this gap by tracking borrowers for 24 months from the date of their first payday loan. It documents the size of their initial loan, how many transactions they conduct, how long they remain indebted, and how many of them default. We analyze the transactions of Oklahoma borrowers whose first payday loan was logged into the state's payday lending database in one of three months—March, June, or September of 2006 (the public records request and response is shown in the Appendix). This database collects data from all lenders in the state, so it reliably captures a borrower's total use of payday loans, even if they borrow from multiple lenders.

We look at consumers who start borrowing from payday lenders in three different quarters to account for cash flow needs that may differ depending on the time of year. As discussed in more detail later, relative to the overall number of borrowers taking out a loan each month, there are few new borrowers entering the payday lending system at any given point in time. For example, during the three months in 2006 in which the borrowers in our analysis (totaling around 11,000 people) take their first loan, there are at least 50,000 total consumers conducting transactions with Oklahoma payday lenders every month.[6]

Table 1: Observation periods of borrowing activity for first-time borrowers

Cohort	Observation Period
1	March 2006-February 2008
2	June 2006-May 2008
3	September 2006-August 2008

In addition to allowing us to track all activity of a given borrower across multiple lenders, the database ensures compliance with Oklahoma's payday lending regulations which allow borrowers to be indebted a maximum of $1,000 across two loans outstanding at any given time. The table below summarizes the main provisions of Oklahoma's payday lending law:

Figure 1: Provisions of Oklahoma's payday lending law:

- Maximum principal outstanding at one time: $1,000 (each loan can be for no more than $500)
- Maximum number of loans outstanding at one time: 2
- Loan term: 12-45 days
- Maximum fees allowed: $15 fee per $100 on portion of loan up to $300, $10 fee per $100 on portion of loan above $300
- No direct rollovers permitted
- Cooling-off period—after 5 consecutive loans, 6th loan cannot be made until the 2nd business day after previous loan repaid
- Extended repayment plan option—eligible for plan on 3rd consecutive loan, subject to an additional processing fee and 15 day cooling off period once repaid

Source: Okla. Stat. Tit. 59 3101 et seq.

In the 11 states including Oklahoma that have a consolidated database tracking system, we can be more confident that lenders are following the laws as it relates to the number of loans a borrower is given.[7] Therefore, it is reasonable to assume our findings on borrowing activity in Oklahoma are conservative relative to what occurs in other states with fewer limitations on payday lending. It should also be noted that because this analysis took place before the worst impacts of the financial crisis hit households across the country, our findings are not affected by more recent financial and employment conditions.

As discussed throughout this paper, we compared the findings from this analysis with other available information and studies, including regulator data from Colorado and Florida, as well as findings from borrower interviews conducted in New Mexico and California, and an analysis of transactions from a large Texas-based payday lender.[8] These supplement and confirm our findings.

II. FINDINGS

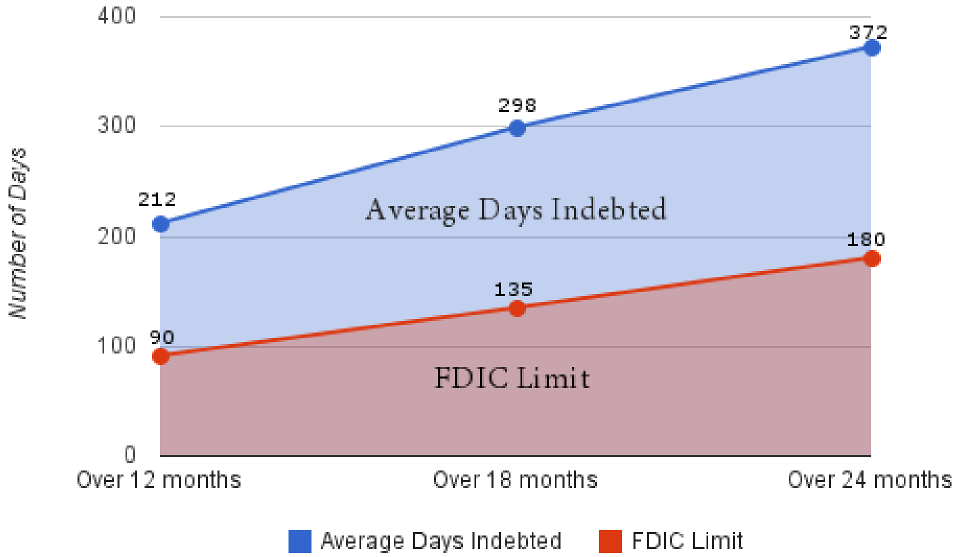
Finding 1: The typical payday borrower remains in payday loan debt for much of the year, and many borrowers remain indebted in payday loans for extended periods of time.
Payday lenders were granted exemptions to existing state interest rate caps that apply to other small loan products in part because of their assertion that borrowers would use these loans only sparingly for financial emergencies. The industry's trade group, the Community Financial Services Association (CFSA), acknowledges in its consumer guide that payday loans are "…not a long-term solution" and that "[r]epeated or frequent use of payday advances can cause serious financial hardship."[9]

Federal banking regulators agree with this assessment that long-term use of payday loans is harmful. In a warning to national banks considering partnering with payday lenders, the Office of the Comptroller of the Currency (OCC) stated that repeatedly renewing a payday loan, which can be done either by extending a loan or through a series of back-to-back transactions, is an exceedingly expensive and unsuitable way to borrow over the long term.[10] The Federal Deposit Insurance Corporation (FDIC) has concluded that extensive use of payday loans is harmful. In guidance to banks that sought to partner with payday lenders, the regulator found that keeping borrowers in payday loan debt for longer than 90 days in any twelve-month period (the equivalent of 6 two-week loans) was inappropriate.[11]

We find that, on average, borrowers stay indebted to payday lenders for far longer than the 90 days that the FDIC considers the maximum acceptable period. The borrowers in our study are indebted an average of 212 days in the first year they borrow (or 58 percent of the year), and continue to be indebted over half the time in their second year as well. This average includes the small number of borrowers (15 percent) who managed to borrow only once and then not return during the remainder of this two-year period, so the depth of indebtedness of the other 85 percent is understated. For example, if we leave out these one-time borrowers, we estimate that the remaining 85 percent of borrowers are indebted for 345 days (63 percent of the total time period) in their first 18 months and 432 days (59 percent of the total time period) on average over the course of two years.[12]

These numbers demonstrate that a substantial number of borrowers are trapped in payday lending debt for over twice what the FDIC has deemed the maximum appropriate length of payday loan indebtedness.

Chart 2: Average number of days indebted in payday loans



A previous report from CRL shows that borrowers in Oklahoma and other states tend to take loans on a consecutive basis—essentially staying in continuous debt for significant stretches of time.[13] Among the 87 percent of Oklahoma borrowers who had multiple payday loan transactions in 2006, a new loan was opened the same day as a previous loan was repaid over half (59 percent) of the time. Other borrowers did not take out a new loan on the same day, but nevertheless had to return before their next payday two weeks later—our definition of being trapped in the payday lending debt treadmill. Nearly 90 percent of time, these repeat borrowers had to return to the payday lender for another loan within the same pay period of paying off the previous loan. Knowing that borrowers' loans tend to be taken consecutively rather than spaced out more sporadically, it is likely that not only are the payday borrowers in this analysis indebted for many days of the year, but that this signifies extended periods of generally uninterrupted high-cost indebtedness.

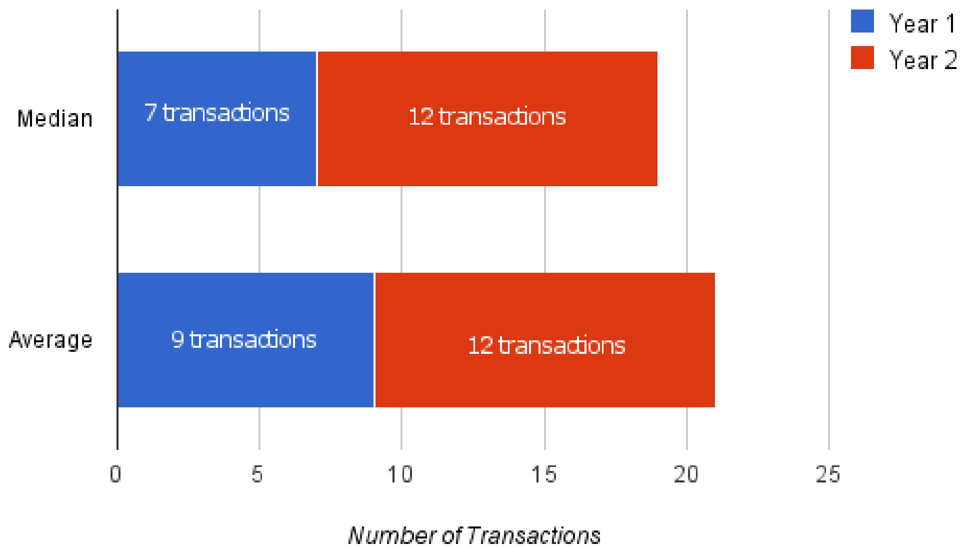
A law professor at the University of New Mexico conducting interviews of payday borrowers in that state similarly found that most payday borrowers had been in payday loan debt on a continuous basis for more than a year. In an article outlining her findings, she concludes that "[t]o call this industry the 'short-term loan' industry is a misnomer."[14]

Finding 2: Payday borrowers' loans increase in size and frequency as they continue to borrow.

In addition to staying indebted for long stretches of time, our data demonstrate that borrowers tend to become more heavily indebted—taking out loans more frequently and for larger amounts—as they continue to borrow from payday lenders.

First, we examine borrowers who remain "active" throughout the 24-month time period (defined as borrowers with at least one loan in months 13-18 and one loan in months 19-24).[15] In their first year of payday usage, these borrowers had an average of 9 transactions (7 median). The frequency of borrowing among those who remained active increases during the second year, where our data suggest that active borrowers take out a total of 12 loans—six loans during the first half of the year, and an additional 6 loans during the second half. Put another way, those using payday loans consistently throughout this two-year time period are taking out the equivalent of one loan every month by the second year.

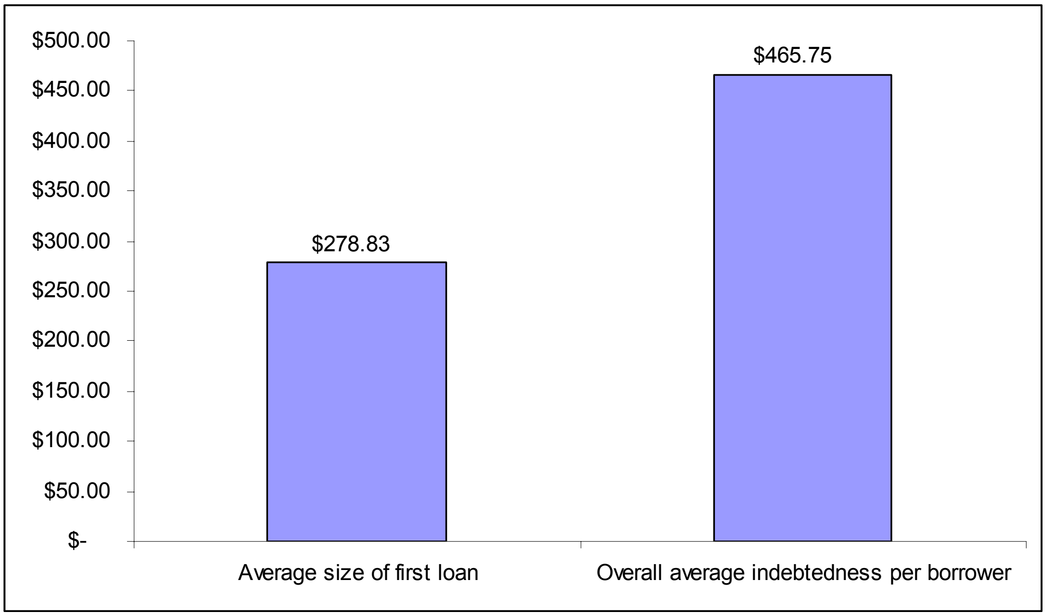
Chart 3: Increased frequency of payday borrowing, among active borrowers



These findings of borrowers engaging in multiple transactions over time are consistent with borrower comments in a focus group conducted in California for the state regulator. In this group of 16 payday borrowers, only one took just a single loan over an 18 month time period. For the remaining borrowers, six had 20 or more loans (or had so many loans they could not remember the exact number), and an additional six had 15 to 20 loans during 18 months' time.[16]

In addition to borrowing more frequently, our data suggest that the amount borrowed also increases over time. The first loans taken by borrowers in our study were for relatively small amounts. For example, the average (mean) size of an initial loan was $279. Oklahoma allows consumers to borrow up to $1,000, through two loans which individually cannot exceed $500. During this 2006-2008 time period, the average amount by which all borrowers in Oklahoma were indebted by about $466 to a payday lender—a 67 percent increase over the amount of a payday borrower's first loan.[17]

Chart 4: Increasing payday loan indebtedness



Taking out larger loans puts borrowers at greater risk of not being able to retire their payday loan debt and, as a result, needing to take out a new loan each pay period. For example, the regulator in Colorado has found that larger loans are more likely to be "refinanced" (defined in that state as either directly renewing the loan or taking out a new loan the same day a previous loan is repaid).[18]

The root of this problem of borrowers increasing the frequency and size of their payday indebtedness is the balloon payment structure of the payday loan product, which requires the loan to be repaid in full over a very short period of time. The financial burden of only having two weeks to repay can be insurmountable. Allowing a minimum of 90 days to repay over the course of installments—as the FDIC recommended for its own small loan pilot program—creates a more sustainable loan for borrowers. Table 2 shows that even a $300 loan—which is far lower the average amount by which an Oklahoma borrower is indebted ($466)—eats up all remaining funds after the borrower has paid for just their most basic expenses. In contrast, the same loan and fee paid off over a longer period of time becomes more manageable.[19]

Table 2: Amount repaid out of each paycheck, $300 loan with 15% fee

	Payment (including principal and fee)	Payment as share of residual income (defined as income remaining after basic expenses for a pay period) *
$300 loan and $45 fee, 14 day loan term, one balloon payment	$345.00	100%
$300 loan and $45 fee, 90 day loan term, 6 installment payments	$57.50	17%

*A borrower earning $35,000 a year would bring home a paycheck after taxes every two weeks of about $1240.81 and need to spend $895.42 during that period on basic expenses such as food, housing, transportation, and healthcare. This leaves the borrower with just over $345 for their payday loan, other loan payments, and other potential expenses such as childcare. See household budget calculations derived from the Bureau of Labor Statistics Consumer Expenditure Survey on page 15 of CRL's Phantom Demand, available at http://www.responsiblelending.org/payday-lending/research-analysis/phantom-demand-final.pdf.

Finding 3: A significant share of borrowers become late or default on their payday loan, triggering more fees and placing their bank account at risk.

Payday lenders say that over 90 percent of the time, borrowers successfully repay their loan.[20] This is consistent with the default rates of around five percent reported by state regulators in Oklahoma and elsewhere, which is similar to that of a credit card. [21] However, while payday lenders have very little risk of not getting repaid on any given loan, the typical borrower taking out loan after loan every year has a much higher chance of not only experiencing an eventual default on one of their payday loans, but also other financial distress as they attempt to pay for their other obligations.

The payday lending industry contends that the small share of loans going into default is proof that their borrowers are demonstrating their ability to repay—or effectively handle—their payday loan debt. However, a low default rate on a per loan basis should be expected due to two critical factors: (1) the payday loan is timed to be due on the borrower's payday, when the borrower has an infusion of cash that can be used to repay the loan and (2) lenders can repay themselves, since they are holding the borrower's personal check for the amount due, or have authorization to withdraw funds from a bank account. In effect, the payday lender guarantees that he will have the first claim on the borrower's funds, potentially causing the borrower to come up short on his or her other obligations. Research finding that those with access to payday lending have trouble paying other bills and that payday borrowers are more likely to become delinquent on their credit card payments illustrates this dynamic of financial distress showing up in other areas of the borrower's balance sheet while they service their payday loan debt on time.[22]

Eventually though, this financial distress can cause a default on payday loans as well. In his seminal book on the history of the payday lending industry, Robert Mayer notes that the typical payday lending company must set aside just over three percent of loan volume for losses, anticipating one out of every thirty loans will go unpaid. However, because lenders, such as Advance America, report that their borrowers take out about 8 loans on average in a given year, one in four borrowers will incur a default. Mayer concludes that "[t]hese debtors will flounder and drown, but in most cases not before they have generated more in fee income than must be written off in principal."[23]

In our sample of Oklahoma borrowers, we find that 37 percent—or almost two out of every five borrowers—experience a "return event" within their first year of payday borrowing. This return event, or default, occurs when the borrower has failed to return to the lender to repay their loan on its due date or their check bounces when the lender attempts to collect on the debt at the borrower's bank. Within the first two years of borrowing, nearly half (44 percent) of borrowers we tracked had experienced such a default.

A study of a large Texas-based payday lender finds an even higher default risk for borrowers. Tracking payday borrowers' activity from 2000-2004, the authors find that over half (54 percent) of payday borrowers who took out loans on a bi-weekly basis defaulted. Over half of the defaulting borrowers could not pay on the loan further after the initial default, resulting in the debt being written off.[24]

These defaults place additional financial stress on borrowers, with both the lender and the borrower's bank assessing NSF fees, which average over $30 per incident. Those that fail to make good on the loan and late fee may be taken to court or have their debt sold to a collection agency. The borrower's bank account is also placed at risk, since the leading cause of a bank closing a customer's account is excessive overdrafts. In fact, research has shown that access to payday loans is linked with increased rates of involuntary bank account closures.[25]

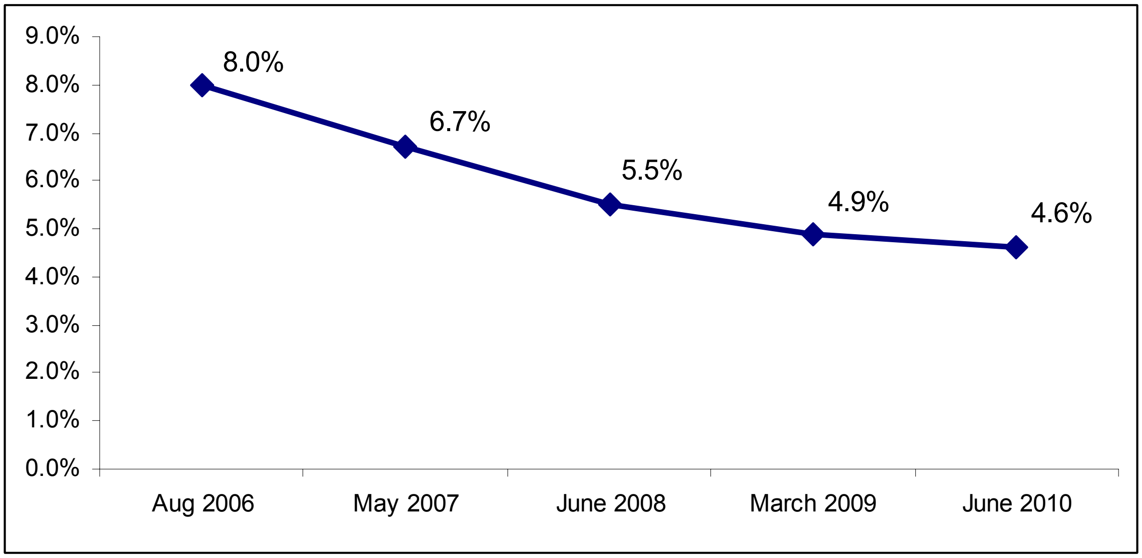
III. DISCUSSION

Tracking Oklahoma payday borrowers for 24 months from their initial loans reveals that many consumers end up indebted to payday lenders for a substantial period of time. This repeated borrowing is not an aberration; our previous research has found that the payday lending business model is dependent on keeping customers borrowing frequently over long periods of time—more than 60 percent of payday lending business is generated by borrowers who have 12 or more transactions per year. While the data clearly show a dependence on frequent borrowers, payday lenders also admit that long-term use of their product is harmful.

Keeping existing customers in extended periods of debt is important to the payday lending business model, since only a small base of new customers take out payday loans every year. The regulators in Florida and Oklahoma issue reports on payday lending activity over 12 month periods at somewhat regular intervals. These reports include what share of borrowers with transactions in the state are new to payday lending—meaning they have never taken a payday loan from a lender licensed in their state before.

As the graph below demonstrates, new borrowers make up a small share of total borrowers, and this percentage has declined to less than five percent of total customers in recent years.[26] For example, the August 2006 Oklahoma report found that 8 percent of borrowers were new over the year preceding that report; by its June 2010 report, this figure had dropped to 4.6 percent. Perhaps most interestingly, there was no discernable increase in new borrowers brought on by the financial crisis and subsequent tightening of the credit markets.[27]

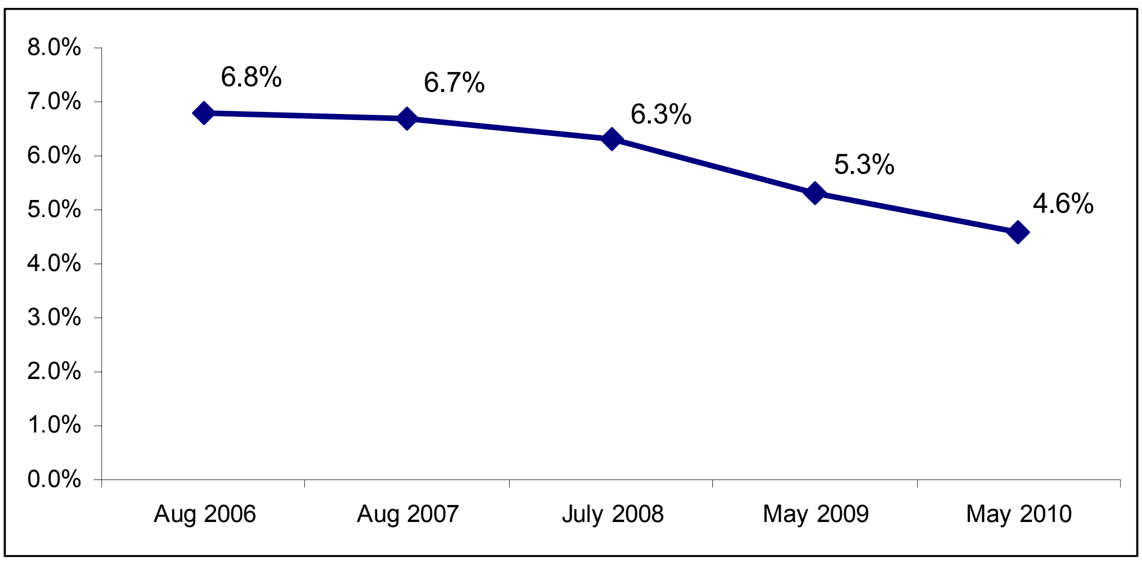
Chart 5: Share of borrowers who are "new" to payday lending in Oklahoma



Note: The dates in the chart above refer to the publication date of the report in which the share of new borrowers is reported for the preceding year.

We see a similar pattern when looking at regulator reports from Florida over roughly the same time period.

Chart 6: Share of borrowers who are "new" to payday lending in Florida



Note: The dates in the chart above refer to the publication date of the report in which the share of new borrowers is reported for the preceding year.

Put another way, well over 90 percent of payday borrowers conducting transactions in a given year are existing customers who remain payday borrowers for long stretches of time rather than new customers taking out their first loan. Because there are relatively few new borrowers entering the payday loan market, lenders have a strong incentive to keep existing customers borrowing on a regular, ongoing basis

This reality that underlies the payday lending business model is apparent in industry advertisements. These ads aim to get borrowers in the door the first time to try out a payday loan and then encourage them to keep borrowing. A survey of company websites and direct mail advertisements of the 15 largest payday lending companies from 2008-2010 showed that nine of these companies offered a free or discounted first loan and six offered a discount on loans for returning customers.[28] Offering a free first loan gives some suggestion of the industry's confidence that most borrowers will need to return often for new loans once the payday lending cycle begins and will make up for that initial "discount" many times over.

IV. CONCLUSION AND POLICY RECOMMENDATIONS

First-time payday borrowers take out a loan expecting a quick fix to a financial shortfall. However, our analysis demonstrates that these short-term loans often lead to long-term indebtedness. While the industry contends that the vast majority of its borrowers use the product responsibly—defined as using these loans only on an occasional basis for an unexpected financial emergency—our findings show otherwise. Even in a state such as Oklahoma that has a variety of protections in place, borrowers still remain in debt for a significant portion of the year. Among those borrowers who take loans regularly throughout this time period, the frequency and size of borrowing increases over time. In addition, on average, borrowers are indebted to payday lenders over twice as long as the FDIC found is appropriate for the product. The financial toll of this long-term high-cost debt results in more than one-third of those in our sample experiencing a default within their first year of payday loan usage, and close to half defaulting by the end of the second year.

