

COUNCIL ACTION FORM

**SUBJECT: REQUEST TO VACATE RIGHT-OF-WAY ON OLD AIRPORT ROAD
EAST OF UNIVERSITY AVENUE**

BACKGROUND:

The property owner of 2400 University Boulevard, Steve Burgason (Gateway Exprese), extended an offer to the City Council to purchase a portion of the right-of-way (ROW) on old Airport Road, east of University Avenue. In the attached letter, Mr. Burgason indicated his interest to purchase the ROW in order to make improvements that would enhance the area, as well as to secure additional long-term parking for his business. In his letter to the Mayor and Council, he offered to purchase the ROW for \$7,000.

As shown in Attachment A, the ROW under consideration is on a dead-end street that provides access to the Gateway Exprese but does not connect to North Loop Drive. However, an ISU Research Park tenant, Biova, also has an approved Site Plan that provides for an additional access to its facility from this ROW. The new Biova access is currently nearing completion, and is shown in Attachment A. In his letter to the City Council, Mr. Burgason expressed interest in providing and maintaining the necessary access for the Biova entrance.

Staff determined there is not a compelling reason to retain this land as City ROW. However, because of the existence of numerous utility lines, easements would need to be granted to the City to guarantee ongoing accessibility to those utilities. It should be noted that a limited amount of standard, on-street parking is already available in the proposed vacation area on the existing street.

The net value of the old Airport Road ROW as presented to City Council on October 14 was estimated to be \$52,389. In accordance with the City Council's policy, this value was determined by taking the average value of the adjacent properties, deducting 10 percent for a quit claim deed, and deducting an additional 15 percent for easements to be established on the property for access to existing utilities. In addition, the cost of these easements and costs associated with any required survey would be borne by the purchasing property owner.

Based upon City Council's direction at the October 14 meeting, staff contacted City Assessor Greg Lynch with regards to the method of valuation. He indicated that the method utilized to value this land is referred to as the "Across the Fence Method" and is considered within the appraisal industry to be a very acceptable means of property valuation. Mr. Lynch determined an appropriate valuation to be \$6.91 per square foot if the land was combined with the Burgason parcel. Using that value and the standard

policy of deductions for retaining easements and using a quit claim deed, this property would be valued at \$85,853. This valuation opinion is included as Attachment B.

At City Council's direction, staff once again reached out to the ISU Research Park and to Mr. Burgason to confirm their interest in the purchase of the property. The ISU Research Park indicated that they have no interest in the property at either of the calculated prices. Mr. Burgason indicated that he is still interested in purchasing the property, and on Friday afternoon dropped off a revised proposal (attached). Under this most recent proposal, the City Council would grant Mr. Burgason a ten year purchase option at a purchase price of \$54,000. This price would be valid and not change during the 10 year period, and a deposit of \$2000 would be made with the City as "earnest money". Should Mr. Burgason not exercise the option prior to expiration, the \$2000 would remain with the City.

ALTERNATIVES:

- 1) Agree to sell the property to Mr. Burgason, subject to his willingness to:
 - a. Pay the City's standard value for vacated property in the amount of \$52,389.
 - b. Execute a signed easement with the City that allows the existing public and private utilities in the area to remain in their current locations, and includes a provision for the property owner to be responsible for any site restoration if maintenance is needed on the utilities.
 - c. Execute a signed access easement, as necessary, with the ISU Research Park to ensure continued street access to Biova and the Research Park.

If the Council selects this option, action should be taken to set the date of public hearing as December 9, 2014, and to direct the City Clerk to publish notice of the intended sale in the amount of \$52,389.

- 2) Agree to sell the property to Mr. Burgason, subject to his willingness to:
 - d. Pay the City's valuation based on Greg Lynch's evaluation for vacated property in the amount of \$85,853.
 - e. Execute a signed easement with the City that allows the existing public and private utilities in the area to remain in their current locations, and includes a provision for the property owner to be responsible for any site restoration if maintenance is needed on the utilities.
 - f. Execute a signed access easement, as necessary, with the ISU Research Park to ensure continued street access to Biova and the Research Park.

