

Staff Report

REQUEST FROM AMES CONVENTION AND VISITORS BUREAU FOR CITY FUNDING TO FINANCE FLAT SPACE ADDITION TO THE SCHEMAN BUILDING

November 12, 2013

As you know, the Ames Convention and Visitors Bureau (ACVB) has been analyzing the need for additional convention space in our community to keep us competitive with other cities throughout Iowa. With assistance from Vision Iowa funding, many other cities have constructed facilities with greater capacity than is available at the Iowa State Center complex. After exploring numerous alternatives for financing the needed facility expansion, the ACVB has determined that the most viable option will require funding from the City of Ames and Iowa State University.

The Project

The proposed project will include the construction of 132,000 square feet of a new multi-use building situated immediately north of the Scheman building. This is estimated to cost \$32,245,562, in conjunction with a renovation of the Scheman building itself at an estimated cost of \$6,529,663.

The Request

The ACVB is looking to the City to finance 50% of the cost, which is up to \$19,000,000 of the estimated \$38,775,225 cost of the project. The remaining funding has been requested from Iowa State University. **The only option for the City to generate this magnitude of funding in a timely manner is through the sale of General Obligation Bonds. Therefore, the ACVB is requesting that the City Council place this issue before the voters in a bond referendum special election on March 4, 2014.**

If Council desires to grant this request, the proper action would be to pass a motion directing staff to develop the appropriate wording for a bond referendum, and to bring that language to Council for consideration at the November 26, 2013 meeting.

Has The University Committed To Provide The Remaining Funding For The Project?

Warren Madden has indicated to the ACVB that ISU President Leath has committed to financing the University's proposed share of the project. However, this commitment must ultimately be approved by the Iowa Board of Regents.

The University intends to bring this matter to the Regents' February 2014 meeting so that the voters will know whether or not the University's share of the project financing is committed.

The Projected Cost To The Taxpayer

Based on current year (FY 13/14) valuation, the increase in the property tax rate for this additional is estimated to be \$0.575 per \$1,000 of taxable value, or a 5.3% increase in the tax rate. The additional cost for the residential property class is estimated at \$30.35 per \$100,000 of taxable valuation and \$57.46 for commercial and industrial.

Please note that this estimate is based on current valuation and property tax structure. We do not yet have enough information to fully evaluate the effects of recently passed commercial/industrial property tax reform, but we do know that the share of taxes paid will be shifting more to the residential class over the next few years. This means that the cost for the residential homeowner will be higher than the estimate and will increase over the years as property tax reform is implemented.

Questions Related To This Request

Before moving ahead to place this issue before the voters, it is important that the following questions be addressed.

1) Who Will Own The New Facility?

Because the new multi-use space will be jointly financed by the University and the City, it will be owned by both entities.

2) Who Will Operate The New Facility?

Since the new facility will be situated on University property at the Iowa State Center, the University will assume the ultimate responsibility to manage the new facility. However, since the University already contracts with a private entity to manage the Fisher Theatre, Stephens Auditorium, and the Scheman building, it is expected that the new facility will be managed by the same private contractor the University uses to manage their other buildings at the ISU Center.

3) Who Will Make Policy Decisions For The New Facility?

It is being recommended that a three person policy committee be formed to deal with the major policy direction for the space. This committee would include the Executive Director of the Convention and Visitors Bureau, the University's Vice President for Business and Finance, and the City Manager.

4) Who Will Be Responsible For the Expected Annual Deficit?

It is important to note that this type of facility will not generate enough money to cover its operating costs. It has been estimated that this annual deficit could be approximately \$230,000 annually. If the Council decides to support this project, it is important that the City not assume responsibility for financial obligation.

To address this issue, the managing entity, Iowa State University, will be responsible for all finances related to the operations of the new facility, including any deficits. However, it is anticipated that the Ames Convention and Visitors Bureau will enter into a separate agreement with the University to pledge their funds to offset any operating deficits at the new facility. The ACVB has projected

that the new space will help generate sufficient additional hotel/motel tax revenue from visitors to cover these annual operating deficits.

5) Will The Ames Community Have Access To The New Space?

If the project is successful, access to six rooms (with capacities ranging from 5 to 120) on the ground floor of the Scheman Building will be made available, without charge and based on availability, for functions sponsored by non-profit organizations and the City.

6) Given The Date For The Special Election, How Will The City Budget For This Project?

The City's budget for Fiscal Year 2014/15 will be completed by the time the results of any bond issue are known. It would be premature to include the first principal and interest payment for bond debt as the staff prepares the budget. Therefore, the earliest that this debt could be safely included in the budget will be for Fiscal Year 2015/16. Assuming that the project will move ahead sooner than that, the University's \$19,000,000 share will need to be drawn down first.

7) Who Pays For The Special Elections?

The ACVB is asking for a special election on March 4, 2014. No funds have been included in the current year's City budget for this election, which is estimated to cost \$15,000. The City Council could ask the ACVB to finance this special election from their funds, or could decide to use funds from the City's available balances (preferably the Hotel/Motel Tax Fund) to cover these election costs.