The fundamental flaws of a payday loan are the product's design and weak underwriting. Payday lenders provide loans without giving consideration to a borrower's other obligations and therefore cannot gauge the borrower's ability to repay. They also require that the loan and fees be paid back in full from a single paycheck. To ensure households seeking to cover a financial shortfall with a small loan can do so without ending up in long-term debt and less financially secure, we recommend the following:

1. End special exemptions for payday lenders and other providers of high-cost credit that authorize triple-digit annual interest rates. Many states that are home to payday lenders and other providers of high-cost credit, such as car title lenders, have authorized this practice by creating a special exemption to the state's cap on interest rates that apply to all other small loan providers. Often, these exemptions were granted based on the payday lending industry's argument that its loans were to be used only occasionally for financial emergencies. Data from this and other analyses, however, clearly show that the industry does not function this way; instead, the average borrower stays indebted in payday loans for over half of the year.

Many states have rolled back their exemptions to existing double-digit interest rate caps for payday lenders in recent years.[29] Other states that did not have any interest rate caps on small loans have decided to subject all small loan lenders to an interest rate cap, including those making payday loans.[30] While these rate caps vary by state, they tend to be in the range of 36 percent annual interest, the historical median limit which protected citizens of many states from predatory lending throughout much of the 20th Century.[31] As noted previously, 17 states and the

District of Columbia have rate caps that preclude triple-digit payday loans. Moreover, after considering how payday and other high-cost loans were harming the military, Congress enacted a 36 percent rate cap in 2006 to protect active-duty servicemembers and their families from payday loans nationwide. A study in North Carolina found that residents were overwhelmingly pleased to no longer have these loans offered in their state, and found other ways to deal with financial shortfalls.[32]

2. Limit the amount of time a borrower can remain indebted in high-cost payday loans. While a rate cap deals with the problem of predatory small loans comprehensively, regulators and policymakers at either the state or federal level, such as the Consumer Financial Protection Bureau, could—at a minimum—ensure that payday borrowers' short-term loans do not turn into long-term debt by limiting the number of days in any 12-month period a borrower could be indebted to a payday lender. This could be done by following the FDIC's guidance of no more than 90 days a year indebtedness—the equivalent of about six two-week loans. A measure such as this would help to ensure that lenders are providing these loans only as advertised—on no more than an *occasional* basis.

3. Ensure that small loans do not lead to debt traps by requiring sustainable loan terms and meaningful underwriting. The FDIC and the NCUA have both laid out guidelines for what constitutes a responsible small loan with some similar features.[33] Both recognize that cash-strapped borrowers will need more than one pay cycle to repay their loan, and that payments should be in regularly amortizing installments. In an evaluation of its small loan pilot program, the FDIC concluded that "a longer loan term is key…because it provides more time for consumers to recover from a financial emergency than the single pay cycle for payday loans" and that "a 90-day loan term emerged as the minimum time needed to repay a small-dollar loan."[34]

Lenders should be required to assess a borrower's ability to repay a loan in full without the need to refinance or immediately re-borrow by considering the borrower's income and other obligations, rather than using access to a borrower's bank account—either through taking a personal check or an ACH authorization—as security for the loan. Some states that have experimented with ability to repay standards for payday loans have only required lenders to limit loan sizes to a share of the borrower's monthly income. This fails to take into account that most borrowers only have two weeks of income (rather than a month) available to repay a given loan. In addition, there is no accounting for the borrower's other obligations and, therefore, the actual amount of money they have to repay the loan.[35]

Facilitate efforts to help low- and moderate-income households save. All families, and especially those living paycheck-to-paycheck, would benefit from having savings that they could use as an alternative to taking on debt when an unexpected expense occurs. The Consumer Federation of America found that families earning $25,000 per year with no emergency savings were eight times as likely to use payday loans as families in the same income bracket with more than $500 in emergency savings.[36] Emergency savings can be encouraged and facilitated through a variety of means including small loan products with savings features, matched savings programs, and reforms to designs of government assistance programs, with asset limits that may discourage saving.[37]

[1] For a more detailed discussion of how payday borrowers take out multiple consecutive loans, see Leslie Parrish and Uriah King, *Phantom Demand: Short-term due date generates need for repeat payday loans, accounting for 76% of total volume*, Center for Responsible Lending (July 9, 2009), available at http://www.responsiblelending.org/payday-lending/research-analysis/phantom-demand-final.pdf. Other research showing evidence that many borrowers take out multiple loans in a year include Marianne Bertrand and Adair Morse, *Information Disclosure, Cognitive Biases, and Payday Borrowing,* University of Chicago School of Business (March 2009) and Paige Marta Skiba and Jeremy Tobacman, *Do Payday Loans Cause Bankruptcy?,* Vanderbilt University Law School and University of Pennsylvania, (September 8, 2008).
[2] See 75 Fed. Reg. 24497 (May 5, 2010).
[3] See Paige Marta Skiba and Jeremy Tobacman, *Do Payday Loans Cause Bankruptcy?,* Vanderbilt University Law School and University of Pennsylvania, (September 8, 2008); Sumit Agarwal, Paige Marta Skiba, & Jeremy Tobacman, *Payday Loans and Credit Cards: New Liquidity and Credit Scoring Puzzles?,* Federal Reserve Bank of Chicago, Vanderbilt University Law School, and University of Pennsylvania, (January 13, 2009); Brian T. Melzer, *The Real Costs of Credit Access: Evidence from the Payday Lending Market,* Kellogg School of Management, Northwestern University, (January 3, 2009); and Dennis Campbell, Asis Martinez Jerez, & Peter Tufano, *Bouncing out of the Banking System: An Empirical Analysis of Involuntary Bank Account Closures,* Harvard Business School, (December 3, 2008).
[4] In addition to the District of Columbia, 17 states—including Arkansas, Arizona, Connecticut, Georgia, Maine, Maryland, Massachusetts, Montana, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Vermont, and West Virginia do not grant exemptions to interest rate caps that authorize triple-digit rate payday lending.
[5] The Military Lending Act, which caps interest rates on small loans of 91 days or less to active duty military and their dependents, part of the John Warner National Defense Authorization Act for Fiscal Year 2007, was signed into law in October 2006. The interest rate cap took effect October 1, 2007.
[6] Oklahoma regulator reports show that about 50,000-55,000 payday borrowers took out loans in the months of March, June, and September 2006. See *Oklahoma Trends in Deferred Deposit Lending*, Veritec Solutions LLC (August 2006) and *Oklahoma Trends in Deferred Deposit Lending*, Veritec Solutions LLC (May 2007).
[7] States which currently operate a single database of all payday lending transactions to ensure compliance with regulations include Florida, Illinois, Kentucky, Michigan, New Mexico, North Dakota, Oklahoma, South Carolina, Virginia, Washington state, and Wisconsin.
[8] See the results from focus groups conducted in California described in *2007 Department of Corporations Payday Loan Study*, Applied Management and Planning Group (December 2007) and a series of interviews with payday borrowers discussed in Nathalie Martin, *1,000% Interest—Good while supplies last: A study of payday loan practices and solutions*, Arizona Law Review Vol. 52 (2010). In addition, Paige Marta Skiba of Vanderbilt University and Jeremy Tobacman of the University of Pennsylvania have authored a series of studies documenting their findings of borrower outcomes using a database of 145,000 payday loan applicants from 2000-2004 from a large Texas-based payday and pawn lender.
[9] *Your Guide to Responsible Payday Advances*, Community Financial Services Association of America. Available at http://www.cfsa.net/downloads/Your_Guide_to_Responsible_Use_of_Payday_Advances_English.pdf.
[10] *OCC Advisory Letter on Payday Lending*, AL 2000-10 (Nov. 27, 2000).
[11] *Guidelines for Payday Lending*, FDIC Financial Institutions Letter FIL-14-2005 (February 25, 2005), available at http://www.fdic.gov/news/news/financial/2005/fil1405a.html.
[12] Since 15 percent of borrowers have just a single loan in year 1, we can assume they are indebted for zero days in year 2. Given that, we can estimate what number of days the remaining 85 percent of borrowers would be indebted to arrive at the overall average days reported by the Oklahoma regulator.
[13] Leslie Parrish and Uriah King, *Phantom Demand: Short-term due date generates need for repeat payday loans, accounting for 76% of total volume*, Center for Responsible Lending (July 9, 2009)
[14] Nathalie Martin, *1,000% Interest—Good while supplies last: A study of payday loan practices and solutions*, Arizona Law Review Vol. 52 (2010).
[15] For purposes of our analysis, we assume that those borrowers active in the first half of year 2 are the same as those borrowers active in the second half of year 2. However, even if this assumption does not hold in all cases, the data still show an average of six loans in each six month timeframe, or one transaction a month for the average consumer that is using payday loans.
[16] *2007 Department of Corporations Payday Loan Study*, Applied Management and Planning Group (December 2007).

[17] During the 2006-2008 time period, three payday lending reports were issued by the Oklahoma regulator citing the average amount borrowers were indebted over the preceding 12 months. These averages were $460.26, $469.05, and $467.94 for the August 2006, May 2007, and June 2008 reports, respectively, or an overall average of $465.75. The reported amount of indebtedness for a single borrower takes into account that this borrower may have up to two loans outstanding at any given time. However, even if we only compare a borrower's initial loan to an average loan taken in Oklahoma during this time period (ranging from $354 to $378 per loan depending on the year), we find that the initial loan is for a significantly smaller amount. See *Oklahoma Trends in Deferred Deposit Lending*, Veritec Solutions LLC (August 2006), *Oklahoma Trends in Deferred Deposit Lending*, Veritec Solutions LLC (May 2007), and *Oklahoma Trends in Deferred Deposit Lending*, Veritec Solutions LLC (June 2008).

[18] *Payday Lending Demographic and Statistical Information: July 2000 through December 2009*, Administrator of the Colorado Uniform Consumer Credit Code (March 2, 2010), available at http://www.coloradoattorneygeneral.gov/sites/default/files/uploads/DDLASummary2009corr.pdf

[19] Some states require lenders to offer extended payment plans to borrowers who struggle with payday lending debt. However, many payday lenders are effective in dissuading borrowers from using this option. See page 15 in Uriah King and Leslie Parrish, *Springing the Debt Trap: Rate Caps are the Only Proven Payday Lending Reform*, Center for Responsible Lending (December 13, 2007).

[20] For example, the Community Financial Services Association's *Myth vs. Fact* notes that "More than 90 percent of payday loans are repaid when due…" available at http://www.cfsa.net/myth_vs_reality.html.

[21] See historical credit card delinquency rates at http://www.federalreserve.gov/releases/chargeoff/delallsa.htm .

[22] A study of payday borrowers with credit cards found that once the user began borrowing from a payday lender, they were 92 percent more likely to become delinquent on their credit card payment. See Sumit Agarwal, Paige Marta Skiba, & Jeremy Tobacman, *Payday Loans and Credit Cards: New Liquidity and Credit Scoring Puzzles?,* Federal Reserve Bank of Chicago, Vanderbilt University Law School, and University of Pennsylvania, (January 13, 2009). A study comparing low- and middle-income households in states with and without access to payday lending found that those who could access payday loans had increased chances of having difficulty of paying bills, or having to delay medical care, dental care, and prescription drug purchases. See Brian T. Melzer, *The Real Costs of Credit Access: Evidence from the Payday Lending Market,* Kellogg School of Management, Northwestern University, (January 3, 2009)

[23] Robert Mayer, *Quick Cash: The Story of the Loan Shark*, Northern Illinois University Press (2010), p 152-153.

[24] Paige Marta Skiba (Vanderbilt) and Jeremy Tobacman (U. Pennsylvania). *Payday Loans, Uncertainty, and Discounting: Explaining Patterns of Borrowing, Repayment, and Default*, Vanderbilt University Law School and Unversity of Pennsylvania (August 21, 2008). Available at: http://www.law.vanderbilt.edu/faculty/faculty-personal-sites/paige-skiba/publication/download.aspx?id=1636.

[25] Incurring NSF fees as a result of payday loan defaults may ultimately cause a borrower to lose their banking account privileges—the leading cause of involuntary bank account closures is the customer becoming excessively overdrawn, and households with access to payday loans experience higher involuntary bank account closure rates than those with no access to these loans. See Dennis Campbell, Asis Martinez Jerez, & Peter Tufano, *Bouncing out of the Banking System: An Empirical Analysis of Involuntary Bank Account Closures,* Harvard Business School, (December 3, 2008).

[26] The decreasing share of new borrowers over time is likely attributable to the fact that as more borrowers are entered into the database system over several years, the base naturally grows. Thus, new borrowers will make up a declining share of total borrowers in the database. It is possible, however, that the actual number of new borrowers entering the system is also declining over time.

[27] While rising unemployment could temper demand for payday loans, some payday lenders have recently begun allowing unemployment benefits to be used as proof of an income stream. In addition, we find no evidence that the higher levels of underemployment, which might cause more financial shortfalls, have translated into a rise in payday loan users.

[28] A more detailed analysis will be provided in a forthcoming paper from CRL showing how payday lenders do not compete with each other based on differences in pricing or product offerings.

[29] For example, an existing payday loan authorization was allowed to expire in Arizona in July 2010, and recent laws in Ohio, Oregon and the District of Columbia curtailed payday lenders' ability to offer loans at triple-digit rates.

[30] In Montana and New Hampshire, laws were passed by ballot initiative and the legislature respectively to establish interest rate caps on a range on small loan products which are regulated at the state level.

[31] For a comprehensive discussion on the history of usury laws in the United States and their impact on small loans, see Christopher L. Peterson, *Usury Law, Payday Loans, and Statutory Sleight of Hand: Salience Distortion in American Credit Pricing Limits,* Minnesota Law Review (Winter 2008) and Lynn Drysdale and Kathleen Keest, *The Two-Tiered Consumer Financial Services Marketplace: The Fringe Banking System and its Challenge to Current Thinking About the Role of Usury Laws in Today's Society* (2000).
[32] Kim Manturuk and Roberto Quercia, North Carolina Consumers after Payday Lending: Attitudes and Experiences with Credit Options, UNC Center for Community Capital (November 2007), available at http://www.ccc.unc.edu/abstracts/1107_NorthCarolina.php
[33] See the FDIC's Financial Institution Letter FIL-50-2007, available at www.fdic.gov/news/news/financial/2007/fil07050a.html and the NCUA's announcement of its payday loan alternative product at http://www.ncua.gov/news/press_releases/2010/MA10-0916MatzPaydayLoan.pdf for a discussion of affordable small loan guidelines. Most notably, each program encourages loans with longer terms which are repayable in installments.
[34] "A Template for Success: The FDIC's Small-Dollar Loan Pilot Program," *FDIC Quarterly*, 2010, Vol. 2 No. 2, available at http://www.fdic.gov/bank/analytical/quarterly/2010_vol4_2/FDIC_Quarterly_Vol4No2_SmallDollar.pdf
[35] A few states have ability to repay standards which limit payday loan indebtedness to 20-25% of total gross monthly income. However, because these loans are typically due in two weeks, the borrower only has available half of this monthly income to repay, and likely has other obligations that will consume much of a paycheck that are not considered in current ability to repay provisions.
[36] Testimony of Jean Ann Fox, Director of Consumer Protection, Consumer Federation of America before the Subcommittee on Domestic Policy of the House Committee on Oversight and Domestic Reform (March 21, 2007).
[37] For more information on how policymakers and regulators could encourage households to save and reform policies that discourage saving among low-income households, see Cramer et al. *The Assets Agenda 2011: Policy Options to Promote Savings and Asset Development*, New America Foundation (September 2010), available at http://assets.newamerica.net/sites/newamerica.net/files/policydocs/Assets_Agenda_2011.pdf. In addition to these broader policy ideas, several financial institutions have created small loan programs that can serve as alternatives to payday loans that incorporate savings features. The goal of these programs is to help borrowers build savings so that eventually they can tap into their own reserves if they have a financial short-fall. Some examples of these initiatives include the state-wide Pennsylvania Better Choice program (http://www.patreasury.org/betterChoice.html) and the Salary Advance loan offered by one of the country's largest credit unions, the North Carolina State Employees Credit Union (https://www.ncsecu.org/Loans/SalaryAdvance.html).

APPENDIX: PUBLIC RECORDS REQUEST QUESTIONS AND ANSWERS

Study parameters: An analysis of Oklahoma borrowers entered into the database in March, June, and September 2006 (the "study cohort")

Initial loan data:

1. Total number of new borrowers which comprise the study cohort

11,062

2. For these borrowers' first transactions: the average (median) loan size, average (median) loan term, average (mean and median) fee charged

Mean loan size: $278.83
Median loan size: $250.00

Mean loan term: 30.70 days
Median loan term: 17 days

Mean fee charged: $36.70
Median fee charged: $37.50

Repeat/consecutive borrowing:

1. Number/percent of study cohort borrowers who continued to use the product over the course of 12 months, over the course of 18 months, over the course of 24 months.

Continued use within months 0-12: 9,421 (85.2%)
Continued use within months 13-18: 4,413 (39.9%)
Continued use within months 19-24: 3,661 (33.1%)

(note: "continued use" for each time period is defined as follows: (1) for months 0-12, borrowers with more than one transaction during this time period; (2) for months 13-18, borrowers with at least one transaction during this time period; (3) for months 19-24, borrowers with at least one loan during this time period.)

2. Average (median and mean) number of transactions per borrower over the first 12 months; over the first 18 months; over the first 24 months *(note: we would want this reported two ways—(1) for all study cohort, even if they are no longer active borrowers after the first year and (2) only for "active" borrowers who are continuing to use the product during these time periods, ex: to measure the average number of transactions over 18 months, we would only look at borrowers with at least one transaction between months 12-18; to measure the average number of transactions*

over 24 months, we would only look at borrowers with at least one transaction between months 18-24)

(1) For all study cohort, even if no longer active:

Mean number of transactions per borrower 0-12 months: 9.31
Median number of transactions per borrower 0-12 months: 7

Mean number of transactions per borrower 13-18 months: 2.52
Median number of transactions per borrower 13-18 months: 0

Mean number of transactions per borrower 19-24 months: 2.10
Median number of transactions per borrower 19-24 months: 0

(2) Only for "active" borrowers (at least one loan during period in question)

Mean number of transactions per borrower 0-12 months: 9.31
Median number of transactions per borrower 0-12 months: 7

Mean number of transactions per borrower 13-18 months: 6.32
Median number of transactions per borrower 13-18 months: 6

Mean number of transactions per borrower 19-24 months: 6.36
Median number of transactions per borrower 19-24 months: 6

3. On average (mean and median), how many days are cohort borrowers indebted within a 12 month period? 18 month period? 24 month period?

Over 12 month period, mean days indebted: 211.87
Over 12 month period, median days indebted: 228

Over 18 month period, mean days indebted: 298.39
Over 18 month period, median days indebted: 313

Over 24 month period, mean days indebted: 372.45
Over 24 month period, median days indebted: 375.5

Return events:

1. Percent of cohort borrowers that have experienced a "return event" over the first 12 months, over the first 18 months, over the first 24 months. How many transactions on average (mean and median) has the study cohort borrower opened before this return event occurs?

Returns in first 12 months: 4,089 (37%)

Mean number of loans before return: 5.86
Median number of loans before return: 4.50

Returns in first 18 months: 4,506 (40.7%)
Mean number of loans before return: 7.34
Median number of loans before return: 5.00

Returns in first 24 months: 4,810 (43.5%)
Mean number of loans before return: 8.58
Median number of loans before return: 5.00

(note: the number of return events is cumulative)

RESEARCH ARTICLE

INVESTIGATING THE SOCIAL ECOLOGY OF PAYDAY LENDING

Does fringe banking exacerbate neighborhood crime rates?

Investigating the social ecology of payday lending

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Payday lenders have become the banker of choice for many residents of distressed urban communities in the United States. By offering cash advances on postdated checks, these businesses provide a growing number of financially strapped families the money they need to get by at least in the short run. As just one piece of a growing fringe banking industry (consisting of check cashers, pawn shops, rent-to-own stores, and other high-cost financial services), payday lenders provide services but at a heavy cost to some of the most financially vulnerable families. Much attention has been given to the costs the customers of such services are incurring. Yet additional broader community costs might have been ignored in recent debates and in the scholarly literature. One of those costs, and the focus of this research, is a possible link between payday lending and neighborhood crime rates.

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Although pawn shops, loan sharks, and other predatory financial service providers have long histories, the number and range of such fringe banking institutions have mushroomed in the latter part of the 20th and early years of the 21st centuries amid great controversy. In financial services, the rise of subprime and predatory lending has led to record foreclosure rates. A broader economic recession is now reaching overseas. These developments have been followed by unprecedented bailout and rescue plans. Although these events have received most of the attention in financial industry circles, the increase in payday lending and other high-priced services has hardly gone unnoticed. Critics accuse payday lenders with charging exorbitant, exploitative interest rates and fees, and several states have taken legal action to restrict their activities or virtually put them out of business altogether. Providers maintain that they are offering valuable services to markets that are ignored by conventional financial services (e.g., banks, thrifts, and credit unions) and that their costs simply reflect the risks they encounter as well as other legitimate business costs.

The debates over payday lending so far have focused almost exclusively on the implications for immediate customers. Yet given the location of these services and the socioeconomic status of their customer base—what we refer to as the ecology of payday lending—other costs might be incurred by the communities in which they are located, costs that are paid by community members who do not use their services along with those paid by the clients. One potential cost for all residents might be higher crime rates in communities where payday lenders are located. Several theoretically plausible reasons have been suggested for such a link, starting with the simple fact that where payday lenders are present, a concentration of cash exists among store customers often late into the evening and during weekends in neighborhoods where many residents are experiencing financial hardships.

In the following pages, we provide some empirical evidence that such a connection, in fact, exists. Subsequently, we report on a case study of a fairly typical U.S. city where payday lending has grown in recent years—Seattle, Washington. In our discussion leading up to the analysis, we document the growth of payday lending and other fringe banking services in the United States and describe the controversy that such growth has produced. Next, we elaborate several theoretical arguments that support the hypothesized relationship between payday lending and neighborhood crime rates. Finally, we provide empirical evidence for that relationship in Seattle neighborhoods. Crime is just one community cost that might be associated with payday lending. In the conclusion, we briefly note other potential costs. We conclude with a discussion of the policy implications of our findings and recommendations for future research.

The Growth of Fringe Banking and Payday Lending

A two-tiered system in financial services has emerged in the United States in recent years, with one featuring conventional products distributed by banks and savings institutions and the other featuring alternative, higher cost services offered by payday lenders, check cashers, and pawnshops—often referred to as "fringe bankers." Fringe banking services are disproportionately though not located exclusively in low-income, minority neighborhoods (Fellowes, 2006; Graves, 2003; Li, Parrish, Ernst, and Davis, 2009; Logan and Weller, 2009; Temkin and Sawyer, 2004), and minority and low-income families are more likely than other families to use fringe banking services (Caskey, 1994; Hudson, 1996; Karger, 2005).

Fringe banking has been the subject of much policy debate among financial service providers, regulators, elected officials, and consumer groups. This reflects, in part, substantial growth of fringe banking, its greater concentration in distressed communities, and adverse economic consequences for those who rely on these institutions for financial services. To illustrate, payday lending outlets were virtually nonexistent in 1990, but by 2006, more than 15,000 outlets extended $25 billion in credit (Lawrence and Elliehausen, 2008: 299). By 2008, more than 22,000 locations originated more than $27 billion in loan volume annually (Parrish and King, 2009: 11).[1] The growth of payday lending has been impressive, growing faster than Starbucks during the mid-1990s (Graves and Peterson, 2008: 668). Today, more payday lenders exist than McDonald's restaurants (Karger, 2005: 73).

Several studies demonstrate that these services are concentrated in low-income and minority neighborhoods, although they are starting to grow in many working and middle-class neighborhoods. In North Carolina, three times as many payday lenders per capita are present in African American neighborhoods as in White neighborhoods (King, Li, Davis, and Ernst, 2005). In the state of Washington, the site of the current study, they are twice as likely to be located in predominantly African American as White areas, and they also are concentrated in poverty zip codes (Oron, 2006). In California, they are eight times as concentrated in African American and Latino neighborhoods as in White neighborhoods. Even controlling on income, poverty, population, education, and other socioeconomic factors, the racial disparity persists (Li et al., 2009: 2). In Denver neighborhoods where the median income is below $30,000, one check-casher exists for every 3,196 residents compared with one check casher for every 27,416 residents in neighborhoods where the median income is between $90,000 and $120,000 (Fellowes, 2006: 26–28).[2]

These services are expensive, and it is struggling working families who are paying the highest costs. The Center for Responsible Lending reported that payday lending costs U.S. families $4.2 billion annually in excessive fees, or fees that exceed the risk posed by

1. Payday loans are cash advances on a postdated personal check generally for 2 weeks or less when the borrower will receive the next paycheck. Amounts are typically in the range of $300 to $500. To qualify, a borrower must have a checking account, source of income, and identification. Typically, the borrower writes the check for an amount exceeding the cash loan (to cover the finance charge, generally $15–$30 per $100 or approximately a 390–780% annual percentage rate for a 2-week loan). At the next payday, the borrower can repay the full loan amount, the check could be deposited for payment, or the borrower can pay the finance charge and renew the loan for another term (Consumer Federation of America, 2007: 3, 4).

