

**COUNCIL ACTION FORM**

**SUBJECT: DEVELOPER AGREEMENT REGARDING SOUTH BELL TAX INCREMENT FINANCING DISTRICT FOR INDUSTRIAL LAND DEVELOPMENT**

**BACKGROUND:**

On August 26, 2008 the City Council reviewed a letter from Chuck Winkleblack requesting that the City provide a tax increment financing incentive for infrastructure improvements to develop 37 acres of industrial land along South Bell Avenue. Mr. Winkleblack indicated that there is an insufficient amount of industrial land available in the City because it is too costly for developers to construct this type of subdivision without financial support from the City. He also stated that he was aware the City staff is working to create an industrial park east of Highway 35 with larger lots than he is proposing. However, because of the complexity involved with completing this type of large lot project, he believes his project can be built faster to fill an immediate void in the industrial land market.

At this Council meeting, the staff was directed to "initiate steps to provide tax increment financing for the construction of the public infrastructure to serve approximately 37 acres of industrial land along South Bell Avenue." It was indicated at that time that the first step in the approval process would be to finalize a Developer Agreement outlining the responsibilities and requirements of both the City and developer. In accordance with this directive, numerous negotiating sessions have been held in an effort to finalize an agreement that is acceptable to both parties.

**While agreement has been reached on most of the major issues, the parties are not able to bring before the Council a final proposal for approval at this time. In an effort to keep this project moving forward so that public improvements contracts can be approved in March with construction work beginning soon afterwards, the staff is seeking your input regarding these negotiations. If the Council supports major issues presented below, then direction to the staff to continue efforts to finalize a Developer Agreement is warranted. In this case, the agreement will be brought to the Council in the near future for approval. However, if the Council members have any objections to the issues agreed to below, then it is important that the staff is aware of them at this time. Either the developer will be willing to accept your suggested changes or, if rejected, there will be no need to pursue this project any further.**

Highlights of the agreed upon issues include:

- **Sale Price.** The developer guarantees a selling price for land in the subdivision of an amount no greater than \$55,000 per acre through June 30, 2011. This price can be increased by as much as 5% on each July 1 thereafter.

The funding by the City of the public improvements for the subdivision through the tax increment financing mechanism guarantees a below market price for fully developed industrial land. The below market land price hopefully will improve our chances of attracting new industries to the City or enticing our existing industries to expand here.

- **Allowing Others To Take Advantage of This Incentive.** The developer will make at least 50% of the lots in the subdivision available for sale to other interested developers.

In the two other projects where a TIF financing incentive was utilized, other developers complained that they did not have access to this low cost land. This provision will assure them that they can take advantage of this incentive as well as the developer.

- **Timeframe To Build.** Once a lot is purchased from the developer, the property owners will have 18 months to complete building improvements.

This provision was added to prohibit individuals from purchasing a lot at the below market cost and holding on to the property for a long period of time without making improvements. Since the City's debt to pay for the public infrastructure will be paid off from improvements made on the land, it is important that buildings be constructed as soon as possible in the TIF district.

- **Speculative Buildings.** Not later than 18 months after the public improvements are completed, the developer will construct on the smaller lots (less than 1.5 acres) a spec building with a taxable value of not less than \$350,000. After the first spec building is completed and occupied, the developer will, within 12 months, construct second spec. building with the same taxable value as the first building. This obligation to build spec buildings of the same value will continue until the City's debt for the public improvement is paid off.

This requirement will assure that some incremental value is added to the TIF district to help pay off the debt. In addition, the existence of a spec building will be a valuable component of our economic development efforts.

- **No Tax Abatements.** The developer, or the ultimate owners of the property, will not be able to apply for any tax abatement program. Furthermore, if their property ever becomes exempt from property taxes, the developer, or the

ultimate owners of the property will be required to pay to the City a payments-in-lieu of tax as if the property was not exempt.

This provision is important since the City's debt for the public infrastructure will be paid off from the additional taxed generated from improvements in the TIF district. The more buildings in this district that are exempt from taxes, the less revenue there will be to pay off this debt.

- **Developer's Major Responsibilities To Complete The Subdivision.** The developer is responsible for the costs associated with designing, platting, and grading the subdivision.

It should be remembered that this is a private development project. The TIF financing strategy is being used to lessen the costs to the developer and pass on these infrastructure savings to new or expanding companies in Ames. Therefore, the developers will take the lead in accomplishing this new subdivision.

- **Minimum Assessment.** The developer, or the ultimate owner of the property, will enter into a minimum assessment agreement for lots over 1.5 acres to assure that the taxable value of the building improvements on each lot is, at least, \$266,000.

