

Staff Report

DEERY BROTHER'S OFFER

May 22, 2012

BACKGROUND:

A previous recommendation to create an urban revitalization area for the properties along S.E. 16th Street from S. Duff Ave. to S. Dayton Road failed to receive the necessary four Council votes for approval of a tax abatement incentive.

On April 24, 2012 the City Council referred a memo to the City staff regarding a new proposal from the Deery Brothers requesting tax abatement for their three lots along S.E. 16th street in return for 1) the donation of 10.8 acres of land to accommodate the future widening of the Highway 30 bridge if this project is pursued as a flood mitigation technique, and 2) the straightening/widening of the north/south river channel on their site to help mitigate future flooding in the area. The purpose of this latest proposal is to provide substantial value to the City in return for the establishment of a tax abatement incentive for the three lots which will be developed by the Deery Brothers.

ANALYSIS OF PROPOSAL:

The following is an analysis of the advantages and disadvantages of the two-part proposal from the Deery Brothers.

Advantages Of The Land Gift

- The land that is being offered might be needed in the future if the State agrees to widen the Highway 30 Bridge opening. Obtaining the land now, free of charge, will avoid protracted future negotiations or the need for eminent domain. The Deery Brothers' initial claim was that the land is worth \$56,000 per acre, or a total of approximately \$604,800. (It should be emphasized that no appraisal has been made of the property to verify this claim of value.)
- The land that is being offered will be reconfigured and seeded. Once this is accomplished, the owner of the land will have ability to use or sell portions of this land for wetland credits. The consulting engineer for the Deery Brothers, Scott Renaud, estimates the value of these credits to be \$25,000 to \$40,000 in today's market based on the eligibility of approximately one acre. (The staff is relying on information provided to Mr. Renaud from Kevin Griggs, a wetland consultant.)

- The detention pond that is being offered with the 10.8 acres of land will be approximately 14 feet deep at all times and could serve as a public recreation area for fishing, etc.
- The City currently has an easement for our raw water distribution line over the land that is being offered. If the land is transferred to the City, we will own, not only the land under which the raw water line is constructed, but also additional land adjacent to the line. This fact could prove beneficial should the City ever want to move the raw water line outside of the easement area in the future.

Disadvantages Of The Land Gift

- The detention pond that is being offered with the 10.8 acres will be approximately 14 feet deep at all times and, therefore, will pose a liability risk to the City and a requirement for a higher level of on-going maintenance for this floodway property.
- The initial concept is to discharge the storm water runoff from the three developed lots onto the land that is being offered to the City. Under this situation, the City will be maintaining the storm water facility for a private development.
- Once the land that is being offered is transferred to the City's ownership, it will be taken off the tax rolls.
- It is unlikely that all of the 10.8 acres that is being offered will be needed by the State should they decide to widen the Highway 30 Bridge. Currently, State engineers are not certain whether the structure will ever be widened to the east of the channel, even if they decide to make such an improvement.
- Since the City already obtained an easement for the raw water line, its continued existence on this property and our ability to maintain it is already assured.

Advantages Of Straightening/Widening The Channel

- The Deery Brothers have agreed to straighten/widen the channel at their sole expense as part of the development of their dealership lot. **Their consulting engineer, Scott Renaud, has indicated that the straightening/widening of the channel will yield a 1 foot decrease in the flood elevation during a 100 rain storm event on the Wheelock and Deery properties.**

(It should be noted that that City staff has not verified the benefits related to flood mitigation that is being claimed by Mr. Renaud. If the Council desires

such verification, it would be preferable to hire an outside consultant to accomplish this task.)

- Mr. Renaud has estimated that the cost for the City to accomplish this channel adjustment and stabilize the impacted area with appropriate landscaping, if the City chooses to do so at a later date as part of a flood mitigation strategy, would be approximately \$240,000. The staff has reviewed these estimates and believe they are reasonable.