2. Check cashers are businesses that charge a fee for cashing checks (Karger, 2005: 215).

borrowers and the costs of similar services provided by conventional financial institutions (King, Parrish, and Tanik, 2006: 2,7). Ironically, more than 75% of these fees cover the costs of loans taken out by borrowers to repay debts incurred from previous payday loans, which they could not pay when the debt originally came due (Parrish and King, 2009: 11). Payday lenders claim that their fees simply reflect the costs of doing business.

Payday lenders also assert their borrowers are primarily middle income, although recent research indicates it is low- and moderate-income borrowers who constitute a disproportionate share of customers. A study of Colorado borrowers found that those earning less than $30,000 a year make up two thirds of payday lender customers. A Texas study found that the median income of borrowers was $18,540 (Fox, 2007: 6, 7). A 2001 nationwide survey found that 23% earned less than $25,000 and that 51.5% earned between $25,000 and $50,000 (Lawrence and Elliehausen, 2008: 305). In its 2007 Survey of Consumer Finances, the Federal Reserve, for the first time, asked whether respondents had taken out a payday loan in the previous year. Those who did so had a median income of $30,892 compared with $48,397 for those who had not taken out such loans. Payday loan borrowers had a median net worth of zero compared with $80,510 for nonborrowers (Logan and Weller, 2009: 8).

The industry also claims that its customers are generally people who use their services only on rare occasions to meet sudden emergencies. According to the 2001 survey, however, more than 22% had 14 or more payday loans that year, another 26% had more than 6, and just 15% had only 1 or 2 (Lawrence and Elliehausen, 2008: 311). The Center for Responsible Lending found that less than 2% of all payday loans went to borrowers who just took out one loan. Repeat borrowing was more common with more than 60% of loans going to those who took out 12 or more loans per year and 24% going to those with 21 or more per year (King and Parrish, 2007: 2, 3). Half of these loans were taken out within 1 day of repaying a previous loan, indicating that borrowers often take out such loans to retire the debt of previous payday loans (Parrish and King, 2009: 8). Given the high fees and frequent use, payday loans have been referred to as “debt traps” by many consumer groups (Fox, 2007: 7, 8).

Policy makers have begun to listen to consumer complaints. In 2006, the U.S. Congress prohibited payday lending to military members and capped at 36% the interest rate that could be charged to them on any loan in connection with any other product (Powers, 2006). Fifteen states and the District of Columbia have small loan usury laws or rate caps that effectively prohibit payday lending at triple-interest rates (Center for Responsible Lending, 2010: 7). Several other states and Congress are considering legislation and regulations restricting such lending (*American Banker*, 2007). However, some national banks (e.g., Wells Fargo and U.S. Bank) are now offering “direct deposit advance” or “checking account advance” products that are similar to payday loans. Because the Office of the Comptroller of the Currency has preempted many state banking laws, the national banks it regulates legally can make such loans, and they are doing so in at least six of the states with the 36% cap (Center for Responsible Lending, 2010).

All this attention is generated primarily by the growth of the industry, the fees that are being charged, and the customers and neighborhoods that are being targeted. Borrowers are clearly paying high costs, as already noted. Lost in this discussion, however, are the broader costs that many communities might be incurring, including perhaps heightened levels of crime. Payday lenders seem to be more concentrated in precisely those neighborhoods where crime rates are highest and where ex-offenders are most likely to return when they leave prison (Lynch and Sabol, 2001: 3; Rose and Clear, 1998; Visher, Kachnowski, LaVigne, and Travis, 2004). No research, however, has examined the direct impact of fringe banking services on neighborhood crime rates. There is reason to believe that such a connection exists and that it is costly.

Theoretical Context of the Payday Lending-Crime Nexus

Theoretical arguments for why payday lending and crime might be related draw on a mixture of criminological perspectives. At a minimum, the availability of cash in distressed neighborhoods at readily identifiable businesses frequently operating with evening and weekend hours suggests a probable link between crime and payday lending, according to routine activities theory. According to this theory, crime can be understood in terms of the "routine activities" of everyday life including what we do, where we go, and with whom we interact on a daily basis (Cohen and Felson, 1979). At its core is the idea that, in the absence of effective controls, offenders will prey on attractive targets. In the current context, residents who use payday lenders often leave these establishments with great sums of cash in their wallets and at late hours in the evenings as well as on the weekends, a fact likely not overlooked by potential criminals.

It is also reasonable to believe that some increase in crime could be attributable to the manner in which payday lenders might lubricate the cash-only drug trade. In places where cash is available on a moment's notice to anyone with a job or government check, those wanting to fuel an addiction, or deviant lifestyle, need not wait until payday with ample payday loan opportunities.

Persons who find themselves in an ever-descending debt spiral, perhaps pressured by the threats of debt collectors, also would seem more likely to suffer from emotional difficulties that manifest themselves in violence, particularly against family, coworkers, friends, and neighbors, as strain theory would predict. Agnew (1992) claimed that strain, which can result from the presentation of negative stimuli (e.g., going into debt), can produce "negative affective states," including anger, fear, frustration, or depression, that might lead to crime. This result is especially likely to occur among individuals who have few resources for coping with strain. Along these lines, it is also easy to imagine that hopelessly indebted persons might turn to other forms of crime to compensate for the debt incurred to payday lenders.

Perhaps the greatest insight on the payday lending-crime nexus comes from social disorganization theory, which has emerged as the critical framework for understanding the relationship between neighborhood characteristics and crime in urban areas. According to the theory, certain neighborhood characteristics can lead to social disorganization, defined as the inability of a community to realize the common values of its residents and to maintain effective social controls (Kornhauser, 1978: 120). Social disorganization, in turn, can lead to more crime.

The most commonly studied aspects of neighborhoods include economic deprivation, residential instability, and population heterogeneity. An impressive literature produced over decades has found that these and related characteristics are positively associated with community crime rates, both directly and indirectly through their effect on neighborhood processes such as informal social control and collective efficacy (for a review of this literature, see Kubrin and Weitzer, 2003).

Along with these community characteristics, local institutions are theorized to play a key role in shaping crime rates. This effect occurs in large part because such institutions structure the daily interaction patterns of residents, affect the ability of communities to exercise social control, and influence available routes to valued goals such as economic or community development. Disadvantaged neighborhoods, in particular, have difficulty attracting and maintaining the types of local institutions that impede crime by providing community stability, social control, and alternatives to occupy residents' time (Peterson, Krivo, and Harris, 2000: 32).

Neighborhood studies of crime have focused on a variety of local institutions such as bars, public housing, and recreational facilities. It is argued that recreation centers and libraries:

> provide places and activities where people can gather, thereby structuring time and observing each other in public. To the degree that these institutions offer organized activities, they place local residents in settings that promote and facilitate the sharing of common values and goals. As this occurs, community networks are more likely to form and fulfill control functions. (Peterson et al., 2000: 34)

Other types of local institutions, however, such as bars, might serve to encourage criminal behavior in neighborhoods. Researchers have argued that their presence can cause crime directly by inducing violence within these establishments themselves (because of intoxication and impaired judgment) and indirectly by undermining informal social control in communities where bars are densely located (Parker, 1995; Roncek and Maier, 1991).

In a study on the role of local institutions and their effect on violent crime rates in Columbus, Ohio, neighborhoods, Peterson et al. (2000) found support for these arguments. They documented that a greater prevalence of recreation centers reduces violent crime, at least in the most economically disadvantaged areas of Columbus. They also documented that a greater prevalence of bars in Columbus tracts is related to higher levels of violent crime. Beyond their study and previous research, however, they claimed that "scholars have not explored the empirical linkages between the presence of various types of institutions and neighborhood crime" (2000: 36) and cautioned that "additional research is needed to specify more fully what types of institutions . . . will have the most payoff" (2000: 57) for reducing community crime rates.

We would like to add payday lenders to the list of local institutions that might affect community crime rates. In line with social disorganization theory, we argue that a concentration of payday lenders might constitute a visible sign of neighborhood disorder and decline. According to research, disorder has been shown to increase fear of crime (Taylor, 2001) and to reduce informal social control, thereby increasing crime (Wilson and Kelling, 1982). Skogan (1992), in particular, characterizes disorder as an instrument of destabilization and neighborhood decline, with implications for community crime rates.

In summary, several reasons suggest why the presence of payday lenders in neighborhoods might be associated with violent and property crime rates in those neighborhoods. Previous research has investigated the relationship between crime and residential instability, poverty, unemployment, and other factors. Previous research also has documented the effect of local institutions on community crime rates including bars and recreational facilities. To date, however, no research has systematically examined the relationship between payday lending and crime. In fact, little overlap has occurred in the payday lending and crime literatures, despite the plausibility of such a relationship. As such, this study is the first empirical examination of the fringe banking–neighborhood crime nexus.

The Research Context

The city of Seattle, Washington, was selected because it is a representative major U.S. city (with a population of more than 550,000, of which non-Whites account for 30%) and is located in a state where payday lending has grown substantially over the last several years. Payday lending was legalized in Washington State in 1995. It grew slowly at first but then gained momentum in 2003 when the state legislature increased the maximum loan amount from $200 to $700. In Seattle, the number of payday lenders has grown from 37 in 2003 to 52 in 2007, an increase of nearly 41%. Equally important, as in most metropolitan areas, the location of payday lenders in Seattle is concentrated in low- and moderate-income and minority communities, where crime rates are the highest. We also selected Seattle as our study site because it is typical in terms of the number and density of payday lenders. Payday lenders in Seattle do not exhibit any unusual spatial pattern as one might find in heavily ghettoized cities or in cities with a significant military presence. Finally, we chose Seattle because it has been the focus of numerous studies of community crime rates over the last 20 years (Crutchfield, 1989; Kubrin, 2000; Matsueda, Drakulich, and Kubrin, 2006; Miethe and McDowall, 1993; Warner and Rountree, 1997). The current study builds on this literature.

The primary question we explore is whether those neighborhoods that have a relatively greater share of payday lenders exhibit higher crime rates after taking into consideration a range of factors known to be associated with crime (e.g., poverty, unemployment, population turnover, and related socioeconomic factors). We continue to consider that question in analyses that attempt to account for analytic complexities such as spatial autocorrelation and endogeneity. The findings will inform current policy debates and suggest directions for future research on the impact of payday lending.

Data and Methodology

To examine the relationship between payday lending and neighborhood crime rates, we perform a series of regression analyses using data on the location of payday lenders in conjunction with census and crime data for census tracts in Seattle. Census tracts approximate neighborhoods and are the smallest geographic level for which all three data sets are available.[3]

Independent Variables

Our key independent variable is the prevalence of licensed payday lenders in Seattle census tracts in 2005. To calculate this variable, we divide the number of payday lenders in a tract by the tract population size (expressed in units of 1,000 persons) and take the natural logarithm of this rate.[4] The raw data on payday lenders were collected by Steven Graves as part of a larger study focused on payday lenders and the military (Graves and Peterson, 2005). The street address for each lender was assigned a census tract number using ArcView GIS. In the 116 Seattle tracts for which crime data were available, 44 lenders were in operation in 2005. This number is comparable with other major U.S. cities including Milwaukee (41), Fort Worth (62), San Francisco (45), and Salt Lake City (53). The minimum number of payday lenders in a Seattle tract was 0, whereas the maximum was 4. The mean number of lenders across all tracts was .38.

The following variables were constructed from the 2000 U.S. Census to reflect critical neighborhood differences: *percent secondary sector low-wage jobs* (percent of total employed civilian population age 16 years and older employed in the six occupations with the lowest mean incomes),[5] *jobless rate* (percent of civilian labor force age 16–64 years who

3. Seattle has 123 census tracts, but only 116 were included in the analyses. Recently, several tracts have been reconfigured into other tracts or eliminated altogether. Tract 23 is now subsumed in tract 40, tract 55 is now subsumed in tract 57, and tract 37 no longer exists. The remaining tracts were excluded because they encompass unique areas without corresponding census data. Tract 53 is excluded because it encompasses the University of Washington campus, and tracts 83 and 85 are excluded because they encompass the University's medical complex.

4. We added a constant of 1 to the rate prior to computing the logarithmic transformation.

5. The occupations include health-care support; food preparation and serving-related occupations; building and grounds cleaning and maintenance; personal care and service; farming, fishing, and

are unemployed or not in the labor force), *percent professionals and managers* (percent of employed civilian population age 16 years and older in management, professional, and related occupations), *percent high-school graduates* (percent of adults age 25 years and older who are at least high-school graduates), *poverty rate* (percent of the population for whom poverty status is determined whose income in 1999 was below the poverty level), *percent Black* (percent of the total population that is non-Hispanic Black), *percent young males* (percent of the total population who are males between the ages of 15 and 24 years), *residential instability index* (index comprising percent renters, or percent of occupied housing units that are renter occupied, and percent movers, or percent of population ages 5 years and older who lived in a different house in 1995),[6] *percent female-headed households* (percent of households that are female-headed with no husband), and *population* (tract population).[7] The literature has demonstrated that these characteristics are related to community crime rates in a variety of cities throughout the United States (Krivo and Peterson, 1996; Kubrin, 2000; Morenoff et al., 2001; Warner and Rountree, 1997).

An important variable that classifies tracts as within or not within the Seattle Central Business District (CBD) is included in the analyses because few and atypical residents live in CBD tracts. In Seattle, CBD residents tend to be urban professionals with high incomes or people who are poor and homeless. Controlling for whether tracts are inside or outside the CBD minimizes the likelihood that the unique characteristics of this area will distort the results (Crutchfield, 1989).

Previous community-level studies have found it necessary to address the problem of multicollinearity among the independent variables. To evaluate this issue, we examined variance inflation factor (VIF) scores, which confirmed the high level of collinearity among many disadvantage-related variables. Using these diagnostics and previous research as a guide (e.g., Sampson and Raudenbush 1999: 621), we performed principal components factor analysis with varimax rotation. Not surprisingly, the results suggest that the disadvantage-related variables all load on a single component with an eigenvalue of 4.39. This component, which we label *Neighborhood Disadvantage*, explains 73% of the variance and consists of the following variables (factor loadings in parenthesis): percent secondary sector low-wage jobs (.94), jobless rate (.87), percent professionals and managers (–.86), percent high-school graduates (–.93), poverty rate (.80), and percent Black (.71).[8]

forestry; and material moving. The mean wages were derived from 2000 census data available in the Integrated Public Use Microdata Series (ipums.org).

6 The index represents the average of the standardized scores of these two variables.

7 All census data used in the study were compiled by Ruth D. Peterson and Lauren J. Krivo (2006) as part of the National Neighborhood Crime Study (NNCS). The NNCS contains information on the Federal Bureau of Investigation's Index crimes and sociodemographic characteristics for census tracts in a representative sample of large U.S. cities for 2000.

8. Similar to prior research, we include percent Black in the disadvantage index because of its high correlation with the other items that comprise the index. Treating percent Black as a separate covariate

In the analyses, the disadvantage index is used along with the residential instability index, young male rate, rate of female-headed households, total population, central business district, and our payday lending measure to predict Seattle neighborhood crime rates.[9]

Dependent Variables

Data used to compute violent and property crime rates at the census tract level come from Seattle Police Department annual reports. Following common practice, multiple year (2006–2007) average crime rates (per 1,000 population) were calculated to minimize the impact of annual fluctuations.[10] The violent crime rate sums murder, rape, robbery, and assault rates, whereas the property crime rate is calculated as a sum of the burglary, larceny, and autotheft rates.[11]

Analytic Issues and Strategy

One critical issue in neighborhood research is that of spatial dependence. Crime is not randomly distributed but is spatially concentrated in certain areas in the metropolis. Formally, the presence or absence of this pattern is indicated by the concept of spatial autocorrelation, or the coincidence of similarity in value with similarity in location (Anselin, Cohen, Cook, Gorr, and Tita, 2000: 14). When high values in a location are associated with high values at nearby locations, or low values with low values for neighbors, positive spatial autocorrelation or spatial clustering occurs. In analyses using spatial data, such as in the current study, one must attend to potential autocorrelation because ignoring spatial dependence in the model might lead to false indications of significance, biased parameter estimates, and misleading suggestions of fit (Messner, Anselin, Baller, Hawkins, Deane, and Tolnay, 2001: 427).

In the current study, we address potential spatial dependence by mapping the residuals from our regression analyses and running a series of diagnostic tests to check for problematic levels of spatial autocorrelation. We used multiple variants of the Moran's I test and several software packages, including GeoDA, SPSS, ArcMap 9.3, and s3 (Mathematica).

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results in levels of collinearity that create partialling and interpretation difficulties in regard to the disadvantage and percentage Black variables. In analyses not shown here, we computed supplemental models with percent Black as a separate covariate. The substantive results regarding payday lending and crime did not change in those models.

9. Examination of collinearity diagnostics revealed no multicollinearity problems in the parameter estimates presented subsequently (maximum VIF was 2.5).

10. Crime data by census tract for 2008 through the present have not yet been released publically.

11. Histograms and descriptive statistics indicate that several variables are highly skewed, and we include log-transformed versions of these variables in the analyses that follow. Transformed variables include the young male rate, payday lender rate, and violent and property crime rates.

A second critical issue has to do with the possibility that endogeneity might be found in the payday lending–crime relationship. Although it is our contention that the most well-grounded theoretical relationship is one in which the presence of payday lenders in an area affects the crime rate, we acknowledge the possibility that the relationship might be reciprocal (i.e., crime could affect where payday lenders set up shop). One reason for this trend is that moderate levels of crime might serve as an environmental signal that informs payday lenders of locations where a reasonably high demand should exist for the sorts of financial services they provide. To the extent this argument has some merit, it seems prudent to account for the possibility that payday lenders might be an endogenous, rather than an exogenous, regressor in our analyses. As discussed subsequently, we do this by implementing an instrumental variables model, a commonly used approach to model endogeneity in social relationships.

Given the issues just raised and our focus on investigating the relationship between payday lending and neighborhood crime rates, after providing some descriptive statistics, our multivariate analysis begins with the estimation of a series of ordinary least-squares (OLS) regression analyses in which the effects of payday lending on crime are examined. In the first model, we assess whether payday lending and crime rates are associated using a baseline model in which only payday lending is included. In the second model, we introduce into the analysis the standard neighborhood crime correlates (e.g., neighborhood disadvantage, residential instability, etc.) to determine whether any payday lending effect withstands these controls. In the third model, we make an effort to allow for the possibility that our payday lending measure is endogenous by estimating an instrumental variables regression via the two-stage least-squares (2SLS) estimator. To implement the instrumental variable model, we require an instrument that is justified on theoretical grounds and meeting the following conditions: (a) It is highly correlated with the measure of payday lenders, and (b) it is uncorrelated with the disturbance terms from the payday lending–crime equations. To that end, we instrument payday lender rates with a measure of the prevalence of Federal Deposit Insurance Corporation (FDIC) banking institutions (i.e., the natural log of banks per 1,000 population). Our theoretical justification for this instrument follows below.

Within the limits of zoning regulations, FDIC banks are likely to locate themselves strategically to provide convenient access to consumers with financial and banking needs. Payday lenders, in turn, are likely to opt for locations in relative proximity to traditional banks for several reasons. First, because FDIC banks are likely to be located in an advantageous position relative to consumer demand, setting up shop nearby provides payday lenders with access to a steady flow of potential customers. Second, because payday lenders tend to provide services that traditional banks do not (e.g., short-term loans to customers with weak credit histories, nighttime, and weekend hours), a location near an FDIC bank provides potential visibility to banking customers whose needs occasionally might be unmet by the traditional bank. Third and most important theoretically, almost every payday loan transaction requires the customer to present a postdated personal check from a valid checking account to obtain their cash loan. Therefore, logic suggests that the vast majority of Seattle's payday loan customers keep a checking account with a bank that is also nearby. As such, traditional banks and payday lenders do not attract completely different clientele; the customers of the latter are simply a subset of the banks' clients. Although the availability of banks is a necessary condition for payday lenders, banks have little, if any, need for payday lenders (although some lenders have partnered with and, in some cases, even purchased, payday lenders). In essence, the relationship between payday lenders and FDIC banks is commensalistic. Payday lenders benefit from their geographic connection to FDIC institutions without seriously affecting the financial service market of the bank itself. Based on these reasons, we argue that a concentration of payday lending institutions is driven, in part, by the location of traditional banking institutions. Consequently, we expect that payday lenders and FDIC banks will colocate and that the concentration of FDIC banks should be correlated positively with the concentrations of payday lenders.

Consistent with this expectation, a recent analysis by Fellowes and Mabanta (2008: 10) reports that "of the 22,984 payday lenders now in business, about 95 percent are located within one mile of a bank or credit union branch, and 84 percent are located in the same neighborhood or census tract as a bank or credit union branch."[12] This pattern of colocation between payday lenders and FDIC banks also appears in Seattle. As evidenced by the map presented in Appendix A, tracts with a greater prevalence of FDIC banks tend to be tracts that also exhibit more payday lending institutions. Moreover, as expected, we find that the bivariate correlation between the payday lender rate and the FDIC banking rate across Seattle census tracts is fairly strong at $r = .64$. Thus, consistent with its role as an instrument, we believe both theoretical and empirical evidence is present indicating that the prevalence of FDIC banks is related to the prevalence of payday lenders. In contrast, we perceived no compelling reason to expect that the FDIC banking institution rate will be correlated with the disturbance terms from the crime equations. However, because this latter "exogeneity" assumption cannot be tested directly (Wooldridge, 2002: 86), findings should be interpreted with appropriate caution.[13]

12. Given that FDIC banks and payday lenders tend to be located close to one another, one might wonder why individuals choose to use the high-cost services of the latter. For starters, geographic proximity is not equivalent to access. As noted earlier, banks frequently do not offer products sought out by payday lending customers or provide services in a manner or at a time that is convenient for them. Furthermore, available evidence suggests payday loan usage is tied to limited or negative credit experiences, imbalances between living expenses and income, and ignorance about lower cost options (Fellowes and Mabanta, 2008). Lower income residents also indicate that they avoid banks because they fear that they do not have enough money, think the fees are too high, are not comfortable dealing with banks, find banks have inconvenient hours, and believe banks refuse to provide the desired services (e.g., see Fellowes and Mabanta, 2008; Washington, 2006; see also Caskey, 1994: 78–83).

13. Because this assumption involves an unobservable (the disturbance term) concept, it cannot be tested directly with empirical data. However, when two or more instruments are available for a single endogenous regressor (i.e., the equation is "overidentified"), one can assess the adequacy of instruments

Finally, for each model, we test for evidence of spatial autocorrelation, and if needed, we account for spatial effects that might bias our estimates of the direct relationship between payday lending and crime. For all sets of analyses, we examine both violent and property crime rates in Seattle neighborhoods.

Findings

Descriptive Statistics

A preliminary view of descriptive statistics suggests a positive association between payday lending and crime. Means, standard deviations, and correlations for all variables are presented in Table 1. The average count of payday lenders across Seattle neighborhoods is .38; the corresponding rate is 10 per 1,000 persons. Consistent with crime patterns throughout the United States, property offenses comprised the majority of reported crimes in Seattle in 2006–2007. The average rates for property and violent crime, respectively, were roughly 74 and 8 per 1,000 population. As expected, the explanatory variables, and particularly neighborhood disadvantage, have positive relationships with crime rates. More importantly, payday lending is significantly positively associated with both violent ($r =$ .48) and property crime ($r = .56$). These correlations suggest initial support for a payday lending–crime relationship.

The bivariate relationship between payday lending and crime can be illustrated visually. Figure 1 plots the distribution of payday lenders and violent crime rates in Seattle neighborhoods. The map in Figure 1 clearly displays the strong bivariate relationship between payday lending and violent crime. In the downtown and inner-city areas where payday lenders are more numerous (as indicated by "x" on the map), the violent crime rate is also highest (as indicated by the darkest shading on the map). The safest neighborhoods in Seattle have no payday lenders in them. The map also shows moderate violent crime rates in areas with lower densities of payday lending. Results for the distribution of payday lenders and property crime rates, although not presented, mirror closely those for violent crime rates. At issue, however, is whether the relationship between payday lending and crime will remain after controlling for other community characteristics known to be associated with crime. To determine this relationship, we turn to the regression results.