This provision will help assure that small buildings are not constructed on the larger lots in the subdivision and, thereby, increase the chances that the City's debt will be paid off quicker.

- **Repeal of TIF District.** If the bids for the storm sewers, sanitary sewers, streets, and water mains come in above \$875,000, the City will have the option to repeal the TIF district and not be obligated to provide funding for this subdivision.

The staff has emphasized previously that utilizing TIF financing for this type of development is quite risky. The financial feasibility of this project is based on current estimated costs associated with constructing the public infrastructure and a conservative projection for the projected absorption rate of the land. If the actual costs substantially exceed these estimates, the financial feasibility of the project will be in doubt. Therefore, this type of "out clause" is essential.

### **ALTERNATIVES:**

1. The City Council can pass a motion directing staff to continue efforts to finalize a Developer Agreement regarding the development of industrial land along South Bell Avenue.
2. The City Council can pass a motion directing staff to terminate negotiations with the developers regarding the development of industrial land along South Bell Avenue.

3. The City Council can pass a motion supporting staff's continued efforts to finalize a Developer Agreement regarding the development of industrial land along South Bell Avenue, but direct staff to renegotiate one of the issues listed above.

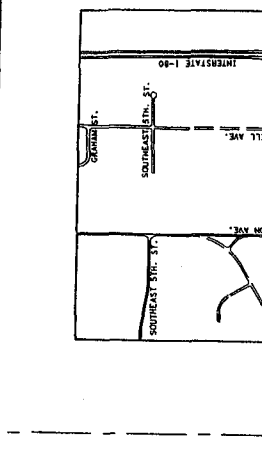
**MANAGER'S RECOMMENDED ACTION:**

Substantial progress has been made in our negotiations with the developers of industrial land along South Bell Avenue since the Council directed staff to initiate steps to provide a tax increment financing incentive for this development. It appears all that remains to be worked out is language regarding how best to secure some of the commitments being required of the developer.

Based on the progress we have made to date regarding our negotiations, the staff believes it is appropriate to move forward with the approval process for the Urban Renewal Plan. **Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby directing staff to continue efforts to finalize a Developer Agreement regarding the development of industrial land along South Bell Avenue.**

However, if the City Council does not concur with the issues listed above that have been worked out with the developer, then either Alternative #2 or #3 should be supported.

CLOUSE, CALEN D & CLOUSE, GLORIA A  
 DAYTON PARK LLC  
 SALK AVENUE  
 SEASONS PARK SUBDIVISION  
 PARCEL 'C'  
 FLUMMERBELTS SHADY GROVE  
 DAYTON PARK LLC  
 DAYTON PARK LLC  
 DUNCAN LLC



NO.	DATE	DESCRIPTION

REVISIONS

WHS & CO.

SKETCH PLAN  
 CULDESAC ALTERNATIVE

OWNER  
 Dayton Park, LLC  
 106 South 16th St.  
 Ames, IA 50010

APPLICANT  
 Mr. Duane Kinsler  
 Dayton Park, LLC  
 106 S. 16th Street  
 Ames, IA 50010

PREPARED BY  
 WHS & Co.  
 1421 10th Avenue, Suite 100  
 Ames, IA 50010



THIRD ADDITION  
 TIF  
 AMES, IA

REPEAT OF OUTLOT Z  
 THIS IS THE SAME SECTION  
 AND PARCEL AS SEC. 7, 160N-REGN  
 IN FOUR SECTIONS OF THE TIF  
 OUTLOT Z AREA = 9.28 acres  
 PARCEL L AREA = 1.27 acres  
 TIF 3rd ADD. SUB. = 31.23 acres  
 LOT A AREA = 3.33 acres  
 LOTS 1-14 AREA = 31.50 acres

SKETCH PLAN  
 CULDESAC ALTERNATIVE

LEGEND

—	EXISTING	—	PROPOSED
---	PARCEL BOUNDARY	—	WATER MAIN & SIZE
---	12"	---	18"
---	18"	---	24"
---	24"	---	36"
---	36"	---	SANITARY SEWER & SIZE
---	12"	---	18"
---	18"	---	24"
---	24"	---	36"
---	36"	---	STORM SEWER & SIZE
---	12"	---	18"
---	18"	---	24"
---	24"	---	36"
○	FIRE HYDRANT	○	MANHOLE
●	STORM SEWER INTAKE	◁	FLARED END SECTION

SCALE	AS SHOWN
PROJECT #	111
REVISED BY	B.J.B.
DRAWN BY	B.J.B.
CHECKED BY	B.J.B.
DATE	11/17/2008
SHEET	1 of 1

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