If the Council selects this option, action should be taken to set the date of public hearing as December 9, 2014, and to direct the City Clerk to publish notice of the intended sale in the amount of \$85,853.

- 3) Agree to sell the property to Mr. Burgason, subject to his willingness to:
 - a. Pay the \$54,000 along with \$2000 in earnest money he offered in his Friday afternoon request to purchase the vacated property, subject to the City Council granting a ten year purchase option.
 - b. Forfeit the \$2000 should the purchase option not be exercised prior to expiration in ten years.
 - c. Execute a signed easement with the City that allows the existing public and private utilities in the area to remain in their current locations, and includes a provision for the property owner to be responsible for any site restoration if maintenance is needed on the utilities.
 - d. Execute a signed access easement, as necessary, with the ISU Research Park to ensure continued street access to Biova and the Research Park.

If the Council selects this option, action should be taken to set the date of public hearing as December 9, 2014, and to direct the City Clerk to publish notice of the ten year purchase option and intended sale in the amount of \$54,000, with earnest money of \$2000.

- 4) Retain the land and deny Mr. Burgason's request to purchase the old Airport Road ROW adjacent to his business.

MANAGER'S RECOMMENDED ACTION:

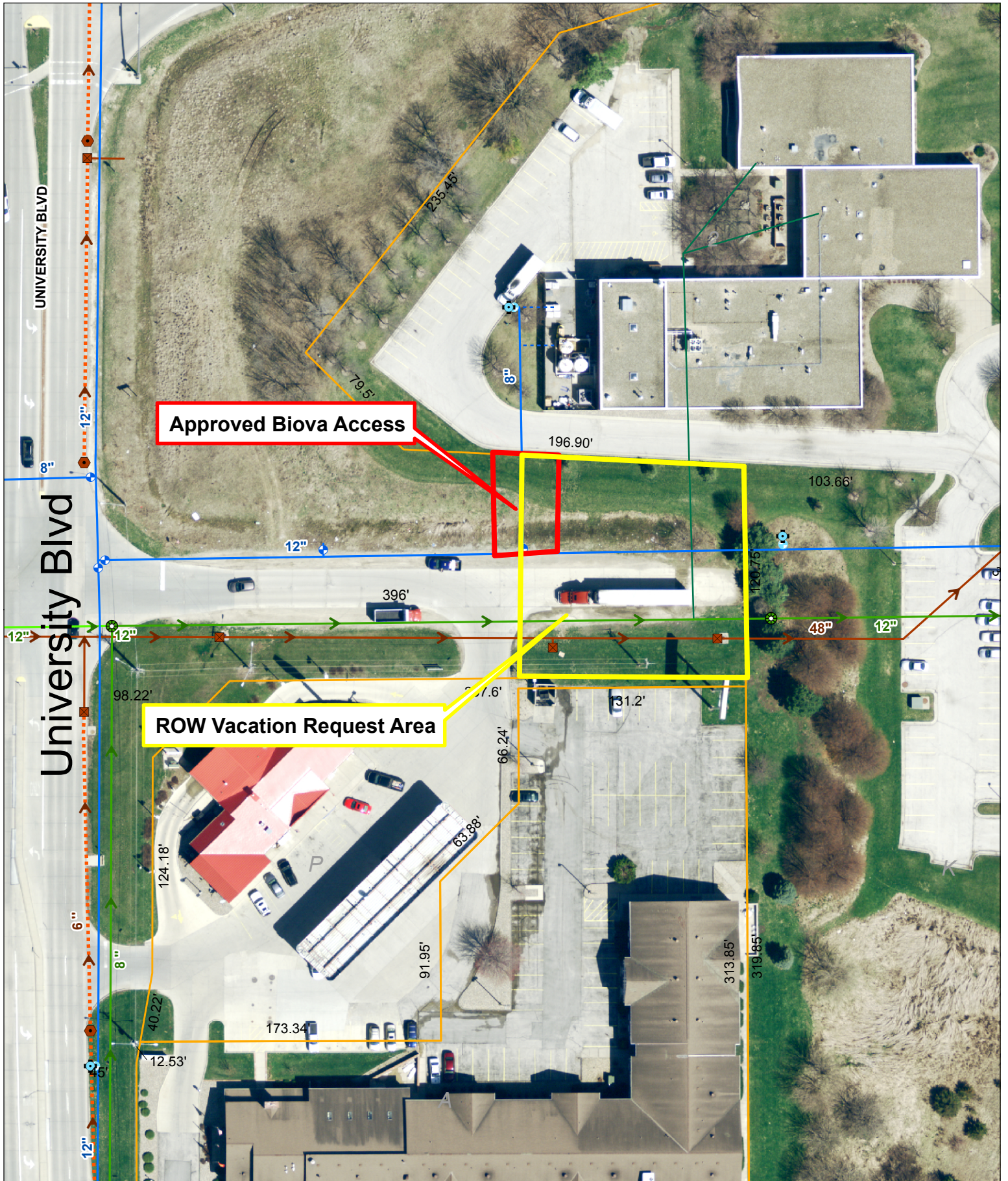
Mr. Burgason asked to purchase this right-of-way in order to make enhancements to improve the area and to allow the Gateway Expresse and Best Western parking lots to eventually be expanded. The value of this land, as calculated through the City Assessor, is higher than the City's standard valuation process of \$52,389. On Friday Mr. Burgason offered \$54,000, but this amount would be subject to a ten year option. It is likely that the value of the vacated right of way would increase during that time period.