Regression Results

Tables 2 and 3 present regression results for violent and property crime rates, respectively. These tables contain results from the series of three regression models, which were outlined earlier. For both tables, the first column reports a baseline OLS regression model in which violent or property crime rates are predicted only by the payday

via a test of overidentifying restrictions (e.g., see Baum, 2006: 191; Wooldridge, 2002: 121). Such testing is not possible in cases like ours in which only one excluded instrument is used for the endogenous regressor variable.

TABLE 1

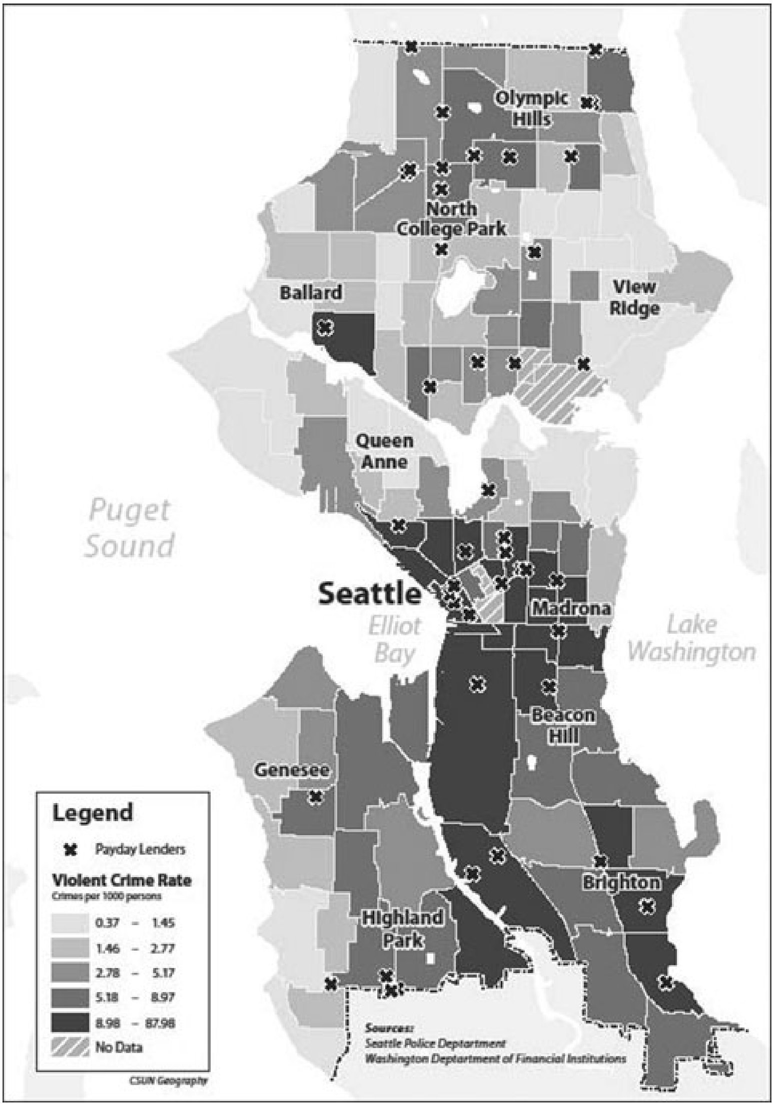
Descriptive Statistics and Correlations ($N = 116$ Census Tracts)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Violent crime rate (ln)	1.00	.80*	−.03	.74*	.45*	.63*	.25*	.45*	.48*	.75*	.62*	.56*	−.61*	.65*	−.63*
2. Property crime rate (ln)		1.00	−.23*	.44*	.38*	.75*	−.15	.58*	.56*	.64*	.41*	.25*	−.28*	.39*	−.29*
3. Total population			1.00	.08	.12	−.04	.22*	−.15	−.15	−.11	−.04	.08	−.22*	.12	−.12
4. Disadvantage index				1.00	.39*	.32*	.56*	.19*	.18	.80*	.87*	.71*	−.86*	.94*	−.93*
5. Young male rate (ln)					1.00	.51*	.13	.05	.20*	.46*	.23*	.18	−.44*	.40*	−.30*
6. Residential instability						1.00	−.28*	.46*	.34*	.65*	.23*	.09	−.23*	.31*	−.14
7. Female-headed households							1.00	−.29*	−.10	.17	.33*	.70*	−.56*	.48*	−.64*
8. Central business district								1.00	.24*	.42*	.31*	.02	−.05	.12	−.07
9. Payday lender rate									1.00	.30*	.19*	.05	−.17	.13	−.09
10. Poverty rate										1.00	.80*	.44*	−.55*	.70*	−.61*
11. Jobless rate											1.00	.54*	−.60*	.74*	−.77*
12. Percent Black												1.00	−.50*	.57*	−.65*
13. Percent professional													1.00	−.87*	.85*
14. Percent low wage														1.00	−.87*
15. Percent high-school graduate															1.00
Mean	7.69	73.74	4709	.00	6.30	.14	8.29	.08	.10	11.93	23.59	7.74	48.70	14.85	89.77
SD	11.60	78.00	1875	1.00	3.52	.86	5.27	.27	.24	9.16	8.25	10.11	13.30	7.46	9.45

Note. ln = measured in natural logarithm; means and standard deviations for all variables are expressed in nonlogged values for ease of interpretation.
$^*p < .05$.

FIGURE 1

Payday Lenders and Violent Crime Rates in Seattle, Washington



lending variable. In the second column of each table, we expand on that initial model by adding measures typically associated with neighborhood crime rates. In the third column, we present results from a model that accounts for the potential endogeneity of payday lenders through an instrumental variables estimator. Finally, we calculate the level of spatial autocorrelation in each of the prior models. Consistent with our

TABLE 2

OLS Regression Results for Violent Crime

	1 Baseline Model	2 Ecological Correlates Model	3 2SLS-IV Endogeneity Model
Payday lenders (ln)	.482***	.248***	.196**
	3.424	1.756	2.346
	(.582)	(.325)	(.658)
Neighborhood disadvantage		.442***	.431***
		.506	.494
		(.076)	(.075)
Young male rate (ln)		.023	.017
		.062	.046
		(.143)	(.141)
Residential instability index		.351***	.334***
		.469	.447
		(.087)	(.088)
Female-headed households		.182**	.188**
		.040	.041
		(.015)	(.014)
Central business district		.189***	.182***
		.806	.776
		(.221)	(.218)
Population size		−.028	−.018
		−.000	−.000
		(.000)	(.000)
Constant	1.098	1.478	.687
	(.104)	(.318)	(.283)
Model summary information			
R^2	.233	.808	.802
Adjusted R^2	.226	.742	—
D-W-H endogeneity test	—	—	1.08
Total number tracts (*N*)	116	116	116

Notes. Cell entries are standardized coefficients and unstandardized coefficients followed by standard errors in parenthesis. In the first stage of the 2SLS model, the excluded instrument predicting payday lenders is the number of FDIC lending institutions per 1,000 population (see Appendix A for full first-stage results).
$p < .05$; $^{**}p < .01$; $^{***}p < .001$.

objectives, this model-building strategy allows us to gauge the extent to which the observed relationship between payday lending and crime remains after controlling for other ecological correlates.

Baseline model. In the first model of Table 2, we find evidence, not surprisingly, of a statistically significant positive relationship between payday lending and violent crime. Also not surprisingly, we find evidence of a statistically significant positive relationship between payday lending and property crime, as indicated in the first model of Table 3. In essence,

TABLE 3

OLS Regression Results for Property Crime

	1 Baseline Model	2 Ecological Correlates Model	3 2SLS-IV Endogeneity Model
Payday lenders (ln)	.565***	.289***	.340***
	2.323	1.189	2.365
	(.318)	(.205)	(.466)
Neighborhood disadvantage		.207**	.171*
		.137	.114
		(.048)	(.054)
Young male rate (ln)		.010	−.010
		.016	−.015
		(.090)	(.100)
Residential instability index		.534***	.401***
		.355	.310
		(.055)	(.062)
Female-headed households		−.006	.016
		−.001	.001
		(.009)	(.010)
Central business district		.237***	.214**
		.587	.528
		(.139)	(.155)
Population size		−.149**	−.113*
		−.00005	−.00004
		(.00002)	(.00002)
Constant	3.842	4.061	3.952
	(.057)	(.179)	(.201)
Model summary information			
R^2	.319	.773	.704
Adjusted R^2	.313	.759	—
D-W-H endogeneity test			11.04**
Total number tracts (*N*)	116	116	116

Notes. Cell entries are standardized coefficients and unstandardized coefficients followed by standard errors in parenthesis. In the first stage of the 2SLS model, the excluded instrument predicting payday lenders is the number of FDIC lending institutions per 1,000 population (see Appendix A for full first-stage results).
$*p < .05; **p < .01; ***p < .001$.

these results suggest that across Seattle neighborhoods, as the presence of payday lenders increases, so do violent and property crime rates.

Ecological correlates model. In the second model, we introduce several measures typically associated with neighborhood crime rates. In line with prior research, regression results show that neighborhood disadvantage, residential instability, and female-headed households are all significantly positively associated with violent crime rates. Likewise, disadvantage and residential instability are significantly positively associated with property crime rates.

TABLE 4

Moran's I Test for Spatial Autocorrelation

Model	Dependent Variable	Technique	Moran's I	*Z* Score	*P* Value	Pattern
Social disorganization model	Violent crime rate	Contiguity	.03	.70	.48	Random
		Inverse distance	−.02	−.25	.80	Random
Social disorganization model	Property crime rate	Contiguity	.07	1.40	.16	Random
		Inverse distance	.05	1.41	.16	Random
Endogeneity model	Violent crime rate	Contiguity	.03	.72	.46	Random
		Inverse distance	−.02	−.15	.87	Random
Endogeneity model	Property crime rate	Contiguity	.08	1.50	.13	Random
		Inverse distance	.05	1.37	.17	Random

Moreover, whether the census tract is located in the CBD also matters for violent and property crime rates. Our CBD variable is significant and positive in both models. Most important, however, is that the inclusion of these variables does not eliminate the association between payday lending and crime. Although the coefficients for the payday lending variable are roughly cut in half in the violent and property crime equations, payday lending remains a significant predictor in both models. In fact, the standardized coefficients suggest that the effect of payday lending is fairly robust, with a magnitude that compares favorably with several neighborhood measures that have been considered important predictors of crime for a long time.

Using variants of the Moran's I test and several software packages, we next measured the potential effects of spatial autocorrelation within the OLS ecological model. We found that the effect of spatial autocorrelation was minimal in both analyses of violent and property crime, falling well below the threshold that might raise concern (see, e.g., Parker and Asencio, 2009: 208).

Table 4 reports the results of these tests, using a minimum threshold distance of 2,500 m and first-order contiguity models. As shown, the Moran's I scores, which are similar to a Pearson's *r* score, are low and in some instances slightly negative. Although typical in many cities, the lack of spatially autocorrelated data in Seattle appears because of its unusual physical geography. Unlike many cities, Seattle has numerous natural (e.g., bodies of water, hills, etc.) and manmade (e.g., bridges, freeways, etc.) barriers that seem to inhibit interaction. The map in Figure 1 helps make this point clear. This finding is consistent with other studies that have examined spatial autocorrelation and neighborhood crime rates in Seattle (e.g., Kubrin, 2000) and accounts for why previous researchers have not addressed autocorrelation directly in their analyses of Seattle neighborhoods (e.g., Crutchfield, Matsueda, and Drakulich, 2006; Rountree, Land, and Miethe, 1994; Warner and Rountree, 1997).

Endogeneity model. The third model in our investigation is an effort to explore the possibility that the payday lender rate is an endogenous regressor in our models. To account for endogeneity, we use an instrumental variables approach via 2SLS regression. Per our earlier discussion, in the first stage of the 2SLS analysis, the prevalence of payday lenders is instrumented by a single "excluded" instrument—the natural logarithm of FDIC banks per 1,000 persons—with the ecological variables specified as "included" instruments.

The results of this first-stage analysis, reported in Appendix B, are consistent with the bivariate evidence cited earlier and suggest that "FDIC banks" is a "relevant instrument" for the payday lender rate. Several statistics provide evidence of such relevance. First, the coefficient for the FDIC bank rate, which reflects its partial association with the payday lending rate (net of the other covariates), is positive and has a large and statistically significant t ratio. Second, we report an F test that also evaluates the relevance of the included instrument. This statistic is derived based on the R-squared of the first-stage equation after the included instruments have been partialled out (Baum, 2006: 207; see also Bound, Jaeger, and Baker, 1995). Previous research on instrumental variables (IV) methods has shown that, even when the instrument is a statistically significant predictor, bias might be found in the IV estimator because of limitations in the explanatory power of the instrument (see Baum, 2006; Staiger and Stock, 1997). Consequently, it has been suggested that, for a model with one endogenous regressor, an F statistic lower than 10 is problematic (Baum, 2006: 211). As shown at the bottom of the table in Appendix B, the F statistic in our analysis is 33—more than three times the minimum threshold suggested. Finally, we also present results of the Anderson canonical correlation underidentification test, which evaluates the null hypothesis that the equation is underidentified. In this case, the test statistic is large and statistically significant, thereby indicating a rejection of the null. In summary, these statistics imply that one of the two critical assumptions of IV analysis is supported in our data (i.e., that the instrument has a high partial correlation with the endogenous regressor). We note again, however, that the second assumption cannot be evaluated empirically, so findings and conclusions should be regarded as suggestive, not definitive.

Turning our attention to the second-stage regression results, reported as model 3 in Tables 2 and 3, our interest centers on whether the criminogenic effect of payday lenders remains evident in the instrumental variable analysis. Examining the results for violent crime first, the findings continue to indicate that the prevalence of payday lending institutions has a significant positive relationship with violent crime rates. Indeed, the results of the IV analysis mimic fairly closely the substantive results of the OLS analysis, both for the measure of payday lending as well as for the ecological variables. Moreover, a closer inspection of the coefficients in models 2 and 3 indicates that differences are not especially great. Intuitively, this similarity suggests that payday lenders might not be endogenous to violent crime. The "Durbin–Wu–Hausman (D-W-H) endogeneity test" reported at the bottom of Table 2 evaluates that idea.[14] In this case, the test is not significant, which suggests that little is changed by specifying payday lenders as endogenous to violent crime. Across model specifications, the evidence is consistent in indicating that payday lending is predictive of violent crime rates, controlling on a range of factors associated with neighborhood crime rates.

Looking next at the results for property crime, reported in the third model of Table 3, several findings are noteworthy. Most importantly, in big picture substantive terms, the results of the instrumental variables analysis differ little from OLS results. Payday lenders, neighborhood disadvantage, residential instability, population size, and location within the CBD all are significantly related to property crime rates in expected ways. Thus, the substantive issues most central to the current study seem unaffected by our efforts to model endogeneity in the relationship between payday lending and crime. However, differences in the magnitude of the coefficients in the OLS and IV analyses are more prominent in the property crime analyses than they were in the analyses of violent crime. For instance, the estimated effect of payday lending is roughly twice as large in the IV analysis compared with the OLS analysis. Given this difference, it is not surprising that the D-W-H test is statistically significant in Table 3. In essence, this test suggests systematic differences occur in the coefficients for the OLS and 2SLS-IV models. On the assumption that the instrumental variable is exogenous to the disturbance term of the property crime equation, this result is consistent with the idea that endogeneity exists in the relationship between payday lender prevalence and property crime rates. Nonetheless, our analyses suggest little reason to doubt that payday lending has an effect on property crime rates, net of our controls.[15]

Finally, to evaluate the potential for biases related to spatial processes in the endogeneity models, we once again measured the level of spatial autocorrelation using a variety tests. As before, these results suggest no appreciable evidence of unmeasured spatial effects in our analysis of violent or property crime rates. The results of tests for spatial autocorrelation in these models using Moran's I are listed in Table 4.

In sum, the results of our analyses indicate that payday lending is significantly associated with both violent and property crime rates. This relationship holds even after controlling for a host of factors typically associated with neighborhood crime rates. Moreover, the significant, positive relationship between payday lending and crime remains evident in models that attempt to deal with endogeneity as well as after concerns with spatial autocorrelation have been addressed.

14. It should be noted this test statistic also relies on the critical assumption that the instrumental variable is uncorrelated with the crime equation disturbance term.

15. We replicated the models substituting in the individual components of the disadvantage index to see whether the effects of payday lending remained. In all supplemental analyses, payday lending remained a significant predictor of violent and property crime rates. Results of these analyses are available on request.

Conclusion

Payday lenders in Seattle tend to be concentrated in communities where crime rates are higher. More importantly, the correlation between payday lending and violent and property crime remains statistically significant after a range of factors traditionally associated with crime have been controlled for and when other model specifications have been taken into account. The substantial costs that customers pay for using payday lenders have long been documented for a long time. Our findings indicate that important broader community costs also might persist—such as exposure to crime—that *all* residents pay when they reside in neighborhoods with a concentration of payday lenders. These costs suggest numerous policy implications.

Policy Implications

One critical public policy challenge is to preserve access to small consumer loans on an equitable basis and to do so in a way that does not enhance the danger to those in the community where these services are provided. This is a challenge not just for financial service providers and regulators, law enforcement authorities, or community development officials. Coordinated efforts should be launched to meet these objectives successfully. One approach would be to cap the interest rate that payday lenders are allowed to charge at 36% as several states have done and as Congress did with respect to loans given to members of the military and their families. (Credit cards, although not ideal for all consumers, currently offer cash advances for far less than the 36% annual percentage rate.) Although this approach would reduce many abusive practices often associated with payday lending, it would likely put many payday lenders out of business. This outcome raises the question of whether alternative financial institutions could step in and provide small consumer loans.

One credit union has found a profitable way to serve this function with a high-risk pool of borrowers. In 2001, the North Carolina State Employee's Credit Union (SECU) created the Salary Advance Loan (SALO) product that helps employees make it from paycheck to paycheck while building savings. Members who have their paycheck automatically deposited can request salary advances up to $500. The advance is repaid automatically the next payday. The annual percentage rate is 12%. Typical SALO borrowers have an annual income of less than $25,000 with account balances of less than $150. Two thirds take out advances every month. SECU has earned a net income of $1.5 million on a loan volume of $400 million with loan charge-offs of 0.27%. As Michael A. Stegman (2007: 183) concluded, this experience "shows that large institutions can market more affordable payday loan products to high-risk customers at interest rates that are a small fraction of prevailing payday loan rates." Credit unions around the country offer similar loans, generally with the proviso that borrowers also build a "rainy-day" fund with the credit provider.

Federal banking regulators could encourage larger financial institutions to offer similar services by giving credit to those lenders in their Community Reinvestment Act (CRA) examinations and evaluations. Under the CRA, federally regulated depository institutions are required to ascertain and respond to the credit needs of their entire service areas, including low- and moderate-income communities. Regulators take lenders' CRA records into account when considering applications for mergers, acquisitions, and other changes in bank lending practices (Immergluck, 2004). Providing CRA credit for offering small consumer loans on equitable terms would encourage more large institutions to do so.

State and local governments could enact zoning laws that limit the number of new payday lenders. Today 81 cities, 5 counties, and 19 states have enacted local ordinances limiting the location and density of alternative financial institutions like payday lenders, check cashers, and pawn shops. For example, in 2008, St. Louis passed an ordinance prohibiting check cashers and short-term loan operators from opening within 1 mile of an existing store and within 500 feet of a residence, elementary school, or secondary school (Standaert, 2009: 432). Similar rules could be targeted explicitly to payday lenders. Such zoning laws could reduce the extent to which neighborhoods become stigmatized as a result of the concentration of fringe banking institutions.

A more direct approach would be to establish a suitability standard prohibiting payday lenders from providing multiple loans to borrowers or from offering loan terms that are designed to entrap borrowers in a cycle of debt. Current FDIC guidelines that prohibit regulated banks working with third parties (like payday lenders) from issuing loans to borrowers with recent outstanding payday loan debts could be extended to cover all payday lenders.

Another immediate concern is the safety of those in neighborhoods where payday lenders are concentrated. Local law enforcement authorities should assess levels of criminal activity carefully in those areas and consider providing additional service at appropriate times. Not only would employees and customers of payday lenders benefit, but residents of the surrounding neighborhoods likely would enjoy safer streets as well. In turn, this change might attract other businesses and more residents to the area, stimulating broader economic and community development in many currently distressed areas. In essence, by reducing the social disorganization of such neighborhoods, a virtuous cycle could be launched that might bring lower crime rates and several associated benefits.

Research Implications

A growing body of research has been developing on the business operations of payday lenders, their customer base, and the linkages to other financial services. Not so widely researched are the potential neighborhood costs associated with such institutions. As detailed in this study, a spike in neighborhood crime rates is one probable cost, but other related costs also might be associated. Most problematic, perhaps, might be a depressing impact on local property values because crime has been shown to be associated with declining property values (Bowes and Ihlanfeldt, 2001; Gibbons, 2004; Thaler, 1978). If a concentration of payday lenders reduced property values (and it is difficult to imagine it would increase values), then this effect would reduce the equity and wealth of property owners. In turn, property tax revenues would decline and thereby require either a reduction in critical public services (e.g. schools, police, and fire protection) or an increase in taxes for local residents and businesses. It would be informative to know whether payday lenders have such an impact and, if so, to quantify that impact.

It also stands to reason that, in communities with significant concentrations of payday lenders, capital loss in the form of the so-called multiplier leakage might occur. In this scenario, capital crucial to local economic development efforts, or for simple circulation within the local economy, is siphoned off by payday lenders, most of which are owned by interests far removed from local branch operations. Compounding this, of course, is the fact that payday lenders are most prevalent in neighborhoods that already suffer from various types of disinvestment. Estimating the flight of capital from such communities because of the activity of payday lenders would provide valuable information for planners and regulators as well as for the research community.

Limitations of our study suggest several additional directions for future research. An obvious extension would be case studies of additional cities. We suspect that our findings are not unique to Seattle but that variations might be associated with the size, demography, regional location, industrial structure, and other city characteristics that affect the linkage between payday lending and crime. Unfortunately, uneven crime data and even poorer data on payday lenders constitute a key challenge.

How the payday lending–neighborhood crime link varies over time is also unknown. Payday lenders suddenly appeared on the map of virtually all major cities within the past 20 years. Depending on the trajectory of various political initiatives, their numbers could continue to grow or decline with equal speed. In the current study, we offer a snapshot. Longitudinal or pooled time-series work would offer the opportunity to flesh out this connection better. Moreover, relative to the limitations of the current analysis, such data likely would provide a better means of investigating the potential for reciprocal relationships between payday lenders and crime.

A final suggestion for future research involves expanding our model of neighborhood crime rates to include other potentially salient local institutions. Indeed, because of data limitations, we did not include measures of bars or recreational facilities, which previously have been linked to community crime rates. Although we believe incorporating such measures would not change the pattern of results, it is important for future research to account for the scope and diversity of local institutions when assessing the predictors of neighborhood crime rates.

A Final Word

Access to a wide range of financial services on fair and equitable terms has become a major public policy issue as well as the topic of much social science research in recent years. Payday lenders constitute part of the growing web of fringe bankers that have been concentrated in low-income and disproportionately minority communities, although they have begun to expand into working- and middle-class communities as well. The cost of these services to individual borrowers and families has been evident for a long time, often quantified with some precision. Although not understood with the same level of specificity, the broader neighborhood costs are becoming recognized as facts of life in the nation's metropolitan regions. The link between payday lending and neighborhood crime, in fact, should come as no surprise. How we choose to respond to that connection, if we choose to respond at all, remains to be determined.

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Charis E. Kubrin is an associate professor of sociology at George Washington University and a research affiliate at the George Washington Institute of Public Policy. Her research focuses on neighborhood correlates of crime, with an emphasis on race and violent crime. Charis is coeditor of *Crime and Society: Crime, 3rd Edition* (Sage, 2007) as well as coauthor of *Researching Theories of Crime and Deviance* (Oxford University Press, 2008) and *Privileged Places: Race, Residence, and the Structure of Opportunity* (Lynne Rienner, 2006). Her work has been published in various academic journals, including *American Journal of Sociology*, *City and Community*, *Criminology*, *Criminology & Public Policy*, *Homicide Studies*, *Journal of Quantitative Criminology*, *Journal of Research in Crime and Delinquency*, *Justice Quarterly*, *Men and Masculinities*, *Social Forces*, *Social Problems*, *Social Science Quarterly*, *Sociological Perspectives*, *Sociological Quarterly*, and *Urban Studies*. In 2005, Charis received the American Society of Criminology's Ruth Shonle Cavan Young Scholar Award.

