

Staff Report

**ISSUANCE OF GENERAL OBLIGATION BONDS
FOR INDOOR AQUATICS CENTER**

September 14, 2021

BACKGROUND:

After the conclusion of the public hearing, the City Council will be asked to pass a resolution authorizing the sale of up to \$21,200,000 of General Obligation bonds to help finance a new Indoor Aquatic Center to replace the facility being demolished by the Ames Community School District in order to make way for the construction of their new high school.

The current plan is to construct this new Indoor Aquatic Center at a site currently owned by the Iowa Department of Transportation along Lincoln Way within a newly established Urban Renewal Area. Because of this location, and since the Indoor Aquatic Center is included as part of the urban Renewal Plan, the Iowa Code allows the sale of G.O. bonds for this facility without the requirement of a voter approved referendum, as long as a valid petition is not received by the City Council prior to the public hearing.

FINANCING OF FACILITY:

The most recent estimate for the total project cost in 2023 dollars, as provided by RDG, is \$31,200,000. Through the leadership of Dan Culhane, Executive Director of the Ames Economic Development Commission, approximately \$8,000,000 of private donations for the new facility have been pledged to date. In addition, the City Council has indicated a willingness to commit the approximately \$2,000,000 from the Geitel Winakor bequest for this project. Therefore, our current estimates indicate the need to issue G.O. bonds totaling \$21,200,000 to fund the remainder the Aquatic Center project.

COST TO THE TAXPAYER TO FINANCE THE FACILITY:

Worst Case Scenario - No Reinvestment District Funding

Because there is currently no guarantee that the mixed-use development along Lincoln Way as proposed will move ahead, that the final application for the Reinvestment District incentive funding will be awarded by the Iowa Economic Development Authority, or that estimated state tax revenue projected to be generated and provided to the City from the State will be realized; it seems appropriate to provide the most conservative estimates of the worst case scenario when informing the public of the potential property tax consequences for the proposed Indoor Aquatic Center project. (See Table #1)

Table #1 – Assumes No Reinvestment District Revenue

Estimated Cost of Aquatics Center (2023 Dollars)	\$31,200,000
Sources of Funding:	
Geitel Winakor Bequest	\$2,000,000
Private Donations	\$8,000,000
G.O. Bond Debt	\$21,200,000
Estimated Tax Supported Annual Debt Service (Principal + Interest)	\$1,277,830
Estimated Annual Property Tax Rate Increase For Residential Properties Related to Construction Of The Project	\$0.38 Debt Service Levy Rate Increase Per \$1,000 Of Taxable Valuation
Estimated Annual Property Tax Cost Increase To Residential Properties For Principal & Interest On G.O. Bonds	\$21.58 Per \$100,000 Of Assessed Valuation
Estimated Annual Property Tax Rate Increase To Finance Projected \$400,000 Operating Subsidy	\$0.12 General Levy Rate Increase Per \$1,000 Of Taxable Valuation
Estimated Annual Property Tax Cost Increase For Residential Properties To Finance Projected \$400,000 Annual Operating Subsidy	\$6.92 per \$100,000 Of Assessed Valuation

Best Case Scenario - Receipt Of \$10,000,000 Reinvestment District Funding

The City has received a provisional Reinvestment District Award of \$10,000,000, which is substantially less than is projected to be generated by the Downtown projects in our application to the state. If the mixed-use project along Lincoln Way is constructed as currently planned with a hotel and retail spaces, it is likely that the full \$10,000,000 Reinvestment District award funding will be realized. If this is the case, the property tax impact will be substantially reduced. (See Table #2)

Table #2 – Reinvestment District Revenue Estimate of \$500,000 Annually for 20 Years

Estimated Cost of Aquatics Center (2023 Dollars)	\$31,200,000
Sources of Funding:	
Gital Winaker Bequest	\$2,000,000
Private Donations	\$8,000,000
G.O. Bond Debt	\$21,200,000
Estimated Tax Supported Annual Debt Service (Principal + Interest)	\$777,830
Estimated Annual Property Tax Rate Increase For Residential Properties Related to Construction Of Project	\$0.23 Debt Service Levy Rate Increase Per \$1,000 Of Taxable Valuation
Estimated Annual Property Tax Cost Increase To Residential Properties For Principal & Interest on G.O. Bonds	\$13.14 Per \$100,000 Of Assessed Valuation
Estimated Annual Property Tax Rate Increase To Finance Projected \$400,000 Operating Subsidy	\$0.12 General Levy Rate Increase Per \$1,000 Of Taxable Valuation
Estimated Annual Property Tax Cost Increase For Residential Properties To Finance Projected \$400,000 Annual Operating Subsidy	\$6.92 per \$100,000 Of Assessed Valuation

(Note: It must be emphasized that the estimates that are reflected above in Tables #1 and #2 are based on the current environment and, therefore, are subject to change. For example, these numbers can be impacted if the project costs come in less than the current projection, if the interest rate when the bonds are sold are higher than currently projected, if donations surpass the currently pledged totals are greater than \$10,000,000, etc.)

NEXT STEPS:

The City Council's approval to issue up to \$21,200,000 in G.O. Bonds for the Indoor Aquatic Center does not come with a requirement to issue the bonds within a certain timeframe. This is fortunate since there are several steps that are required prior to proceeding with the Indoor Aquatic Center project. First, an environment study should be performed on the Iowa Department of Transportation site. Second, an approved contract with the Iowa Department of Transportation for the purchase of the site is essential before design work should begin. Third, assuming the City Council will want to move ahead with the Indoor Aquatic Center even if the City is not awarded the Reinvestment District incentive, the next step will be to hire an architecture/engineering firm to design the project. Four, a final total for the private donations must be determined. Five, should the City Council hope to pursue the Reinvestment District incentive, a critical next step will be to finalize an agreement with the developers of the mixed-use project along the north side of Lincoln Way in advance of the February 25, 2022 application deadline.

The authorization to issue G.O. bonds, which is being requested on September 14th, is a key part of the process to proceed with the finalization of the Reinvestment District award and the Indoor Aquatic Center project.