Regardless of the price, should the City Council choose to move forward with this vacation and sale, it is important that the following three considerations and associated actions be made:

- 1) Several municipal and private utilities exist in this corridor. Thus, a utility easement needs to be maintained over the area.

- 2) Should public or private utility repairs be required within that easement area, the property owner should be responsible for restoration of the area. This same policy applies to utility work in other utility easements across the city.
- 3) The construction of Biova's approved driveway in a portion of this area could necessitate the creation of an ingress/egress easement.

Should the City Council be willing to vacate and sell the requested right-of-way, and should Mr. Burgason agree to the amount established by the Council and the other noted terms, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as described above.



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Proposed ROW Vacation Old Airport Road

— Water
 — Sanitary
 — Storm



Title:
 Scale: Not to Scale
 Date: 9/18/2014



Gregory P. Lynch, City Assessor

M.S., MAI, CAE, CCIM

515 Clark Avenue • Ames, Iowa 50010
Phone (515) 239-5370 • Fax (515) 239-5376 • Email: glynch@city.ames.ia.us

October 31, 2014

I have been asked to give an opinion of value for the former Airport Rd. right of way (AROW) that is located adjacent to and north of 2400 University Blvd. and adjacent to and south of 2325 North Loop Dr. The area that is the basis of this discussion is 16,566 square feet. I will address it on a dollar per square foot of land value basis.

The AROW serves as one of three access points to a convenience store and a hotel, located to the south, both owned by a Burgason interest. Therefore any purchaser would be required to honor the easement in place granting permanent access to them. This easement severely impacts it's marketability to anyone but an adjacent property owner.

The following table illustrates the current assessed land value per square foot of the two adjacent property owners.

Owner	BURGASON-CULVER LLC	I.S.U. RESEARCH PARK
Parcel Number	09-15-300-050	09-15-160-015
Address	2400 UNIVERSITY BLVD	2325 NORTH LOOP DR
Land Area Sq. Ft.	38,727	236,753
2014 AV Land Value	\$267,700	\$360,000
\$/Sq. Ft.	\$6.91	\$1.52

If the property were purchased and combined the Burgason parcel, I would value it at \$6.91 per square foot. Conversely, if the property were purchased and combined the I.S.U. Research Park parcel (ISURP), I would value it at \$1.52 per square foot.

The problem with this scenario is that it is assumed that the land has already been purchased. So to solve this problem one must determine who the most likely purchaser would be, and what would they be willing to pay to acquire it. .