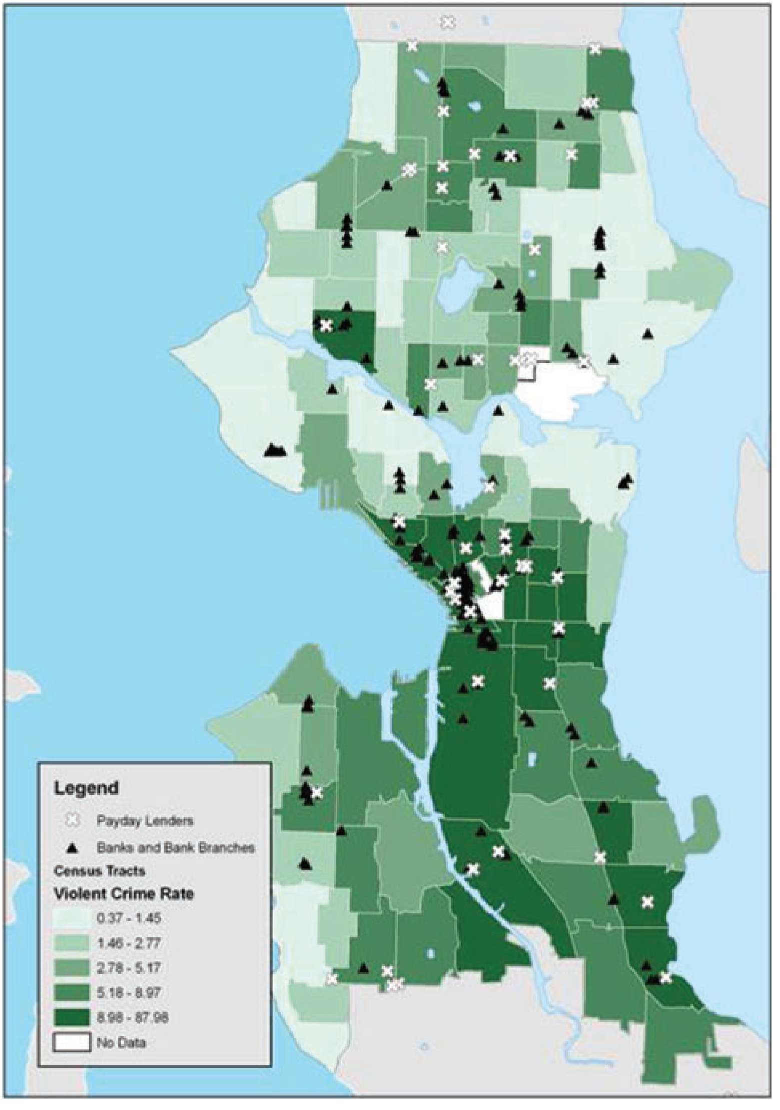
Gregory D. Squires is a professor of sociology and public policy and public administration at George Washington University. His research has focused on racial inequality and uneven metropolitan development with a focus on the role of financial institutions in shaping the opportunity structure in the nation's metropolitan regions. Recent publications include *Privileged Places: Race, Residence, and the Structure of Opportunity* (Lynne Rienner, 2006) and *The Integration Debates: Competing Futures for American Cities* (Routledge, 2010). He currently serves on the Social Science Advisory Board of the Poverty & Race Research Action Council, the Board of the Woodstock Institute, and the Advisory Board of the Fair Housing Legal Support Center at John Marshall Law School.

Steven M. Graves teaches a wide range of geography courses at California State University, Northridge. His primary research interests are in cultural and economic geography, but he also has ongoing research projects involving access to healthy foods, popular culture, and the vernacular built environment. Recent publications include a variety of studies on the site location strategies of predatory lenders as well as the origin and spatial history of hip-hop music.

Graham C. Ousey is the Arts and Sciences Distinguished Professor of Sociology at the College of William and Mary. His current research focuses on testing theories of the social ecology of violence, the links between criminal offending and victimization, and factors associated with cross-national variation in punitive attitudes. His previous research appears in numerous outlets, including *Criminology*, *Social Problems*, *Journal of Research in Crime and Delinquency*, *Journal of Quantitative Criminology*, *Justice Quarterly*, *Journal of Interpersonal Violence*, *Homicide Studies*, *Violence & Victims*, *The Sociological Quarterly*, and *Social Forces*.

APPENDIX A

Payday Lenders, FDIC Banks, and Violent Crime Rates in Seattle, Washington



APPENDIX B

First-Stage Model of Payday Lenders (ln)

Excluded Instrument	Coefficient	Standard Error
FDIC banks per 1,000 (ln)	.262***	.046
Controls		
Neighborhood disadvantage	−.015	.021
Young male rate (ln)	.069	.038
Residential instability index	.014	.023
Female-headed households	.002	.004
Central business district	−.043	.059
Population size	−.000008	−.000007
Summary results for first-stage regression		
Partial R^2 of excluded instrument	.234	
F test of excluded instrument (1,108 degrees of freedom)	33.00*	
Anderson canon. corr. underid. test	27.15*	

***$p < .001$.

ITEM # 28
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: SOUTHEAST 16TH STREET TAX ABATEMENT POLICY

BACKGROUND:

On February 28, 2012, staff reported to Council regarding a request from Brad Deery to consider granting tax abatement for their proposed development at the southwest corner of Southeast 16th Street and South Dayton Road. Because the property has been flooded in the past, it is their intent to raise the elevation of 11.5 acres of the 26-acre site above the road level using earth excavated from the floodway portion of the site. The Zoning Board of Adjustment approved that excavation in the floodway on March 14.

The Deerys intend to subdivide the land into three lots. Once this site work is completed, they intend to begin construction of a car dealership on the middle lot. Since uses for the remaining two lots have yet to be identified, development of these two lots most likely will occur at a later date. In order to offset some of the expense of excavation and fill for the development of these three properties, Mr. Deery requested that the City Council grant tax abatement.

On February 28, the City Council directed staff to develop a policy establishing qualifying criteria for an economic development tax abatement area that would specifically include the following criteria:

a) Property located along Southeast 16th Street between South Duff Avenue and Dayton Road,

b) The costs for raising land at least three feet out of the floodway fringe are equal to or greater than the value of the abatement,

c) An engineer's certificate showing that raising the land would have no impact on surrounding properties, and

d) Any other criteria that staff feels are necessary.

Code of Iowa Chapter 404 provides authority for municipalities to establish Urban Revitalization Areas and associated Plans as the mechanism for providing tax abatement in areas which the City Council has identified for economic development. Staff has developed the attached policy for City Council to consider for guiding the establishment of an Urban Revitalization Areas along Southeast 16th Street (see Attachment A).

Criterion #1
Because the Council directed that the abatement criteria include filling property above the base flood elevation, the only parcels along Southeast 16th Street between South Duff Avenue and Dayton Road that would be eligible are properties wholly or partly within the Floodway Fringe zoning overlay district, which Attachment B illustrates. **The Council should note that the Deery property is not one of the parcels within the floodway fringe as established by FEMA in 2008. However, staff believes this was an oversight on FEMA's part.**

Criterion #2
It should also be emphasized that the City Council directed that the qualifying criteria would specifically relate to the costs for <u>raising land at least three feet out of the floodway fringe</u>. However, because the Deery property is outside of the floodway fringe, the Council's direction would not apply to this property. In an effort to fulfill the spirit of Council's direction, staff is recommending that the FEMA-established base flood elevation of **adjacent** properties (884 feet) within the floodway fringe be used. **Therefore, the qualifying criterion for this issue references the elevation of 887, rather than three feet above the base flood elevation.**

Council also directed that an engineering study be provided showing that raising the land would have no impact on surrounding properties (See Criterion #2a on Attachment A). It is important to note that **any** filling in the floodplain will have impact on surrounding properties that have yet to be filled. **Therefore, this proposed policy of the Council could never be met.**

As an alternative, staff is providing Criterion #2b on Attachment A that requires an engineer to certify that the filling of the land will have no impact on surrounding properties beyond that impact already anticipated in establishing the Base Flood Elevation (a maximum rise of one foot).

Criterion #3
As stated above, the City Council directed that the criteria would specifically relate the <u>costs</u> for raising land at least three feet out of the floodway fringe to the amount of tax abatement received. Therefore Criterion #3 requires an engineer-certified cost estimate of flood protection measures to protect the improvements up to elevation of 887 feet. Working with the City Assessor, staff will provide estimates of the value of the tax abatement based on the three-, five- and ten-year tax abatement schedules that the City uses for all other Urban Revitalization Programs which allow the City Council to determine eligibility. Under Criterion #3, the estimated abatement value may not exceed the estimated cost of flood protection.

Criterion #3a, as proposed, allows for abatement related only to the costs of filling to elevation 887. The City Council should decide whether or not to offer the abatement for costs that exceed this local elevation requirement. It appears, for example, that Mr. Deery is seeking abatement beyond this minimum. **Criterion #3b would allow for tax abatement regardless of the level of fill brought on to the site.**

It should be emphasized that the Council's requirement that the cost of fill exceeds the tax abatement benefit received is a qualifying criteria. This calculation is based on the estimated cost for the fill work and projected assessed value of a proposed project. It is possible that, after the abatement is certified by the City Assessor. it may be determined that the actual value of the improvements or cost for fill are different from the original estimates. However, at that time it will not be possible to deny the abatement. Therefore, a technique to protect the City from this situation would be to require a Developer Agreement that would provide for the property owner to make annual payments back to the City during the life of the abatement for any amount of the total abatement that exceeds the cost of raising land out of the floodway fringe. **The Council will have to decide if you want to institute this contractual strategy, eliminate this qualifying criterion, or merely rely on the original estimates without verification at a later date.**

Criterion #4
Commercial areas usually include public sidewalks along the street. Public sidewalks are important for providing access to all users for commercial services, for continuity and connectivity in the walkable community as a whole, and in this location because of all of the visitors to the community who stay at the hotels at the east end of Southeast16th Street. When new areas are developed, the subdivision regulations require the property owner or developer to construct the sidewalk.

A shared use path already exists along the north side of Southeast 16th Street and across the bridge, but no sidewalk exists along the south side. For the property on the south side of Southeast 16th Street and **west** of the Skunk River, a rezoning agreement approved on May 11, 2010 requires a sidewalk be constructed as the property develops. **Since the parcels on the south side of Southeast 16th Street and east of the Skunk River already exist, and thus no subdivision process may be needed, and because the property is already zoned as Highway Oriented Commercial, there may be no future opportunity to require sidewalks along this frontage. Therefore, the proposed Criterion #4 for tax abatement requires installation of the public sidewalk.**

Criterion #5
At that February 28 meeting, the City Council also discussed tax abatement as an incentive to initiate commercial development on the Southeast 16th Street corridor where infrastructure improvements have already been made. The Highway-Oriented Commercial Zoning permits a wide variety of uses (See Attachment C). Some uses may be more appropriate than others for stimulating commercial development along this major entry corridor into the community. For example, a retail sales use is more likely than wholesale trade to create customer activity that will attract other retail development.

Criterion #5 excludes the following uses from being eligible for tax abatement:

Wholesale trade
Mini-storage warehouse facilities
Transportation, communications, and utility uses
Institutional uses
Adult entertainment businesses
Detention facilities
Agricultural or industrial equipment sales
Agricultural and farm related activities

This list of ineligible uses is similar to that used in other Urban Revitalization policies in the City. **The City Council may want to consider designating other permitted uses listed on Attachment C as ineligible for consideration.** While improvements constructed for ineligible uses would not qualify for tax abatement, property owners would still have the right to develop all uses permitted within the zoning district. Council should note, however, that once an Urban Revitalization Area and Plan are adopted for construction of improvements for an eligible use, the abatement will continue for the remainder of the abatement schedule even if the eligible use is discontinued at that site. Here again, a technique to protect the City from this situation could be to require a Developer Agreement that would provide for the property owner to make annual payments back to the City during the life of the abatement for any years in which the property is used for an ineligible use.

In order to provide the information necessary to determine compliance with all five of the proposed criteria, it will be necessary for a Minor Site Development Plan and architectural floor plans and elevations to be prepared and approved by staff and submitted to the City Council as part of each Urban Revitalization Plan.

ALTERNATIVES:

1. City Council can approve the proposed policy for establishing Urban Revitalization Areas and Plans on Southeast 16th Street as described by Attachments A and B.

   In order to accomplish this action, the City Council will need to select one of the alternatives for Criteria 2 and 3 and, if desired, add other exempted uses suggested in Criterion 5.

2. City Council can approve the proposed policy for establishing Urban Revitalization Areas and Plans on Southeast 16th Street as described by Attachments A and B, *with modifications*.

3. City Council can refer this issue to staff for further information.

4. City Council can choose to not adopt a policy for establishing Urban Revitalization Areas and Plans on Southeast 16th Street.

MANAGER'S RECOMMENDED ACTION:

The City has invested several million dollars in infrastructure to provide for quality commercial development along this entryway corridor into Ames. To date, no projects were proposed until Deery Brothers began planning for a new auto dealership here. Deery Brothers emphasized to the Council that the significant additional costs that are needed to protect new development from future flooding are a possible impediment to that project and to other commercial projects in this area. As a result of this input, the City Council directed staff to create criteria for a possible urban revitalization program along S.E. 16th Street.

Assuming it is Council's intent to approve such a policy, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the proposed policy for establishing Urban Revitalization Areas and Plans on Southeast 16th Street as described by Attachments A and B. In order to accomplish this action, the City Council will have to select one of the Alternatives for Criteria 2 and 3 and, if desired, add other exempted uses suggested in Criterion 5.

NEXT STEPS:

Should the City Council approve the Urban Revitalization Policy, the following steps would be necessary for any eligible project to take advantage of this incentive:

1. Developer prepares Minor Site Development Plan and architectural floor plans and elevations.

2. Developer works with the staff Development Review Committee for approval of these plans.

3. If the proposed project complies with attached policy, developer presents these plans to the City Council and Council sets a date for a public hearing on establishing the project site as an Urban Revitalization Area and approving an Urban Revitalization Plan for that site. The Minor Site Development Plan and architectural floor plans and elevations, and other requirements as determined by the City Council, serve as the Urban Revitalization Plan. State law requires 30 days prior notice for this hearing.

   At this step the staff will create a developer agreement that will address the payback issues described in Criterion 3.

4. City Council conducts the hearing and approves the first reading of an ordinance establishing the Urban Revitalization Area and approves a resolution approving the Urban Revitalization Plan. In addition, Council would also approve the developer agreement at this step.

5. City Council approves the second and third readings of the ordinance establishing the Urban Revitalization Area.

6. Developer constructs the project. (Under state law, to be eligible for tax abatement, improvements cannot begin until the Urban Revitalization Area and Plan are approved.)

7. Upon completion of the project as described by the approved Urban Revitalization Plan, the developer applies for tax abatement.

8. City Council typically approves properties for tax abatement at its first meeting in February as a consent agenda item.

9. City forwards tax abatement approval to the City Assessor, who determines the final value and establishes the abatement.

ATTACHMENT A

URBAN REVITALIZATION POLICY

SOUTHEAST 16TH STREET

The City Council will consider establishing Urban Revitalization Areas and Plans for properties that meet all of the following qualifying criteria:

1. The properties have frontage on Southeast 16th Street between South Duff Avenue and South Dayton Avenue.

2a. Fill or other flood proofing will be placed on the site up to an elevation of, at least, 887 feet (NGVD29), when an engineer registered in Iowa provides written certification that raising the land would have no impact on surrounding properties.

or

2b. Fill or other flood proofing will be placed on the site up to an elevation of, at least, 887 feet (NGVD29), when an engineer registered in Iowa provides written certification that raising the land would have no impact on surrounding properties beyond that impact already anticipated in establishing the Base Flood Elevation.

3a. The cost of placing fill or flood proofing up to an elevation of 887 feet is expected to be equal to or greater than the value of the total tax abatement to be received under the Urban Revitalization Plan, as estimated by the City Assessor.

or

3b. The cost of placing fill or flood proofing up to an elevation of 887 feet or above is expected to be equal to or greater than the value of the total tax abatement to be received under the Urban Revitalization Plan, as estimated by the City Assessor.

4. A public sidewalk is to be constructed along the south side of Southeast 16th Street adjacent to the property.

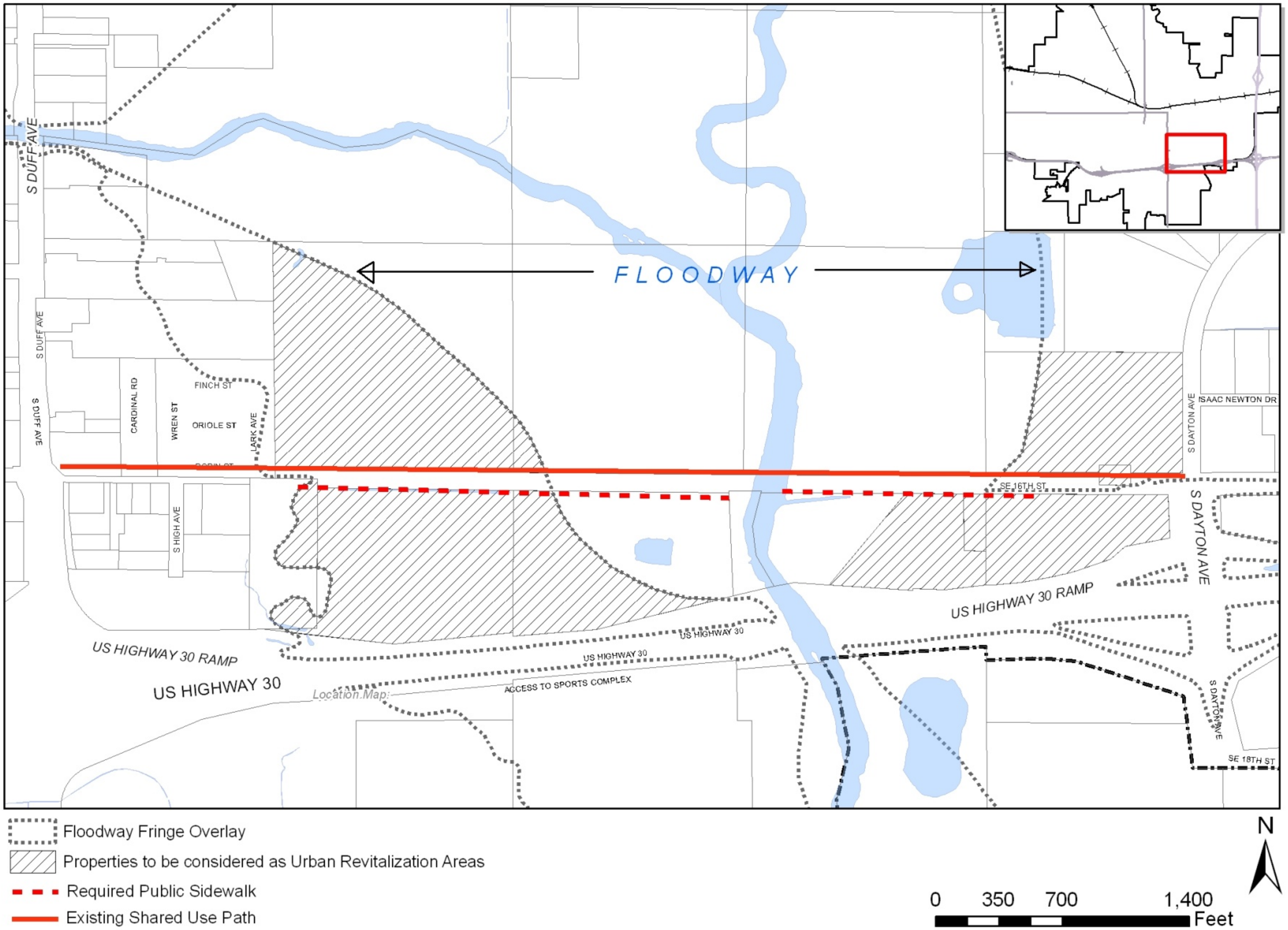
5. The property will be used for uses permitted in the applicable zoning district except for the following as further defined and described in the Ames Zoning Ordinance:

   a. Wholesale trade
   b. Mini-storage warehouse facilities
   c. Transportation, communications, and utility uses
   d. Institutional uses
   e. Adult entertainment businesses
   f. Detention facilities
   g. Agricultural or industrial equipment sales
   h. Agricultural and farm related activities

[City Council may want to consider other exceptions from the list of uses currently permitted in the Highway-Oriented Commercial zoning district shown on Attachment C.]

ATTACHMENT B

SE 16th Urban Revitalization Program



ATTACHMENT C
Permitted Uses in the
Highway Oriented Commercial Zoning District

- RESIDENTIAL USE CATEGORIES
  - Short-Term Lodging
- OFFICE USE CATEGORIES
  - Banking and bank-related services
  - Brokerage houses
  - Data processing centers
  - Government offices
  - Insurance services
  - Lenders and credit services
  - Public utility offices
  - Real estate and related services
  - Sales offices
  - General office uses
  - Medical and dental clinics, laboratories and offices
  - Professional service offices such as: Accountants, Architects, Engineers, Lawyers
  - Television and radio studios
  - Accessory Uses - Cafeterias, health facilities, and other amenities primarily for the use of employees or visitors of the firm or building
- TRADE USE CATEGORIES
  - Automotive and Marine Craft Trade
  - Entertainment, Restaurant and Recreational Trade
  - Retail Sales and Services–General
  - Wholesale Trade
- INSTITUTIONAL USE CATEGORIES
  - Colleges and Universities
  - Community Facilities
  - Funeral Facilities
  - Medical Centers
  - Religious Institutions
  - Social Service Providers
  - Parks and Open Areas
- TRANSPORTATION, COMMUNICATIONS AND ESSENTIAL SERVICES USE CATEGORIES
  - Basic Utilities
  - Commercial Parking
  - Passenger Terminals
  - Radio and Television Broadcast Facilities
  - Personal Wireless Service Facilities

- Rail Lines and Utility Corridors
- MISCELLANEOUS USE CATEGORIES
    - Adult Entertainment Facilities
    - Agricultural and Farm Related Activities
    - Commercial Outdoor Recreation
    - Detention Facilities
    - Major Event Entertainment
    - Vehicle Service Facilities
    - Child Day Care Facilities
    - Sports Practice Facilities

April 5, 2012

Mayor Ann Campbell & Ames City Council Members
City of Ames
515 Clark Street
Ames IA 50010

RE: SE 16th Street Tax Abatement Project

Dear Mayor Campbell,

The Ames Economic Development Commission (AEDC) would like to reiterate its support of the SE 16th Street Tax Abatement Project. Although much of the discussion around this project has focused on the Deery project, please understand that we also support the entire SE 16th Street Tax Abatement Project which is before you at your April 10, 2012 meeting.

The Deery project, which will create 40 well-paid positions and will not negatively impact the floodway, is a huge benefit to our community. Additionally, a larger benefit comes from supporting development along this highly visible corridor that has remained undeveloped even with the significant investment made by the City of Ames in recent years.

Ultimately we see this project as a catalyst that will encourage other investment that will aesthetically upgrade this gateway to our community opening the opportunity to create additional jobs for the future.

Thank you for your consideration.

Sincerely,

Daniel A. Culhane, CEcD, CCE
President & CEO

CC: Tom Wacha, Ward I
Jami Larson, Ward II
Jeremy Davis, Ward III
Victoria Szopinski, Ward IV
Matthew Goodman, At-Large
Peter Orazem, At-Large
Steve Schainker, City Manager

UNIVERSITY COMMUNITY OPPORTUNITY
AMES

ITEM: 29
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: UNION PACIFIC RAILROAD CROSSING REPAIRS (DUFF AVENUE)

BACKGROUND:

At a previous meeting, the City Council directed staff to meet with Union Pacific Railroad (UPRR) officials in an attempt to convince them to improve the Duff Avenue crossing. On March 23, 2012, City staff met on-site with maintenance crews from the UPRR. The UPRR staff who attended the meeting indicated that in addition to previous installation issues with the asphalt at the crossing, the precast panels at the crossing have settled resulting in an unacceptable amount of deflection in the rails through the crossing. **Due to these findings, the UPRR has identified the need for total replacement of the crossing, from the surface through to the sub-grade below.**

The Municipal Code requires City Council to approve temporary closures of those streets that are classified as Arterials, or are active CyRide routes, which is the case with Duff Avenue. **The UPRR identified the weeks of May 7 and May 14 as potential dates to schedule the replacement of the crossing.**

Staff was informed that the replacement of the crossing would require approximately one week to complete, during which Duff Avenue will need to be closed to vehicular traffic. Due to the heavy train traffic seen on the east-west mainline, UPRR makes their best effort to coordinate repair work with the normal train deliveries that occur. Recent experience with similar coordination efforts has resulted in the need for flexibility on the part of staff to be able to administratively change the date of the closure, as needed.

Since the Duff Avenue crossing has a Quad-Gate system, the replacement of the detection system associated with the gates will require special fabrication of vehicle detection loops that must be made specifically for this crossing. This special fabrication contributes to the inability to specify a certain date of closure at this time. **Therefore, it is recommended that City Council delegate to staff the ability to administratively close the Duff Avenue railroad crossing.** Staff will coordinate the placement of all appropriate temporary traffic control measures, and will also work with the City's Public Relations Officer to notify the public throughout the duration of the project.

