

## Staff Report

**QUESTIONS TO ASSIST IN DECISION TO EXPAND EAST ALONG LINCOLN WAY**

May 15, 2012

**BACKGROUND:**

As you will recall, the City Council has approved a \$4.3 million project in the CIP/budget to extend water and sewer utilities along Lincoln Way from the present City limits to 590<sup>th</sup> Street. In addition, approval has been given by the Council to raise water and sewer rates to finance these utility extensions. However, at the January 7, 2012 Goal Setting Session the City Council committed to “**determine what information is needed to make a decision regarding extending utilities to 590<sup>th</sup> Street.**” At that time City Council members also agreed to send their questions to the City Manager for distribution to the Council. To date, the City Manager has received questions from two Council members.

**SUMMARY OF THEMES REFLECTED IN QUESTIONS RECEIVED:**

The questions that have been received seem to focus on three prevailing themes:

**Category 1**

- THE NEED FOR A PAYBACK ANALYSIS TO JUSTIFY THIS INVESTMENT

-look at direct revenues projected from property and sales taxes compared to expenditures for initial capital costs and ongoing operational expenses

**Category 2**

- THE NEED TO DEVELOP SAFEGUARDS TO ENSURE THAT THE LAND SERVED BY THIS INFRASTRUCTURE INVESTMENT YIELDS BENEFITS BEYOND THE DIRECT FINANCIAL PAYBACK

-for example, it is hoped that this investment will assure projects that generate large lot developments, a substantial increase in property valuations, and attract numerous high-paying jobs

-safeguards could include requirements for a certain number of jobs per acre, certain types of industrial uses, a certain level of taxable valuation per acre, and/or minimum lot size in this area

**Category 3**

- THE NEED FOR FURTHER ANALYSIS TO GENERATE INFORMATION THAT WOULD GUIDE CITY COUNCIL DECISIONS

-participate with the Ames Economic Development Commission in the EDSAT (community economic development self-assessment) survey as discussed at the City Council's latest Goal Setting Session

-analyze all other potential locations available in Ames that could accommodate this type of industrial growth

-analyze what attracts industries to locate in a city

### **LIST OF ALL QUESTIONS RECEIVED:**

While an attempt was made to categorize the questions, the following is the complete list of questions that were submitted to the City Manager. There was no attempt to consolidate the questions even though you will note redundancies with many of them.

#### **Category 1**

What is the estimated payback time to every sewer ratepayer in Ames who would be subsidizing the development of these landowners for their \$8,000,000-\$15,000,000 subsidy?

What is the payback time considering job and property valuation given historical industrial growth?

What is the payback time considering job and property valuation if we don't charge businesses to hook up?

If there is no net payback, what is the scale of the deficit?

The payback should include costs of taking over services from the county, police, fire, water, sewer, public transportation and roads, true?

Can we realistically justify a need for 550 acres? What are the costs of preparing 200 acres for industrial development (with infrastructure created to accommodate future expansion, i.e. bigger pipes)?

#### **Category 2**

Would there be a requirement for job creation minimums for businesses wanting to take advantage of this \$8,000,000-\$15,000,000 sewer ratepayer subsidy?

Would there be a requirement for taxable valuation minimums for businesses wanting to take advantage of this \$8,000,000-\$15,000,000 sewer ratepayer subsidy?

Would there be a requirement allowing only large projects to be served by the infrastructure investment, as smaller industrial lots are currently available with no subsidy?

### **Category 3**

Beyond just returns on the infrastructure investment, we need to get a sense that the business located to our community AS A RESULT of the investment. It is important that we know when the incentive produces a return vs. when a return is produced, and we also gave an incentive. In other words, some causal relationship must be determined.

Does this kind of investment truly increase the likelihood of new businesses locating in Ames, or does it simply subsidize one location over others?

What are the probabilities of getting certain size projects? If we are building for a 1 in 10 million project, we should just enter the lottery many times instead.

What city characteristics most influence businesses on making choices to locate somewhere?

Are there certain business types that prefer communities like Ames to larger, smaller, or less educated communities?

Are the amenities we can offer those who already prefer a community like ours different than all industries in general?

Are there other \$8,000,000-\$15,000,000 investments that could create more jobs or better returns for this ratepayer subsidy?

What is the largest parcel necessary to accommodate most any business?

How many parcels of this size are necessary to prepare for?

Which industries (employing over x-number of people) have chosen to locate in Iowa over the past 5 years (or 10 years to accommodate lags in growth due to the recessionary period)?

- What influenced these particular industry's choices?
- Would Ames have been considered if utilities or incentives had been in place?
- What percentage of these industries required immediate proximity to rail?

How do our other open lands in Ames compare to East Lincoln Way? What are the advantages/disadvantages to developing on east 13th Street, for example? What are the comparative infrastructure costs? What are the comparative costs of being close to rail versus direct access to rail?

**NEXT STEPS:**

The City Council will need to give direction regarding which questions needs to be addressed before a final decision will be made to move ahead with the installation of the infrastructure along Lincoln Way to 590<sup>th</sup>. The next step to accomplish this project will be to hire an engineering firm to design the improvements.