In conversation with a representative of the ISURP, they expressed interest in acquiring it. They thought a price range between \$7,000 (\$0.43/SF) and \$12,000 (\$0.72/SF) was reasonable to them.



The ISURP parcel contains 236,753 square feet so it doesn't appear that they would need it for expansion, rather it would be desirable for access of off University Blvd. Currently their access is off of North Loop Dr.

The desirability to the Burgason owners would appear to be for expansion. As the AROW exists today, it serves as an access point to the two Burgason properties, and has for many years. With the additional square footage, the Burgason convenience store would be able to expand. Why would expansion be an option?

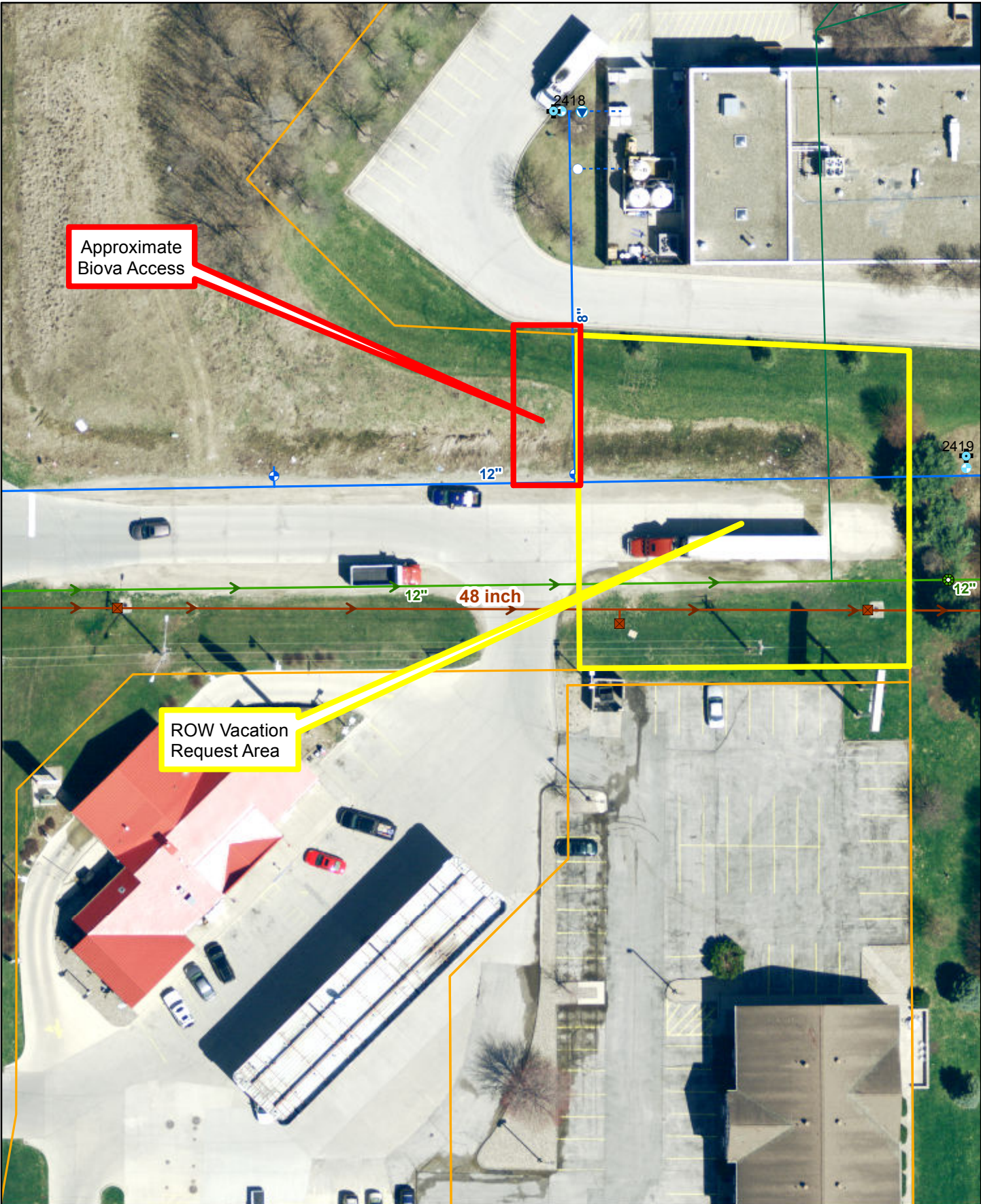
To answer that, let's look at the growth pattern of the area. Five blocks to the south, Workiva has just constructed offices estimated to employ 350 people currently and has said publically they expect to employ 600 at this site within the next five years. Southwest there has been single family housing added in the Riggerberg subdivisions. A new retirement community is also being constructed there. Site plans have been submitted for three new apartment complexes to be built in this subdivision.