ALTERNATIVES:

1. Delegate to staff the ability to administratively approve the closure of the Duff Avenue railroad crossing to facilitate the UPRR replacement of the crossing.

2. Direct staff to work with UPRR in finding an alternate date to conduct the repairs.

MANAGER'S RECOMMENDED ACTION:

By granting staff the ability to administratively close the Duff Avenue railroad crossing, City Council would be facilitating the best possible coordination between the City and the UPRR for the project. It will provide the flexibility needed to minimize the potential impacts to the citizens of Ames through up-to-date, accurate traffic information during the closure.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby delegating to staff the ability to administratively approve the closure of the Duff Avenue railroad crossing to facilitate the UPRR replacement of the crossing.

ITEM # 30
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: DRAINAGE DISTRICT WASHINGTON #59

BACKGROUND:
On February 1, 2012 the City of Ames received letters from Scott Wall, Drainage Clerk with Story County, indicating that the Story County Board of Supervisors, acting as Drainage District Trustees, intend to transfer control of three drainage districts to the City of Ames. The Iowa Code authorizes the Supervisors to transfer drainage districts to a City under the following circumstances:

> "If the board of supervisors of any county at any time finds that twenty-five percent or more of the total area of any established drainage district is located within the corporate limits of any city, that the district's drains are wholly or partially constructed of sewer tile, and that the district's drain or drains are needed or being used by the city for storm sewer or drainage purposes, the board may by resolution transfer to the city control of the entire drainage district, including the portion outside the corporate limits of the city." §468.322

The Iowa Code further provides that the City has a duty to accept control and administer any drainage district properly transferred:

> "It shall be the duty of the governing body of any city to accept control of and thereafter to administer a drainage district properly transferred to the city, commencing on the date specified in the resolution of the county board of supervisors certified to the governing body as provided in section 468.323, or at such later date as may be agreed to by the county board upon request of the governing body." §468.322

Therefore, it is important for the City at this time, prior to any action being taken by the Supervisors, to determine whether each drainage district meets the standards set out in the Code.

The first drainage district under question is labeled Drainage District Washington #79. This drainage district is located in the Worle Creek watershed area. When City staff reviewed the Code of Iowa requirements and compared the makeup of the drainage district infrastructure, it was found that this district does not contain any tile. As the Code indicates, the district must be wholly or partially constructed of sewer tile in order for the district to have the ability to transfer jurisdiction to the city. The City Attorney notified the Supervisors of the City's conclusion, which the Drainage Clerk acknowledged. **Therefore, the Story County Board of Supervisors, acting as the Drainage District Trustees, will retain control of this first drainage district.**

The second drainage district under question is labeled Drainage District Ontario #63, which is located in the area around North Dakota Avenue and Ontario Street. In comparing information provided by the County with the City of Ames storm sewer system; there were no locations where the two systems connect. The City's storm sewer system was constructed in accordance with current standards and specifications and is a stand-alone system. **A letter has been sent to the Drainage District Trustees/Drainage Clerk notifying them of this system independence, which City staff has concluded does not meet the Code language for transfer of jurisdiction. The Trustees have acknowledged receipt of the letter, but the Drainage Clerk has not yet responded officially.**

The final drainage district under question is labeled Drainage District Washington #59. This drainage district includes the Ames Municipal Airport and Teagarden/Southdale Subdivisions in the south part of Ames. Approximately 67% of the drainage district lies within the Ames corporate limits, and the other 33% is in the county. In the mid 1980s, the City of Ames and the Drainage District came to an agreement for a joint project that rehabilitated the drainage tile in connection with a stormwater drainage project that the City of Ames was completing. **(At the time of the joint project, Ames Mayor Paul Goodland requested that the Drainage District Trustees delay transfer of the District to the City of Ames until after the project was completed. The agreement expired December 31, 1985, but the Trustees did not take any action at that time to transfer jurisdiction to the City.)** City staff investigated the City's storm sewer system and found one location where the drainage tile may be connected into the upper reach of our storm sewer system. However, rather than the City using the Drainage District's tile, it appears that the drainage district's tile is flowing into the City's storm sewer. **If further investigation verifies this conclusion, and if the district's drains are not being used by the City for drainage purposes, then this drainage district also fails to meet the legal standard for transfer to the City.**

It should be emphasized that before the Trustees can complete any transfer of jurisdiction, they must first make findings that each drainage district meets the standards set out in the Iowa Code and then pass a resolution transferring jurisdiction to the City.

The Iowa Code states that:

> "Once a drainage district is properly transferred to a city, the Iowa Code provides that the city council assumes control, supervision, and management of the district in the same manner and with the same powers that were previously conferred on the board of supervisors." Iowa Code §468.326
>
> "The city council may use the drainage district for any purpose that it deems proper and necessary for the advancement of the city or its health or welfare, and the city shall be responsible for the maintenance and upkeep of the drainage district." Iowa Code §468.325

Therefore, should the City need to accept transfer of the district, additional responsibilities could include locating, inspection and maintenance of the drainage tile to ensure that the tile functions. This would be necessary especially considering that Story County has not located, cleaned and inspected the tile for decades. **Given our lack of experience maintaining this type of system, it is very difficult to estimate the additional cost or personnel time that the City will be assuming each year.**

The City's Municipal Engineer attended a meeting to gather information being provided from the Drainage Clerk and Trustees. At the meeting, the Trustees indicated that they intend to transfer jurisdiction to municipalities who can then make decisions where there are urban areas/city residents who have different expectations than they are used to when dealing with County officials. Additionally, they emphasized that the area where tile lies within the corporate limits enables City staff to more easily see improvements that need to be made rather than County staff. The Trustees indicated that the Auditor's Office would still levee the assessments for the drainage districts even if transferred.

At the meeting, the Trustees were still considering the transfer of jurisdiction of nine drainage districts to six communities. In response to the letter sent regarding Ontario #63 within Ames, they indicated that they were not concerned about this drainage district since it has been inactive for a long time, and that they heard the City's position that it does not meet the Code terms for being transferred. The Trustees indicated that they would take final action at a later meeting.

As for Washington #59, the Trustees indicated that there has been land activity within the City in recent times. (The landowner recently did some land grading just west of US Hwy 69, which was over a drainage district tile). They also indicated that when the City and Drainage District completed a joint project in the mid 1980's, there was talk about transfer at that time but the City had asked them to delay that transfer. Toward the end of the meeting, the Trustees moved to further consider the transfer of five drainage districts within four communities, including Washington #59 in Ames. They indicated that they would get copies of all records for Washington #59 to Ames staff by April 6, 2012; and have set a date of hearing for April 24, 2012 during the morning Board of Supervisors meeting. Upon taking action on April 24, 2012, they could then transfer jurisdiction between 30 to 90 days from that time.

On March 30, 2012 the Municipal Engineer received a package from the Drainage Clerk that contained files for Washington #59. The file indicates that in 1913 a total length of 18,936 lineal feet of 6-inch, 8-inch, 10-inch, 14-inch, 18-inch and 20-inch sections of Grade 1 vitrified salt glazed drain tile was installed. Periodically Story County crews have had to respond to fix sections that have blown out and in the mid 1980s the Drainage District and City of Ames partnered to complete some further repair. Overall, the original 1913 sections of pipe still make a majority or the system. The file indicates that there is an account balance in the amount of $811.30 as of March 1, 2012. It is unknown that this time what would happen to that balance.

During the informational meeting that the Municipal Engineer attended, Story County staff including the County Engineer indicated that they have no idea of the condition of the tile within the district. They said that it has not been televised nor cleaned, so there is no absolute knowledge if the tile if fully functional at this time. If the tile that still remains is in disrepair it could be a rather large project that the City would have to undertake to repair the tile. The project could be an assessment project to the drainage district properties including those located each in the City limits and in the County.

ALTERNATIVES:

1. Direct staff to attend the April 24, 2012 Board of Supervisors meeting and oppose the transfer of Drainage District Washington #59.

2. Direct staff to attend the April 24, 2012 Board of Supervisors meeting and accept the transfer of Drainage District Washington #59.

MANAGER'S RECOMMENDED ACTION:

While the staff appreciates the Board of Supervisor's desire to transfer the decision-making authority for a drainage district partially within a city to the municipal governing body, the staff does not see any benefit at this time to the City assuming responsibility for the management and maintenance of any of the three drainage districts.

Our reluctance to assume these additional responsibilities is influenced by the following three factors:

1) It appears the drainage systems have received very little maintenance or improvements over the years which will most likely result in a very costly project(s) to renovate the system. This fact will require significant staff time to communicate these needs and justification to impacted property owners as well as receive their concerns.
2) Portions of all of districts are outside of the city limits. Therefore, City staff will be required to communicate with County residents about any proposed assessments. These residents will likely be confused about not being able to interact with their County elected representatives if they have questions or concerns.
3) The City staff lacks the expertise, equipment, and time to assume this new maintenance responsibility for rural drainage systems.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby directing staff to attend the April 24, 2012 Board of Supervisors meeting and oppose the transfer of Drainage District Washington #59.

DRAINAGE DISTRICT MEETING
DISTRICTS IN CITIES
MARCH 20, 2012

The Story County Drainage District Trustees met in the Public Meeting Room in the Story County Administration Building to answer questions and receive feedback on a proposal to transfer control of several drainage districts to the cities which are included within their borders. Members present were Wayne Clinton, chair, Rick Sanders, and Paul Toot. Also present were Huxley Public Works Director Jeff Peterson and Neil Guess from Bolten & Menk, Inc., Jodi Meredith from the City of Kelley, Harold Hovick from the City of Roland, Ames City Engineer Tracy Warner, County Engineer Darren Moon, and Drainage Clerk Scott Wall.

Clinton opened the meeting at 6:30 p.m. He asked that those present introduce themselves and say which community they were representing. He stated this meeting was to hear any concerns and questions from those present prior to setting a date to transfer control of the districts under consideration. Those districts are Washington #59 and Ontario #63 in Ames, Union #38 in Cambridge, Palestine #24 and Huxley Extension #24 in Huxley, Washington-Palestine #28 in Kelley, Roland #50 in Roland, and Story City #53 and Lafayette #106 in Story City. The county has received letters (on file in the Auditor's Office) from several of the cities requesting more information which has led to this meeting. He asked Wall to give some background on how we've gotten to this point.

Wall summarized the Iowa Code Section allowing the drainage district trustees to transfer district control to cities which encompass 25% or more of a district. There are 9 districts in 6 cities under consideration out of 119 total districts in the county. Many of those also include land inside city limits but do not meet the 25% threshold. The county engineer's crews perform simple repairs and maintenance in drainage districts and it can cause questions from city residents when they see county employees working inside their city. The goal of the transfer of control is not to absolve the county of all duties with regard to the districts but to give the cities administrative control over what is already happening within their borders. The trustees would relinquish their role as would the county engineer but the Auditor would still maintain the district accounts and send out levy notices and the Treasurer would still collect the levy payments. We would also assist the cities with any questions they might have going forward.

Sanders interjected that he viewed this as a local control issue. The cities are more aware of what is going on inside their borders than the county so why shouldn't they have more say in the operation of these districts? This is a no-cost issue for the cities as they would levy the districts for the cost of maintenance and administration would be minimal as Wall will still perform most of his duties regardless of who controls the district. He referenced the situation in Story City where that community had tied storm sewer into the drainage tile and permitted housing construction near or on the tile without the county's knowledge. Wall added that the county relies on the residents of the districts to notify them of problems. In a city the people typically go to the city government and it is a city representative who ends up calling the county about problems with the tile.

Moon said cities like Ames and Story City are already working on the tiles and increasing their capacity in some cases which is, technically, illegal but not necessarily wrong. Particularly in Story City, the county has had to go in and remove trees from people's yards and that is a whole different issue from removing trees in the country. His department performs basic maintenance in drainage districts but he pointed out when the Code of Iowa refers to the engineer that is not him. It refers to an engineer hired by the district to perform whatever service the district requires as the trustees do now with Fox Engineering in Ames.

Clinton asked that the cities comment on their concerns alphabetically as they appear on the agenda. Ames has already sent a letter (on file in the Auditor's Office) concerning Ontario #63 stating why it does not meet the Code requirements for control by the city.

Warner said the letter from the Ames City Attorney addressed their concerns regarding Ontario #63. These concerns apply to Washington #59 as well. She asked what information the county was using to determine that Ames is using the district tile for drainage. Sanders said he didn't think there was any empirical evidence but since there is a tile system in place it must be draining something. Since the city has investigated Ontario #63 and has storm sewers in place to take care of moving water away why does there even need to be a district in place? Maybe the county should look into dissolving the district.

In response to a question from Moon Warner said the city had checked all of their storm sewer structures and could find no evidence that they were connected to the Ontario #63 tile. Moon pointed out that the Code reads, "the district's drain or drains are needed **or** being used by the city for storm sewer or drainage purposes", the key word being "or." The tile may not be linked to the storm sewer system but it is still helping to drain the land within the district.

Warner asked how the county could prove to the city that the tile was draining anything. If it hasn't been maintained and the tiles are butt joined they have probably filled up with silt and are no longer functioning. Sanders said he is questioning why this district still exists if the city storm sewers are taking care of the water. Maybe we should look into abolishing the district. Moon said any move to dissolve a district has to come from the residents of that district. It requires a petition from at least 51% of the land owners holding at least 60 of the lands in the district.

Wall said there was no reason the trustees couldn't initiate the petition. Any district in Ames could likely be eliminated without problems as Ames has a robust storm sewer system. This may not be the case in our smaller communities where the tile might even be the primary storm sewer.

Sanders said the fact that Ames is taking care of the Ontario area takes it off the list of priorities for him. Wall said some of these districts haven't been levied for as long as 50 years (note: Ontario #63 was last levied in 1949) which tells him they are not active districts.

Clinton said if there ever was an issue that came up in Ontario #63 would it be the city's problem because they are taking care of that area. Wall said as long as the county has jurisdiction over the district it would be up to the county to resolve any issues with the district tile. If there was an issue and we dug up the tile and found evidence it was hooked into Ames' storm sewer system we could then turn control over to Ames but it doesn't sound like we'd find anything like that.

Moon repeated that the Code says "storm sewer or drainage purposes." Wall said no one is saying the city is using the tile as storm sewer but that the residents of the district are benefitting from the presence of the district tile. It may be performing some of the duties of a storm sewer without being part of the storm sewer system. Sanders said since the city has checked into this he's ready to drop it and move on. If a problem does arise in the future the city is the first place he'll be going to for answers. Sanders said he was satisfied with leaving Ontario #63 alone and moving on to Washington #59.

Warner said the tile in Washington #59 enters the city from the southwest, runs under the airport, and ends in the Teagarden area. Again, the city has checked their storm sewer system in this area and they found one intake that may be tied into a tile but it appears to them that the district is relying on the Ames system rather than the city using the district tiles. Even the airport property is served by Ames storm sewers.

Sanders said he recalled there was an issue a year ago when someone was covering one of the tiles with dirt. Warner and Moon both said it was Rueters that was moving the dirt. Warner said Reuters was filling in a waterway and the city stopped them before the EPA or DNR could come in and fine them so they ended up doing some grading instead. Sanders said it was issues like these that he thought would lead the city to want to have more control over the district inside their borders.

Warner said a large portion of this district is in the county and the city doesn't want to be assessing county residents. She is taking this to the city council next Tuesday and they can direct her to take whatever action they see fit. Warner asked if there was an active assessment on Washington #59 as the last work she was aware of was in the 1980's. Wall said there was an assessment in 1986 and there are no active assessments.

Toot asked if this was the district the county wanted to turn over control of in the 80's and the city asked the county to wait. Wall replied that it was and it had been one our records as being under city control until that was questioned last year. He'd looked through the records and found no evidence of the county transferring control, only a letter from then Mayor Goodland requesting that control not be transferred until a project in that area was completed.

Sanders said wasn't this the ditch that runs between all the houses in the Teagarden area. Warner said no, the tile runs under the city's paved swale. The pavement is part of the city's storm city system.

Clinton said the county and city may never come to an agreement on what role the district plays vs. the storm sewer system. His position is that, if the district meets the requirements of the Code, he will vote to transfer control unless he can be convinced that such transfer would be an improper action. Warner said Steve Schainker wanted her to ask about an appeal process. Wall said he was not aware of any appeal process in this Code section. If the district meets the requirements the county can transfer control and the city "shall" accept control. Warner noted that came down to the county's opinion on the district vs. the city's opinion.

Sanders said he would like Warner to take this to her council meeting on March 27 and tell the city it is the drainage district trustee's intention to discuss and consider transferring Washington #59 to the city because 100% of the improvements and 67% of the area lie within the city limits and the trustees believe it is being used for drainage and they believe in local control wherever possible and get some sort of response from the city before the trustees set the date to transfer control because he would like to know where the City of Ames stands before the trustees make their final decision.

Toot said that final action has to be done by the board of supervisors per Code Section 468.323.

Warner asked if the city would receive written notification that the trustees would take no further action regarding Ontario #63. The city has written a letter regarding their position on Ontario #63 and their legal department will want to know if there will be a written response. Wall said he could write the letter. Sanders said he was satisfied with the situation in Ontario #63.

Toot said his concern was that the trustees would not be able to transfer control of any of these districts because they were unable to absolutely prove they are being used by the cities for drainage. You'll never know if the tiles are being used for storm sewer purposes unless you dig them up. Many of the homes in the Teagarden area were there before the city annexed the land and why wouldn't those homes have hooked up to the tile. Many of those homes still have septic systems and wells.

Warner said the storm sewer system was built with the streets. The homes that were already there were grandfathered in but the homes that were built after annexation are all served by the city storm sewer system. Sanders said we could argue all day about whether the district tile is being used for storm sewer purposes but if there is any water in the tile it is clearly being used for drainage purposes. Warner said she would let Steve Schainker know that one of the trustees would be contacting him.

Wall asked if the trustees intend to take any further action on Ontario #63. Clinton thought the final action on that would have to come with the meeting to transfer control of districts. Wall said he would not write a response to Ames on Ontario #63 at this time.

Peterson said his position was similar to that of Ames. He knows where the district tile lays along the old railroad right-of-way and the city has done work on the tile for the county because they've had problems getting the county to come down and take care of problems with the tile. Huxley has probably helped protect the district tile but their storm sewers are built to city standards and they do not utilize the district tile. He's hearing two different things from the county. One is that they don't want the responsibility and the other is they feel the city should have control. He doesn't see any benefit to the city from getting control of the district.

Sanders said it sounded to him like the city is already doing a lot of work on the district tile. If they have control they won't have to go through what they've gone through in the past trying to get someone else to come out and look at the tile, they can just go ahead and get it fixed. Peterson said he doesn't want to take responsibility for something when he doesn't know where it is or what condition it's in. These tiles are old and he doesn't have the time or the money or the equipment to try to take care of them. The city doesn't have jurisdiction, they haven't asked for it, they aren't tied into it, and they haven't asked to tie into it. It would just be an additional burden on Huxley at a time when they are cutting their budgets.

Sanders said he didn't see any cost to Huxley in having control of this district. They can levy the district for any work they do so the money comes from the residents of the district just as it does now. The only difference is who is making the decisions about how things are maintained. Wall said the downside is the funds might not be available until the district is levied depending on how much is in the fund. Sanders said the city could decide how much to keep in reserve in the fund to pay for repairs. Sanders said he doesn't have a problem making decisions about the district but it would be better if the city where the district lies was making those decisions.

Peterson said he doesn't have the staff time to pursue drainage district issues. It can take hours to locate the tiles and figure out if they are district or private. He'd be happy to see the district dissolved because Huxley doesn't use it and doesn't want it.

Sanders said he had questions about Huxley Extension #24 since it looked like it was an addition to Palestine #24 but it has been handled as a separate district. Wall said Palestine #24 starts west of Huxley, runs through the city, and empties outside the city to the east. Huxley Extension #24 is entirely within the city. The district maps show no tile in the extension but the written records indicate over 1,000' of tile. The records make it sound as if it was intended as an annexation to Palestine #24 but it has always been treated as a separate district.

Sanders said the county does not own nor has it ever owned the drainage districts and their tiles. Management of the districts falls to the county by default and, while he agrees with Huxley's concerns, they still know more about what is going on in Huxley than the county does. Peterson said he's the only one in Huxley who knows what these tiles are and where they are. When he retires no one will know what's going on with respect to the drainage district.

Moon said he'd found a request to his predecessor, Bob Sperry, from Huxley for repair of a district tile in 2003. Peterson said the county told them it was not a district tile so they dug it up and it was district tile.

The city ended up taking care of the problem. Clinton said this was why we're having this discussion now. The situation Moon and Peterson are describing illustrates to him why the local government is in a better position to know what should be done.

Guess said there is a substantial amount of ag land east of Highway 69 that is served by this district. Huxley has no interest in this land and doesn't want to be responsible for repairing tile outside the city that serves property outside the city. In his view this is still an agricultural tile, not a municipal facility.

Sanders confirmed that this was Palestine #24 not Huxley #24. Guess said there were no documented improvements on Huxley #24 were there? Wall said when the supervisors were petitioned to create Huxley #24 the engineer who wrote the report, John Wells, detailed in his report how much tile would be necessary and where it should be placed by referencing existing streets. There are bills to the district for tile but, for whatever reason, no tile is shown on the map of the district. Wall said he wasn't comfortable with transferring control of Huxley #24 without transferring Palestine #24 as well since it relies on Palestine #24 and looks like it should have been an annexation to Palestine #24 rather than a separate district. Sanders said right now they are handled as separate districts.

Guess said he suggests Palestine #24 stay under county control. If the city people in the district object to being levied for drainage they can petition to dissolve the district. The city has no way to force dissolution of the district. As for Huxley #24 he wants to see proof that there is pipe in that district.

Peterson said when he started with the city there was a tile near Dairy Queen, the car wash, and the old Casey's that the county used to come out and repair. One day he called the county and they said they weren't going to repair that tile any longer because it wasn't a district tile. Huxley has taken that tile over and has put a lot of money into it to keep the peat pond it drains down.

Sanders asked what was involved in figuring out just what is Huxley Extension #24. Moon said you would have to hire a company to come out and locate the tile and probably videotape it to determine its condition. None of that work is inexpensive. That would be levied against the district. Sanders said we'd done that in Collins recently.

Clinton said the work in Collins was in response to a drainage problem. From the property owner's perspective he would have a hard time justifying the expense when there is no problem and we are just evaluating the tile.

Guess said in all these cases the district has a responsibility to provide all the information to the cities so the cities know what they are getting. Clinton said absolutely. He said a large part of the problem we are facing now is due to the cities growing into the drainage districts and adding storm sewer and building homes without the county being consulted so now no one is sure what is out there.

Sanders said the documentation is all public information and available to the cities. Wall said the letter he sent out about this meeting was just a starting point. Guess repeated that the city is not using Palestine #24 and it is and should remain an agricultural tile under county jurisdiction. Sanders said he was satisfied with the disposition of Palestine #24 but he still has questions about Huxley Extension #24. This whole discussion leads to him wondering if Huxley is already maintaining district tile and we need more information before anything can be done about it. It is possible Huxley is spending money they could be recouping from the district.

Cambridge was absent from the meeting but Wall said he did get a call from the city when they received the letter about the meeting. They voluntarily took over another district in the city last year but are reluctant to have this one since it predominately drains ag land. That land is predominately within the city.

Meredith said the City of Kelley's main concern was that they lack the resources to maintain a drainage district. If there is a problem they don't have the staff to even know who to contact to get a problem addressed.

Moon had mentioned this concern prior to the meeting. Now he added that Kelley did install a large tile parallel to the district tile to alleviate issues the city has had recently with flooding.

Meredith said the old tile carries water from the agricultural land northwest of Kelley and the new tile was to take pressure off the district tile by taking the surface water in the city. Kelley has only one part-time maintenance worker who bills the city on an hourly basis.

Hovick said he was at the meeting to get information on what the transfer of control would mean for the City of Roland and to request the records for the district. The discussion has answered his questions and, the way he reads the Code, he believes Roland must accept control of Roland #50.

Sanders said he wanted to assure the City of Roland that the whole point of the transfer was to give them more control of their own drainage. Hovick said the city would probably maintain the tile at its expense and not levy the minority of citizens within the district's borders. Wall said that is what Cambridge has elected to do with the district they control.

Clinton said Story City #53 was the district that had triggered this whole discussion. Toot and Sanders commented that Story City has known this was coming for a long time as we've been in discussions with them several times over the last year.

Wall mentioned we may not be able to transfer control of all these districts at once. For instance, Palestine #24 has a negative balance and we cannot transfer control of it until it has been levied. Also, the cities need to get copies of the district records from us and have time to look them over before any transfer takes place.

Sanders said we absolutely need to set a date to transfer control and he likes Tuesday, April 24 during the regular Board of Supervisors meeting. Toot said whatever action is taken the Code gives a period of 30 - 90 days after a resolution to transfer control for that transfer to take place.

Clinton asked if Wall would have enough time to get the drainage records copied for the cities before the 24th. Wall said it was just a matter of making photocopies of most of the records but some of the maps were quite large and we don't have any way to put them on one sheet of paper. Darren said the engineer's Office has a large format scanner but it may be too hard on some of our more fragile documents.

Sanders said he would like to see the information to the cities by the first week in April for the 5 districts he felt were up for consideration at this time. Wall asked which districts were under consideration. Sanders said Washington #59 in Ames, Union #38 in Cambridge, Roland #50 in Roland, and Story City #53 and Lafayette #106 in Story City. Wall felt that would be enough time. Toot said those were the districts he felt we could act on as well.

Sanders moved, seconded by Toot, to set April 24 at the regular Board of Supervisors meeting to consider the transfer of control for Drainage Districts Washington #59, Union #38, Roland #50, Story City #53, and Lafayette #106 to the appropriate municipalities. Motion carried unanimously (MCU).

Sanders moved, seconded by Toot, that the drainage district clerk be directed to provide all the records on Drainage Districts Washington #59, Union #38, Roland #50, Story City #53, and Lafayette #106 to the appropriate municipalities by April 6, 2012. MCU.

Sanders moved, seconded by Toot, that the county work with the city of Huxley to ascertain exactly what is in Drainage District Huxley Extension #24 so we can make some decisions down the road about what to do with that district. MCU.

Toot moved, seconded by Sanders, to adjourn. MCU. Meeting adjourned at 7:51 p.m.

Respectfully submitted,

Scott T. Wall

Scott T. Wall

ITEM # 31
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: PARKING VIOLATION FINE INCREASES

BACKGROUND:

A previous staff report on the parking enforcement (Parking Staff Report 1.24.12) demonstrated that fine increases may be necessary to adequately deter illegal and overtime parking. **Overtime parking** occurs when the vehicle parked at a metered spot exceeds the time paid on the meter. **The fine for this violation is $10, but is reduced to $5 if paid within seven days**. This violation accounts for 24,823 of approximately 48,419 tickets written in 2011. The estimated cost of meter enforcement, converted to a per-ticket basis, is $6.73. Added to this is $4.39 in overhead costs associated with collecting and processing payments and all other city support functions (Legal, Human Resources, Facilities, etc.) for a total cost of $11.12 per ticket.

Illegal parking violations include such things as blocking sidewalks or driveways, parking without the proper permit or permission, or parking in violation of alternate side or hour of day restrictions. **The fine for this violation is $15, but is reduced to $10 if paid within seven days**. In 2011, there were 23,596 illegal parking citations written at an estimated cost of $6.44 per ticket plus $4.39 in collections and overhead expenses for a total estimated expense of $10.83.

These estimates include all costs associated with the enforcement, ticketing, and collections functions as well as any city overhead expense associated with this service. Approximately 50% of tickets are paid within seven days and 87% of all tickets are eventually paid. (This information was discussed at a series of public meetings.)

- **Deterrence**

One rationale for setting the parking fine amount derives from the potential to deter illegal parking. While the "deterrent effect" of a given penalty certainly varies among individuals, the willingness to risk the penalty is probably also influenced by the availability of parking options. For instance, with a ready supply of convenient parking options (metered spaces for example), most people will comply with parking regulations and park legally. Under these conditions, any parking citation is undesirable and serves as a deterrent.

- **Support of Operations**

A second perspective on the fine amounts derives from the cost of enforcement. The overall average cost of a parking citation was $11.02 in 2011 ($10.83 per illegal and $11.12 per overtime). **While there is some year-to-year fluctuation in the cost of enforcement and the number of citations, the citation cost seems to consistently exceed the current fine amount for a parking citation.**

- **Other Communities**

The following table details overtime and illegal parking fines for a selection of other Iowa communities.

City	Overtime	Illegal
Ames	$10, but $5 if paid in 7 days	$15, but $10 if paid in 7 days
Ankeny	$15, $20 if not paid in 30 days	$15, $20 if not paid in 30 days
Cedar Falls	$10, $15 if not paid in 30 days	$10, $15 if not paid in 30 days
Clive	$15, $20 if not paid in 30 days	$15, $20 if not paid in 30 days
Dubuque	$7, $12 if not paid in 30 days	$15, $20 if not paid in 30 days
Iowa City	$10 (variable at meters)	$15, $20 if not paid in 30 days
Mason City	$15, $20 if not paid in 30 days	$15, $20 if not paid in 30 days
West Des Moines	$15, $20 if not paid in 30 days	$15, $20 if not paid in 30 days
Iowa State University	$10	$15-30

Most of the cities in this survey have an illegal parking fine amount of $15. There was somewhat more variability in how communities addressed overtime parking violations, although a majority had amounts similar to the $15 for illegal parking.

- **Citizen Feedback**

A summary of the violations and parking system finances was prepared as the basis for discussion with various citizen and business groups. Sessions were held with interested parties from Campustown, downtown, and the Panhellenic representatives. Meetings were held with the ISU Parking System representative, the GSB Off-Campus Student Senator, and a representative of the ISU Athletic Department. In addition, comments were invited from citizens through emails to the neighborhood association representatives and ISU Greek Affairs.

Opinions expressed at these meetings were reported in the previous staff report. While there was a great deal of variability in the views expressed in these meetings, many citizens understood the need for parking enforcement and accepted a “break-even” approach to financing the parking system. **In general, there was stronger support for increasing illegal parking fines than there was for increasing overtime parking fines.**

Game day parking in areas adjacent to the football stadium was of special concern for some residents. A preliminary search for ordinances assessing enhanced penalties on game day did not identify a regulation of this kind in similar communities. Developing and implementing such a new penalty would require additional work from both Legal and Police if we are to craft something that is precise and effective enough to have an impact on parking behavior.

ISU students emphasized the importance of advance public notice of any change in the fees. In these discussions, there seemed to be some acceptance of the need for increased fines. At the same time, they emphasized the value of widespread public awareness prior to the change.

Based on this information, the greatest consensus developed around the need to increase the fine associated with illegal parking violations. It seems prudent to increase this penalty and monitor the impact on parking regulation compliance over the coming year. For instance, if the increase in the illegal parking fine leads to a reduction in illegal parking, additional penalties may not be necessary. If additional game day or special event penalties are warranted, this need can be judged in light of any changes resulting from a higher overall illegal parking fine. Changing the illegal fine amount on July 1, 2012 would allow publicity about the change at both the end of this academic year and at the start of the new academic year. This will leave several months for people to make alternate parking arrangements if that is necessary.

ALTERNATIVES:

1. In terms of **Illegal Parking**:

    a. The City Council can increase illegal parking fines to $20 ($15 if paid within seven days) with an effective date of July 1, 2012. This option would direct the City Attorney to develop an ordinance change to reflect the increase in illegal parking fines for future approval by the City Council.

    b. The City Council can increase illegal parking fines to a different amount with an effective date of July 1, 2012.

    c. The City Council can direct the Legal and Police staff to develop a ordinance that would allow for a higher fine structure for illegal parking violations during game days.

    d. The City Council can make no change in illegal parking fines at this time.

2. In terms of **Overtime Parking**:

    a. The City Council can increase overtime parking fines to $15 ($10 if paid within seven days) with an effective date of July 1, 2012. This option would direct the City Attorney to develop an ordinance change to reflect the increase in overtime parking fines for future approval by the City Council.

    b. The City Council can increase overtime parking fines to a different amount with an effective date of July 1, 2012.

    c. The City Council can make no change in overtime parking fines at this time.

MANAGER'S RECOMMENDED ACTION:

Parking fines are established to encourage compliance with regulations and, hopefully, to cover the expenses associated with enforcement of parking regulations. However, the FY 2012/13 budget anticipates a drawdown of the Parking Fund balance**. In considering these goals and the current practices in other cities, it seems appropriate to consider increasing the illegal parking fine to $20 ($15 if paid within seven days). Therefore, it is the recommendation of the City Manager that the City Council approve Alternative #1a, thereby directing the City Attorney to develop an ordinance change that reflects this increased fine for illegal parking violations.**

The Council requested that staff examine whether similar cities have created higher penalties to address some of their **game day parking issues**. To date, we have not identified an ordinance addressing this problem in a mid-sized Midwestern city. While this question may require further study, it does not appear that this should delay an increase in the current illegal parking fine amount. The increased illegal parking fine may have some deterrent effect on game days. By implementing this program on July 1, 2012, we can evaluate the impact of this action during the upcoming football season.

Since there was less unanimity on the question of **overtime parking fines**, it may be prudent to increase the illegal parking fine now and delay action on overtime parking fines. This will allow staff additional time to study in more detail the costs associated with overtime enforcement and provide merchants who rely on metered parking for customers to make additional comments about parking strategies that would provide better support for their commercial neighborhoods. **However, the City Council should understand that given the recent trend in increasing expenditures in the Parking Fund and the continuation of meter waivers for special events, some level of increase in meter fines and/or fees will likely be needed in the future.**

ITEM # 32
DATE: 04-10-12

COUNCIL ACTION FORM

SUBJECT: SELECTION OF PROPERTY INSURANCE BROKER

BACKGROUND:

This action deals with a proposed contract for insurance broker services for the City's property insurance. As the Council may recall, on December 13, 2012, Staff reported to Council on a selection process and the benefits a property broker can provide.

For the past seven years, the City has purchased property insurance from an insurer that sells direct to its customers, rather than through brokers. There are several reasons for considering the utilization of a broker. These include a broker's ability to provide loss control engineering advice from the City's perspective versus the insurer's, to assist departments in recommending prudent capital improvement decisions for risk mitigation projects, calculating adequate but not excessive insurance limits, and providing competitive insurance quotes from insurers who will only work through brokers.

Prior to starting the selection process, in December 2011 staff retained a professional appraisal firm who completed on-site appraisals for four of the City's highest value facilities, in order to ensure that accurate total insured values were being used. These sites included the Power Plant, the Gas Turbine site, CyRide and City Hall. It is planned to continue a systematic program of appraising several buildings each year and also applying indexes to ensure we are basing our insurance on accurate valuations.

On January 5, 2012, the Request for Qualifications (RFQ) was issued to thirteen firms for proposals. The document was also advertised on the Current Bid Opportunities section of the Purchasing webpage. On January 26, 2012, responses were received from seven firms. These proposals were then sent to an evaluation team consisting of both Assistant City Managers, the Risk Manager, the Director of Electric Services and the Director of Human Resources.

The team members independently evaluated and scored all seven for qualifications.

Step 1

In the first step, the qualifications were evaluated based on compliance with the RFQ documents that described broad performance criteria required for advancement to the second step in the process. The qualifications submitted were rated on an acceptable or non-acceptable basis. Five of the seven firms received acceptable qualifications in order to move into the next step.

Step 2

In the second step, the five firms were notified and required to submit proposals by February 23, 2012. Those proposals were to detail how each broker would design and deliver a program of services for all aspects of the City's property insurance program, including competitive bidding approach, experience with multiple insurer layered coverage, loss control engineering, policy administration, claims services and willingness to work with the incumbent insurer, FM Global.

Each score was based on a scale of 1 to 5. The overall weighted score is a combination of fees, thoroughness of responses, demonstration of past performance with similar programs, adequacy and breadth of available services and a history of collaborating with insurers in the creation of innovative coverage solutions. The knowledge and experience related scores represented 80% of the overall score, and proposed fees accounted for 20%.

The averaged score for each proposal, the cost based on a three year contract period, and the firms' rankings are summarized in the following table:

Brokers & Local Servicing Office	Average Points	Rank	Cost Proposal
Arthur J. Gallagher, West Des Moines, IA	376.00	1	$67,500
Willis of Illinois, Moline, IL	366.20	2	$160,000
Wells Fargo, Cedar Rapids, IA	359.60	3	$180,000
Hays Companies, Des Moines, IA	355.80	4	$82,500
Aon Risk Solutions, West Des Moines, IA	320.60	5	$145,500

Step 3

The evaluation team invited the top three firms for oral presentations. All three broker presentation teams included account executives, loss control engineers and coverage placement specialists. At the request of the evaluation team, the presentations focused on the tight timeline between now and June, 2012, and the City's challenges resulting from numerous uncompleted loss control recommendations from past FM Global inspections.

Recommended Broker

Based on a unanimous decision by the evaluation team following the oral presentations, the firms were ranked as follows:

Brokers & Local Servicing Office	Rank	Cost Proposal
Willis of Illinois, Moline, IL	1	$160,000
Wells Fargo, Cedar Rapids, IA	2	$180,000
Arthur J. Gallagher, West Des Moines, IA	3	$67,500

There were very specific reasons why Willis stood out as the strongest broker, even though they were not the lowest cost proposal. These include the following:

1. Willis presented the best team structure with the depth of member experience and credentials that will directly impact the City's property insurance and loss control needs.

2. Their team members were highly experienced at working together on other major property/boiler & machinery, power generation and public sector property accounts.

3. Of the four members on the team assigned to the City of Ames account, three were loss control engineers by college degree or work experience. The fourth member is the account executive who will be coordinating the resources and services the City receives.

4. In contrast to the other presenters, the Willis team brought up many Ames-specific issues with respect to exposures and current loss control recommendations from FM Global. These included identifying uninsured and underinsured risks, power plant environmental permitting challenges in event of a loss, calculation of PML/MFL Insured Values, calculating policy limits and the differing impacts of partial loss and total loss scenarios at the Power Plant. They also pointed out the advisability of taking a close look at ammonia hazards at the Ice Arena.

5. The evaluating team felt that Willis had made it very clear that they possess the knowledge and experience needed to help guide us through the myriad FM Global recommendations. This includes the ability to advise the City how to address only the improvements or recommendations that are truly necessary to reduce the City's exposures to major losses, as well as the ability to gain compromises on many of the open recommendations, whether that occurs with FM Global or with other prospective insurers.

6. Willis seemed the most confident of the three brokers about the prospects of successfully marketing a layered program of coverage as an alternative to the current FM Global single insurer approach, even in light of the tight timeline until proposals must be reviewed and adopted.

7. Willis' proposal offered the City a separate, first-year fee for marketing the account with an annual fee for the balance of the services required. Willis was able to offer the most specific explanation of tasks that will occur during the marketing phase, which will involve a significant amount of specialized effort in a short time frame, and of the non-marketing phases (routine servicing aspects) included in their type of fee structure.

The evaluation team felt that A.J. Gallagher, the firm with the lowest cost, would have been best equipped to work with FM Global in the event that the City continued coverage with that insurer. However, the Willis team seemed much stronger in their capacity to bring in other insurers, which will be of critical importance if FM Global does not extend to the City an offer to renew.

Staff recommends that a three-year contract, as specified in the proposal, be awarded to Willis of Illinois, Inc., for the amount of $160,000. The payment structure for the contract is detailed below:

Year	Amount
1	$70,000
2	$45,000
3	$45,000

It should be noted that the first year includes a one time $25,000 marketing fee and the term of the contract will be for three years.

The City Council is being asked to approve a three-year agreement at this time, rather than a one-year contract with renewal options. It should be noted that to protect the City and meet legal requirements, the contract does contain language that will allow for the termination of the contract in future years should the Council not appropriate funds for its payment.

There is no provision in the FY 2011/12 budget for broker services. However, staff anticipates that lower premiums resulting from broker generated competitive quotations will offset the broker fee.

ALTERNATIVES:

1. Approve the broker services contract for the City's Property Insurance Brokerage Services with Willis of Illinois, Inc., of Moline, Illinois, for a three year term in the amount of $160,000.

2. Direct staff to negotiate a property brokerage agreement with one of the other brokers included in the proposal process described.

3. Reject all proposals and continue the current relationship with FM Global, which does not sell insurance through brokers. **Note: this alternative is contingent upon FM Global offering the City a renewal proposal for the Policy beginning July 1, 2012. As of April 5, 2012, staff has not received confirmation this will occur.**

MANAGER'S RECOMMENDED ACTION:

The proposal process outlined above brought to light some advantages of why a property insurance broker will benefit the City. First, it will improve access to the insurance marketplace where most insurers are accessible only through brokers. Second, the technical assistance they will provide for loss control engineering will assist our departments in the capital improvement planning process. Finally, the City will have consultation on reducing the overall risk to the City's property assets from the City's point of view, not just from the insurer's.

Willis is being recommended as the preferred broker due to a number of reasons. They have a very strong brokerage team, and bring superior engineering experience to the City. This latter strength is of critical importance to the City, since all potential insurers will focus on the list of open Power Plant recommendations. The evaluation team also felt that Willis would achieve the greatest success marketing the City to prospective insurers.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the broker services contract for the City's Property Insurance Brokerage Services with Willis of Illinois, Inc., of Moline, Illinois, for a three year term in the amount of $160,000.

City of Ames Water and Pollution Control Department

FY 2012-2013
Water and Sewer
Revenue Adjustments

April 10, 2012

CITY OF
Ames™

Agenda

- National and State-wide Trends in Rates
- Projected Need for Revenue Increases in Ames
- Translating Revenue Increases to Rate Increases
- Projected Ames Rates Compared to Projected State-wide Averages
- Council Direction

Sources of Information

- **2010 Water and Wastewater Rate Survey** – American Water Works Association
- **2011 Water Rates and Sewer Service Charges Survey** – City of Ames, Iowa

National Trends

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National Trends in Water and Sewer Rates

2010 Water and Wastewater Rate Survey - American Water Works Association

- 181 drinking water utilities responded to the survey
  - 152 (84%) have increased water rates in the past two years
  - 44 (24%) had increases of greater than 20%
- 128 wastewater utilities responded to the survey
  - 102 (80%) have increased sewer rates in the past two years
  - 32 (25%) had increases of greater than 20%

5

National Trends in Rates

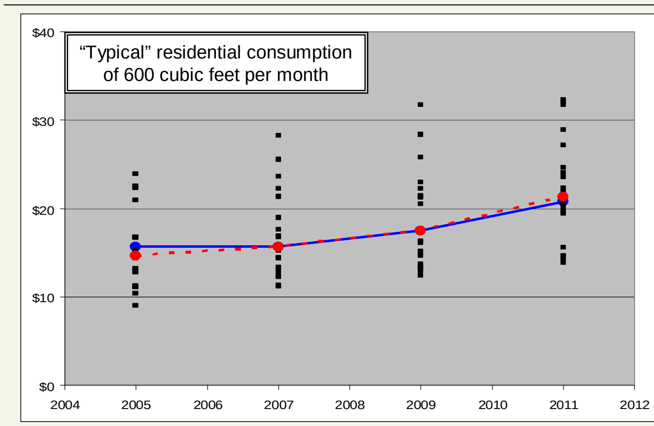
2004 to 2010	
Average Annual Increase in Water Rates:	6.69%
Average Annual Increase in Sewer Rates:	7.40%
Average Annual Increase in CPI:	2.57%

6

State-wide Rate Comparisons

Iowa Water Rate Comparison

Cities >10,000 Population with Softening Plants



Ames Average Increase 2005-2011 = 5.48% per year
State-wide Median Increase 2005-2011 = 7.65%

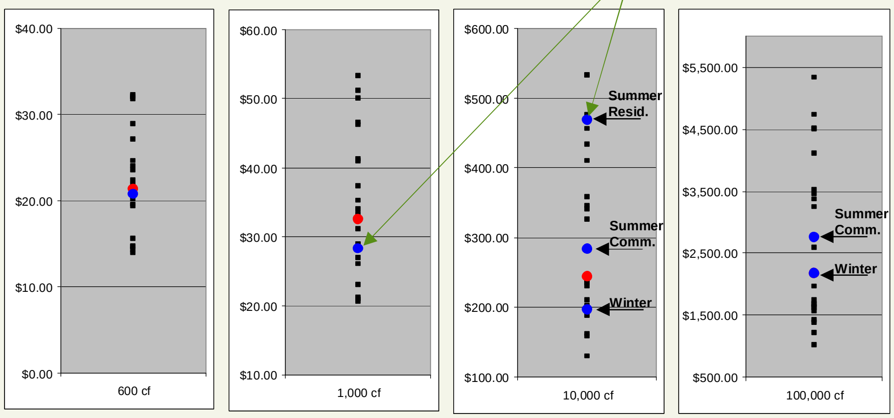
2011 – Lowest to Highest

Dubuque
Burlington
Marshalltown
Newton
Council Bluffs
Des Moines
Storm Lake
Cedar Rapids
Keokuk
Us➔ **Ames**
Ankeny
Median➔ Iowa City
Ottumwa
West Des Moines
Average➔ Spencer
Boone
Oskaloosa
Johnston
Indianola
Fort Madison
Clive
Altoona
Waukee

8

Comparing Across Demand Thresholds – Drinking Water (2011)

Even during the highest demand months, 92.4% of all bills were less than 1,000 cf.

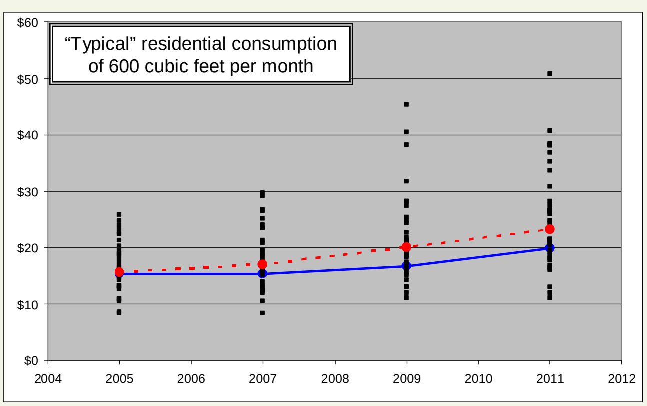


● - State-wide Median (2011) ● - Ames (2011)

9

Iowa Sewer Rate Comparison

Cities >10,000 Population



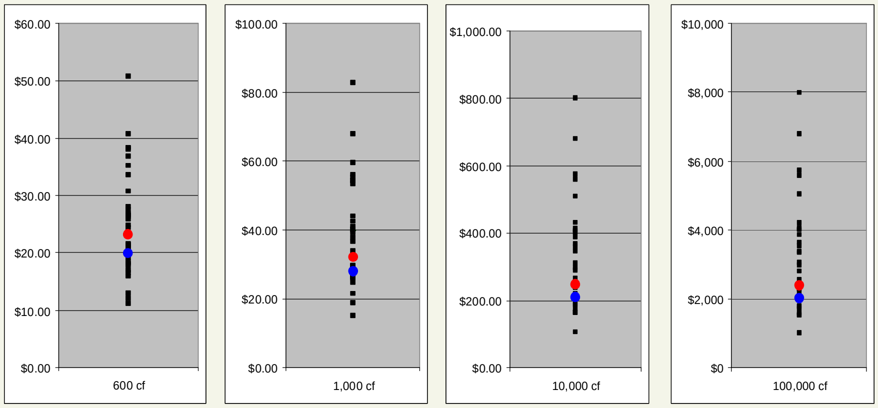
Ames Average Increase 2005-2011 = 5.0% per year
State-wide Median Increase 2005-2011 = 8.81% per year

2011-Lowest to Highest

Iowa Great Lakes
Bettendorf
Council Bluffs
Urbandale
Coralville
Newton
Dubuque
Fort Dodge
Waterloo
Mason City
Davenport
Us→ **Ames**
Cedar Falls
Marshalltown
Fort Madison
Spencer
Cedar Rapids
Marion
Median→ Burlington
Carroll
West Des Moines
Average→ Storm Lake
Johnston
Sioux City
Des Moines
Clive
Oskaloosa
Iowa City
Muscatine
Indianola
Altoona
Waukee
Keokuk
Ottumwa
Ankeny
Clinton
Boone

10

Comparing Across Demand Thresholds – Sewer (2011)

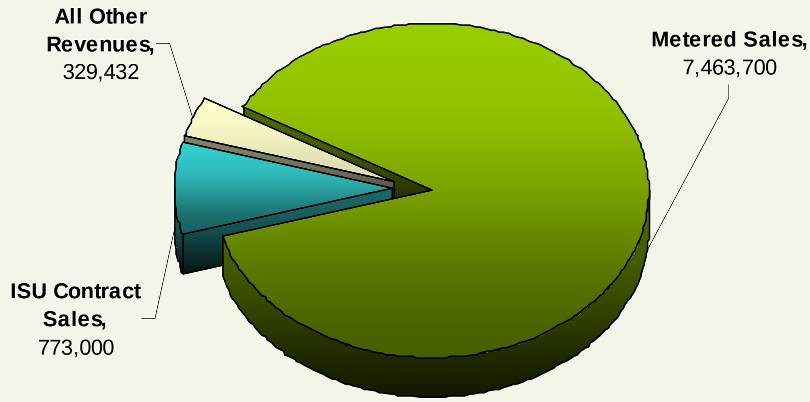


● - State-wide Median (2011) ● - Ames (2011)