A new dental/chiropractic office was completed this summer at 2625 University Blvd just a few blocks south.

Green Hills retirement community has added 16 independent living units recently and has submitted site plans to construct more. Green Hills is located west across University Blvd from the Bergason holdings.

All of this growth has no doubt increased demand for the services and products in the general area, and specifically for the convenience store site.

The Burgason interests thought \$0.43 per square foot was a fair price, but based on growth in this corridor that has occurred, and will continue in the next few years, I believe the value of the AROW to the Burgason interests is much closer to the \$6.91 per square.



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Proposed ROW Vacation Old Airport Road

— Water
 — Sanitary
 — Storm



Scale: 1 in = 50 ft
 Date: 11/18/2014

PKTS. 7-18-14

July 15, 2014

To Mayor Campbell and members of the City Council of Ames
City of Ames
515 Clark Avenue
Ames, Iowa 50010

Dear Mayor Campbell and members of the City Council of Ames,

As owner of Gateway Expresse, 2400 University Blvd., Ames, I am interested in ways to improve the surrounding area aesthetically and possibly in the future secure more parking spaces for our business.

We would like to make an offer on the back half of the old Airport Road dead end stub in hopes that the City of Ames would be amiable to us taking over a portion of this property with the condition that we would make improvements that would enhance the area. I am envisioning a green space area that would be mowed with access to a bike or walking path into the ISU Research Park off of University Blvd and in the future possibly create some additional parking for Gateway Expresse and The Best Western University Park Inn and Suites.

Given the fact that the front half of "Parcel A" and "Parcel B" is already providing entrance into the C-Store and Hotel and could not be used for anything else, would the city consider selling to us the back half of "Parcels A and B".

As a side note. I had a conversation with Steve Carter, Director of the ISU Research Park Corporation, last year. He had indicated the ISU Research Park might be willing to let us buy their share of their part to this land, (if indeed the city were willing to sell it.) He had asked if we would be willing to provide access for an entrance/exit for Building #6 onto the "Old Airport Road" stub. We also discussed the merits of a possible bike pathway from University Blvd to the Research Park area. We would be open to all of this if we could gain access to this land.

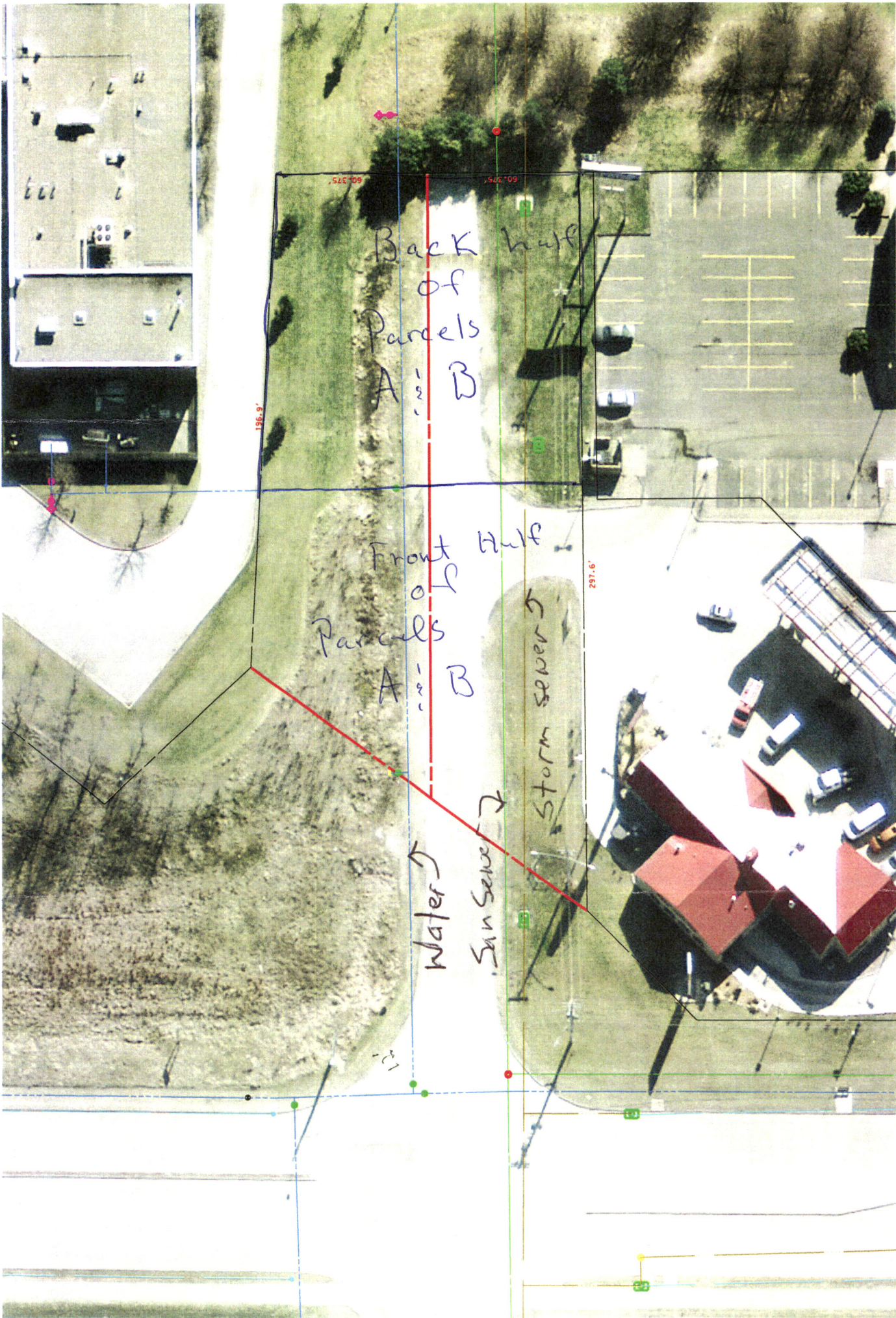
Given the limited use to this space would the city be willing to sell us this land for the greatly reduced price of \$7,000 in exchange for our development and maintenance of said property and willingness to provide the city access to a bike/walking trail.

We would like to offer \$7,000 for the back half of parcels A and B.

Respectfully,



Steve Burgason
Owner, Gateway Expresse
203.6159 (c)



Back half
of
Parcels
A & B

Front half
of
Parcels
A & B

Water →
San Sewer →

Storm sewer →

196.9'

60.375'

60.375'

297.6'

121'

November 21, 2014

To Mayor Campbell and members of the City Council of Ames
City of Ames
515 Clark Avenue
Ames, Iowa 50010

Dear Mayor Campbell and members of the City Council of Ames,

We would like to refine our offer to purchase the old Airport Rd. dead-end stub to include the following with a multi-year option to purchase with \$2,000 down payment on an agreed purchase price of \$54,000 with a 10 year option. This would allow us to retain the option to purchase future parking without having to invest \$54,000 prematurely. Should we not exercise the option to purchase the city will keep the \$2,000 down payment.

Thank you for your consideration.

Respectfully,



Steve Burgason
Owner, Gateway Expresse
203.6159 (c)