Water Rate Adjustments - 2012

CITY OF Ames™

Water Revenue Categories - FY 2011/12 Estimates



Total Estimated Revenue: $8,566,132

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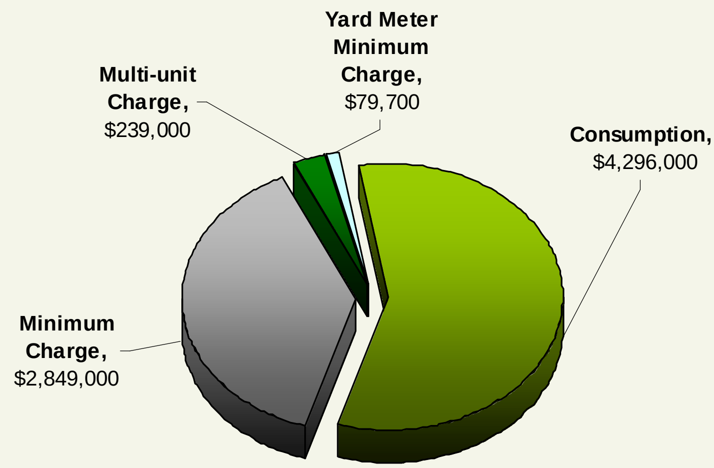
Water Revenue Categories - FY 2011/12 Estimates



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Current Rates – Water Consumption

	Charge per cubic foot
Winter	
(All customers, all consumption)	$0.0187
Summer	
Residential	
Block 1 (First 1,000 cf)	0.0187
Block 2 (Next 1,500 cf)	0.0330
Block 3 (Over 2,500 cf)	0.0496
Irrigation and Yard Water	
Block 1 (First 2,000 cf)	0.0270
Block 2 (Next 3,000 cf)	0.0496
Block 3 (Over 5,000 cf)	0.0826
Non-Residential	
All Consumption	0.0245
Non-peaking Industrial	
All Consumption	0.0187

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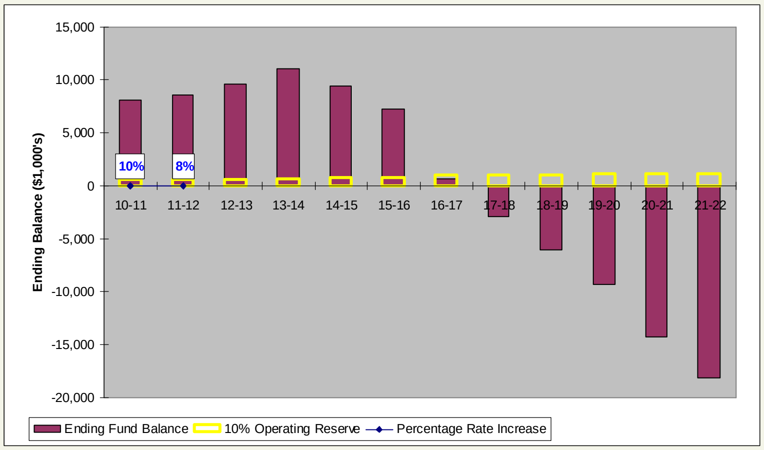
Annual Fund Projections

34	**Expenses**												
35	**Operating Expenses**												
36	Water Dept Subtotal	3,383	3,538	3,552	3,673	3,798	3,927	4,060	4,199	4,341	4,489	4,642	4,799
37	PW Subtotal	1,170	1,241	1,241	1,265	1,289	1,314	1,339	1,364	1,390	1,416	1,443	1,471
38	Cust Service	376	371	383	393	403	414	425	436	447	459	471	483
39	Transfers		15										
40	Debt Service*	331	329	421	423	1,279	1,805	4,234	4,127	4,125	4,063	3,782	3,776
69													
70													
71	**ENDING BALANCE (all funds)**	**8,115**	**8,607**	**9,905**	**12,145**	**11,335**	**10,562**	**5,461**	**4,046**	**3,220**	**3,092**	**1,473**	**1,918**
72													
73	Minus 10% Operating Reserve	562	586	597	615	719	791	1,054	1,063	1,084	1,100	1,095	1,118
74													
75	**AVAILABLE BALANCE**	**7,553**	**8,021**	**9,307**	**11,530**	**10,616**	**9,772**	**4,407**	**2,983**	**2,136**	**1,992**	**377**	**799**
76													
49	SRF												
50	WTP @ $59.0749 M					858	1,382	3,810	3,704	3,698	3,693	3,688	3,682
51	G.O. Bonds												
52	FY 07/08, $500k	54	54	54	54	54	55	55	55	56			
53	FY 08/09, $2500k	277	275	273	275	272	274	275	274	276	276		
54	Council-directed			94	94	94	94	94	94	94	94	94	94
55	Total Debt Service	331	329	421	423	1,279	1,805	4,234	4,127	4,125	4,063	3,782	3,776
56													
57													
58	**CIP Expenses**												
59	New WTP - SRF		3,040	3,873	967	19,947	19,947	4,084					
60	New WTP - SRF Forgiveness							5,889					
61	New WTP - nonSRF	258	120			2,180	2,180	1,090					
62	WTP - All other	476	752	1,109	225	417	431	4,688	1,726	925	1,068	2,871	1,402
63	PW Eng & Dist. CIP	693	2,235	900	900	900	900	900	900	900	900	900	900
64	Council-directed			1,503									
65	Fleet Services CIP					21	23	32	32	32	32	32	32
66	**Total CIP Expenses**	**1,428**	**6,147**	**7,385**	**2,092**	**23,465**	**23,481**	**16,683**	**2,658**	**1,857**	**2,000**	**3,803**	**2,334**

Projected Water Fund Balance



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Previous Council Guidance on Rates

- Maintain a 10% operating reserve (Approximately five weeks of expenses)
- Rate increases should be done with smaller percentage increases on a more frequent basis, as opposed to larger increases on a less frequent basis.

18

Base Water Rate Adjustments

Does Not Include Northern and Eastern Growth Infrastructure

Year	12-13	13-14	14-15	15-16
Water	3%	6%	0%	7%

19

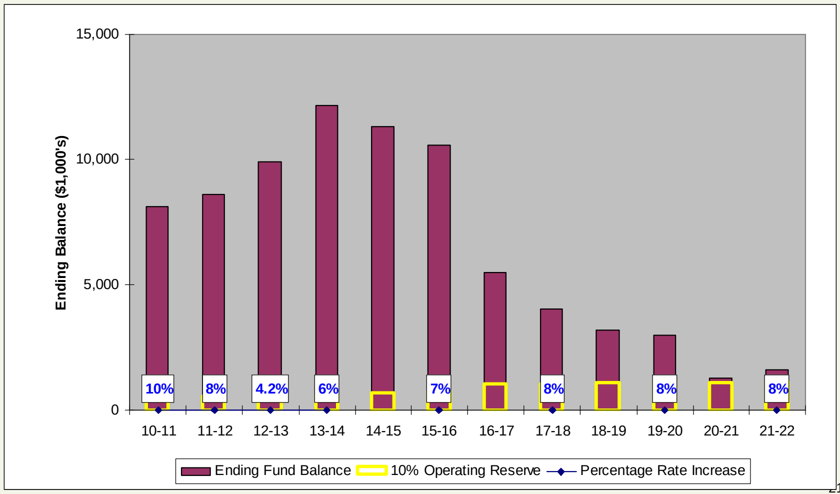
Full Water Rate Adjustments

Includes Northern and Eastern Growth Infrastructure

Year	12-13	13-14	14-15	15-16
Base North East Total	3.0% 0.5% + 0.7% 4.2%	6%	0%	7%

20

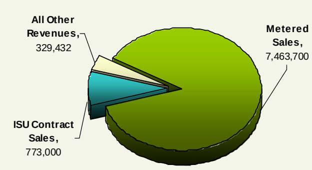
Projected Water Fund Balance



21

Revenue Increase for FY 2012/13

- From fund projections, 4.2% increase in rate-derived revenues
- Translates to approximately $313,000
- Can be applied as an "across-the-board" increase or can be targeted at specific revenue components



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4.2% "Across-the-board" Increase, $/cf

	Existing	Base	North	East	New
Winter	0.0187	0.0006	0.0001	0.0001	0.0195
All customers; all consumption					
Summer					
Residential					
Block 1 (First 1,000 cf)	0.0187	0.0006	0.0001	0.0001	0.0195
Block 2 (Next 1,500 cf)	0.0330	0.0010	0.0002	0.0002	0.0344
Block 3 (Over 2,500 cf)	0.0496	0.0015	0.0002	0.0003	0.0517
Irrigation & Yard Water					
Block 1 (First 2,000 cf)	0.0270	0.0008	0.0001	0.0002	0.0281
Block 2 (Next 3,000 cf)	0.0496	0.0015	0.0002	0.0003	0.0517
Block 3 (Over 5,000 cf)	0.0826	0.0025	0.0004	0.0006	0.0861
Non-Residential	0.0245	0.0007	0.0001	0.0002	0.0255
All consumption					
Non-Peaking Industrial	0.0187	0.0006	0.0001	0.0001	0.0195
All consumption					

All other charges would increase by the same percentage

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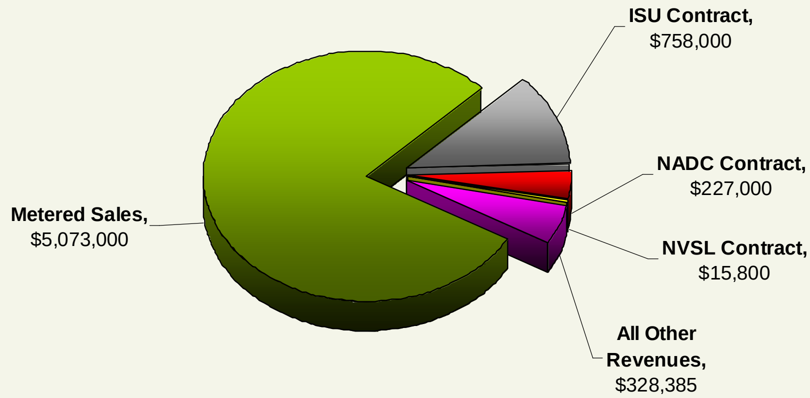
Sewer Rate Adjustments - 2012

CITY OF Ames™

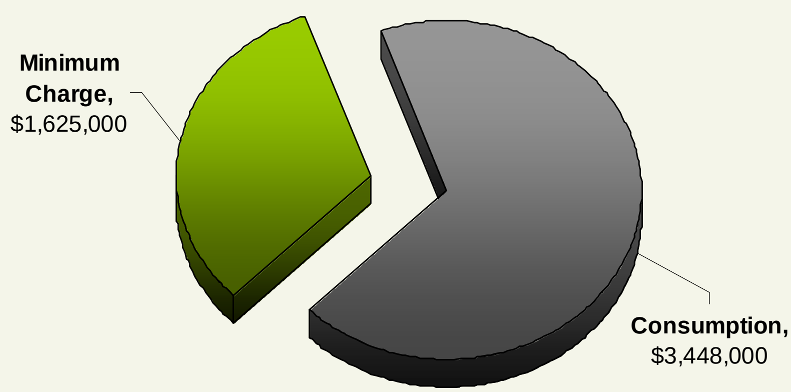
Sewer Revenue Categories - FY 2011/12 Estimates



Total Estimated Revenue: $6,402,185

25

Sewer Revenue Categories - FY 2011/12 Estimates



26

Current Rates - Sewer

- Minimum Bill:
  $7.87 per month per customer account
- Consumption:
  $0.0201 per cubic foot

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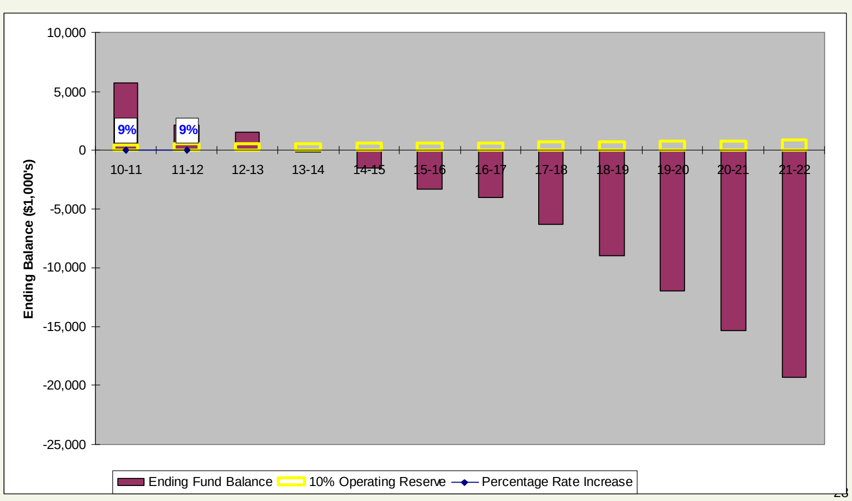
Projected Sewer Fund Balance



Base Sewer Rate Adjustments

Does Not Include Northern and Eastern Growth Infrastructure

Year	12-13	13-14	14-15	15-16
Sewer	5%	5%	8%	0%

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Full Sewer Rate Adjustments

Includes Northern and Eastern Growth Infrastructure

Year	12-13	13-14	14-15	15-16
Base North East Total	5.0% 0.8% + 4.2% 10.0%	5%	8%	0%

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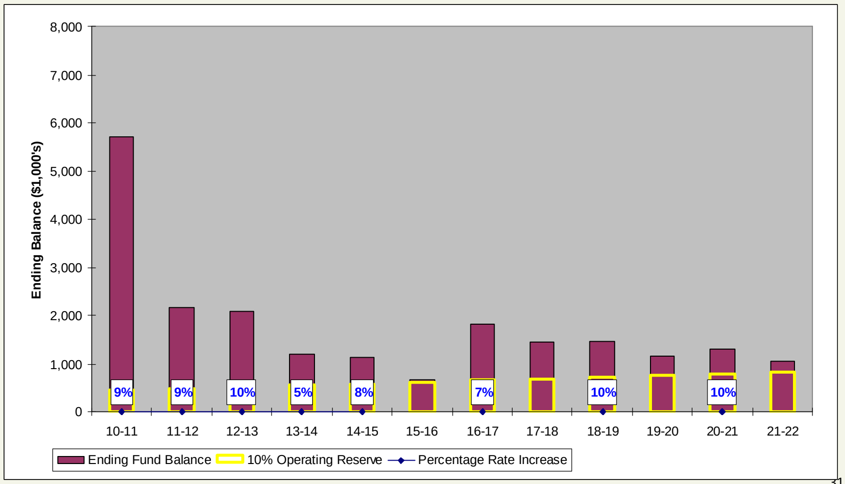
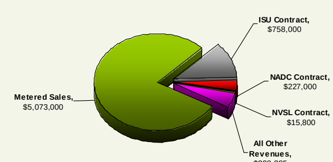
Projected Sewer Fund Balance



Revenue Increase for FY 2012/13

- From fund projections, 10% increase in rate-derived revenues



- Translates to approximately $507,000
- Simple sewer rate structure – "Across-the-board"

10% “Across-the-board” Increase, $/cf

	Existing	Base	North	East	New
Consumption	0.0201	0.0010	0.0002	0.0008	0.0221
All customers; all consumption					
Minimum Charge					
All customers, per month	7.87	0.39	0.0.06	0.0.33	8.66

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Customer Bill Example

CITY OF Ames™

Sample Customer Bill – Median Residential

3% Water
5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
600 kWh and 600 cf	$72.81	$3.45	$20.78	$19.93	$116.97
07/01/12 Rate Change	$0.00	$0.00	$0.62	$1.00	$1.62
Totals	$72.81	$3.45	$21.40	$20.93	$118.59
% Impact on Total Bill					**1.38%**

4.2% Water
10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
600 kWh and 600 cf	$72.81	$3.45	$20.78	$19.93	$116.97
07/01/12 Rate Change	$0.00	$0.00	$0.87	$1.99	$2.86
Totals	$72.81	$3.45	$21.65	$21.92	$119.83
% Impact on Total Bill					**2.45%**

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Future Rate Comparisons

CITY OF Ames™

Anticipated Rate Increases

Year	12-13	13-14	13-14	14-15
Water	3.0% 0.5% + 0.7% 4.2%	6%	0%	7%
Sewer	5.0% 0.8% + 4.2% 10.0%	5%	8%	0%

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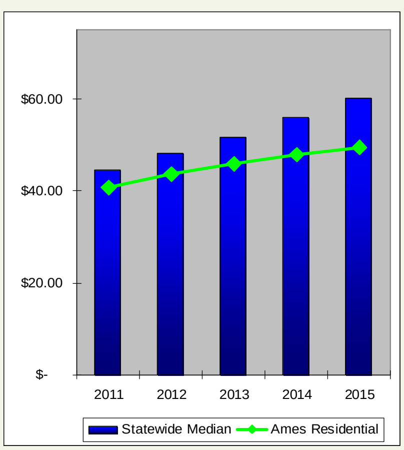
Combined Water and Sewer Bill – 2015 Projection



Ames:

Water	$24.56
Sewer	24.86
Combined	**$49.42**

State Median

Water	$28.69
Sewer	31.62
Combined	**$60.30**

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Council Direction

Council Direction

- Base Rate Increase
  3% Across-the-board in Water
  5% Across-the-board in Sewer
- Northern Growth
  Additional 0.5% in Water
  Additional 0.8% in Sewer
- Eastern Growth
  Additional 0.7% in Water
  Additional 4.2% in Sewer

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Timeline

- First Reading – April 24
  Second Reading – May 8
  Third Reading & Adoption – May 22
- Effective for Meter Reads
  on and after June 1, 2012
- Appears on Utility Bills Mailed
  on and after July 1, 2012

City of Ames
Water and Pollution
Control Department

FY 2012-2013
Water and Sewer
Revenue Adjustments

April 10, 2012

CITY OF Ames™

Supplemental Information

The slides that follow are for reference only, and will not be covered in the presentation unless there are questions.

Current Rates – Minimum Charge, $/mo.

Size of Meter	Monthly Charge
5/8″ or 5/8″ x 3/4″	9.56
3/4″	19.12
1″	38.23
1-1/2″	76.46
2″	152.93
2″, battery of 2	296.30
2″, battery of 3	439.67
3″	305.86
4″	516.13
6″	860.22
8″	1,720.44
10″	2,580.66

Current Rates – Multi-unit Charges, $

Multiple dwellings – Multiple dwellings (such as in a mobile home park) may be services from a single water meter. However, there is a surcharge added to the minimum bill charge.

5/8″ meter serving 2 or more dwelling units	2.75/month/unit
3/4″ meter serving 4 or more dwelling units	2.75/month/unit
1″ meter serving 8 or more dwelling units	2.75/month/unit
1-1/2″ meter serving 16 or more dwelling units	2.75/month/unit
2″ meter serving 30 or more dwelling units for the first 30 units plus $4.27/month per unit for each additional unit in excess of 30 units	82.35/month
3″ or larger meter serving any number of dwelling units	3.78/month/unit

Current Rates – Yard Meter Minimum Charge, $/mo.

Size of Meter	Monthly Charge
5/8″ or 5/8″ x 3/4″	3.62
3/4″	5.62
1″	7.83
1-1/2″	10.80
2″	14.36
3″	18.68
4″	23.22
6″	27.81
8″	32.40
10″	36.94

Sample Customer Bill – Minimal Residential

3% Water 5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
100 kWh and 100 cf	$16.51	$3.45	$11.43	$9.88	$41.27
07/01/12 Rate Change	$0.00	$0.00	$0.34	$0.49	$0.83
Totals	$16.51	$3.45	$11.77	$10.37	$42.10
% Impact on Total Bill					**2.01%**

4.2% Water 10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
100 kWh and 100 cf	$16.51	$3.45	$11.43	$9.88	$41.27
07/01/12 Rate Change	$0.00	$0.00	$0.48	$0.99	$1.47
Totals	$16.51	$3.45	$11.91	$10.87	$42.74
% Impact on Total Bill					**3.56%**

Sample Customer Bill – Large Residential

3% Water 5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
1,000 kWh and 1,000 cf	$117.85	$3.45	$28.26	$27.97	$177.53
07/01/12 Rate Change	$0.00	$0.00	$0.85	$1.40	$2.25
Totals	$117.85	$3.45	$29.11	$29.37	$179.78
% Impact on Total Bill					**1.27%**

4.2% Water 10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
1,000 kWh and 1,000 cf	$117.85	$3.45	$28.26	$27.97	$177.53
07/01/12 Rate Change	$0.00	$0.00	$1.19	$2.80	$3.99
Totals	$117.85	$3.45	$29.45	$30.77	$181.52
% Impact on Total Bill					**2.25%**

Sample Customer Bill – Small Commercial (GP)

3% Water 5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
2,000 kWh and 600 cf	$250.90	$3.45	$24.26	$19.93	$298.54
07/01/12 Rate Change	$0.00	$0.00	$0.73	$1.00	$1.73
Totals	$250.90	$3.45	$24.99	$20.93	$300.27
% Impact on Total Bill					0.58%

4.2% Water 10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
2,000 kWh and 600 cf	$250.90	$3.45	$24.26	$19.93	$298.54
07/01/12 Rate Change	$0.00	$0.00	$1.02	$1.99	$3.01
Totals	$250.90	$3.45	$25.28	$21.92	$301.55
% Impact on Total Bill					1.01%

Sample Customer Bill – Small Commercial (GP)

3% Water 5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
5,000 kWh and 1,000 cf	$575.50	$3.45	$34.06	$27.97	$640.98
07/01/12 Rate Change	$0.00	$0.00	$1.02	$1.40	$2.42
Totals	$575.50	$3.45	$35.08	$29.37	$643.40
% Impact on Total Bill					0.38%

4.2% Water 10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
5,000 kWh and 1,000 cf	$575.50	$3.45	$34.06	$27.97	$640.98
07/01/12 Rate Change	$0.00	$0.00	$1.43	$2.80	$4.23
Totals	$575.50	$3.45	$35.49	$30.77	$645.21
% Impact on Total Bill					0.66%

Sample Customer Bill – Small Commercial (GP)

3% Water 5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
10,000 kWh and 3,000 cf	$1,109.30	$3.45	$92.62	$68.17	$1,273.54
07/01/12 Rate Change	$0.00	$0.00	$2.78	$3.41	$6.19
Totals	$1,109.30	$3.45	$95.40	$71.58	$1,279.73
% Impact on Total Bill					0.49%

4.2% Water 10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
10,000 kWh and 3,000 cf	$1,109.30	$3.45	$92.62	$68.17	$1,273.54
07/01/12 Rate Change	$0.00	$0.00	$3.89	$6.82	$10.71
Totals	$1,109.30	$3.45	$96.51	$74.99	$1,284.25
% Impact on Total Bill					0.84%

Sample Customer Bill – Commercial (LP)

3% Water 5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
20,000 kWh and 5,000 cf	$2,012.24	$3.45	$141.62	$108.37	$2,265.68
07/01/12 Rate Change	$0.00	$0.00	$4.25	$5.42	$9.67
Totals	$2,012.24	$3.45	$145.87	$113.79	$2,275.35
% Impact on Total Bill					0.43%

4.2% Water 10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
20,000 kWh and 5,000 cf	$2,012.24	$3.45	$141.62	$108.37	$2,265.68
07/01/12 Rate Change	$0.00	$0.00	$5.95	$10.84	$16.79
Totals	$2,012.24	$3.45	$147.57	$119.21	$2,282.47
% Impact on Total Bill					0.74%

Sample Customer Bill – Commercial (LP)

3% Water 5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
60,000 kWh and 15,000 cf	$5,867.75	$3.45	$405.73	$309.37	$6,586.30
07/01/12 Rate Change	$0.00	$0.00	$12.17	$15.47	$27.64
Totals	$5,867.75	$3.45	$417.90	$324.84	$6,613.94
% Impact on Total Bill					0.42%

4.2% Water 10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
60,000 kWh and 15,000 cf	$5,867.75	$3.45	$405.73	$309.37	$6,586.30
07/01/12 Rate Change	$0.00	$0.00	$17.04	$30.94	$47.98
Totals	$5,867.75	$3.45	$422.77	$340.31	$6,634.28
% Impact on Total Bill					0.73%

Sample Customer Bill – Commercial (LP)

3% Water 5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
100,000 kWh and 20,000 cf	$9,698.00	$3.45	$566.46	$409.87	$10,677.78
07/01/12 Rate Change	$0.00	$0.00	$16.99	$20.49	$37.48
Totals	$9,698.00	$3.45	$583.45	$430.36	$10,715.26
% Impact on Total Bill					0.35%

4.2% Water 10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
100,000 kWh and 20,000 cf	$9,698.00	$3.45	$566.46	$409.87	$10,677.78
07/01/12 Rate Change	$0.00	$0.00	$23.79	$40.99	$64.78
Totals	$9,698.00	$3.45	$590.25	$450.86	$10,742.56
% Impact on Total Bill					0.61%