Disadvantages of Straightening/Widening The Channel

- In order to accomplish this channel realignment, approvals will be needed from various governmental entities including the Iowa Department of Natural Resources, the Army Corps of Engineers, and the City of Ames. Working with these governmental agencies could prove to be complex and very time consuming resulting in a delay between the time the City qualifies the three lots for tax abatement and the time decisions are made by the various governmental agencies regarding the requested channel straightening/widening.
- As the water moves faster through the city as a result of the straightening/widening of the channel, banks along the channel will experience destabilization due to increased erosion. In addition, this faster water movement could negatively impact aquatic and plant life in the area.

STAFF COMMENTS:

It appears from the City Council's previous discussion regarding the Deery Brother's proposal that there is some interest in providing tax abatement as long as the value of this incentive is "offset" by benefits that would be received by the City from their offer.

For purposes of this analysis, the "cost" would be the amount of the abatement that would be provided to the developer. Staff has been informed that should an urban revitalization plan be approved, the Deery Brothers hope to utilize the 3-year, 100% tax abatement schedule. Based on the estimated assessed values supplied by the developers, the improvements for the car dealership are expected to be \$4.5 million and the improvements on the two remaining lots are expected to be \$2 million each. **Based on these estimates, the amount of taxes abated from City taxes would be \$273,360 over the three years.** (Remember that the total amount of taxes abated over the three years would be \$823,650. This larger total includes the amounts also abated for the School District, County, etc.)

On the benefit side, staff finds it difficult to conclude that the 10.8 acres of land located in the floodway has a value of \$56,000 per acre as suggested. **While an appraisal could be obtained to verify the actual value, the staff believes the disadvantages**

outweigh the advantages of assuming ownership of the land at this time. However, the Deery Brothers are willing to agree to transfer ownership, sometime in the future, of the portion of their 10.8 acres of land that is necessary to accommodate the widening of the Highway 30 bridge. This should be considered a benefit to the City.

In regards to other aspects of their proposal, the Deery Brothers have agreed to offer the wetland credits to the City free of charge, even if the ownership of the 10.8 acres is not transferred to the City. It is reasonable to conclude the value to the City of receiving wetland credits is approximately \$33,000. In addition, the staff concurs that the cost of widening/straightening the channel that is proposed to be absorbed by the developer is approximately \$240,000.

However, after performing an engineering analysis, it appears that the upstream benefits from the modification to the channel are less than originally expected. According to Mr. Renaud, this work will not mitigate the impact of future flooding beyond the two properties along the south side of S.E. 16th Street (Wheelock and Deery). In order to give credit for this aspect of their proposal, the City Council must decide if this benefit that has been identified would have warranted the City to make this channel modification in the future.

If the Council chooses to move ahead to grant the requested tax abatement, along with creating a urban revitalization plan, the staff will need to prepare a developer agreement to assure that the proposed benefits are received by the City.

Design Consultant
Financing Analysis
Project Coordinator
Sale-Leaseback



General Contractor
Architectural Assistance
Site Selection
Design-Build

Fred Rose, L.C.

dba The Rose Companies

April 23, 2012

Mayor and Ames City Council
515 Clark Avenue,
Ames, IA 50010

Dear Mayor and Council Members,

In the matter of the Deery Brothers desire to build a new Chrysler/Jeep/Dodge automobile dealership at the southwest corner of South Dayton, and 16th Street, we offer the following considerations that we feel bring an entirely new dimension to our request for abatement.

1. We are certainly aware that flooding in general as well as development in floodway fringe areas is an extremely sensitive endeavor that requires extra scrutiny, effort, and study on everybody's part. We have recently learned that straightening the Skunk River channel adjacent to and north of the Highway 30 Bridges along the east side of the channel will significantly help pass water during high water situations like those that occurred in 2010. This will offer some lessening of the backup that occurs up stream as water can drain more quickly. This would occur on Deery's land at their expense which could run as much as \$90,000.00 for the 300' that are to be worked on.
2. Our Engineering firm feels that straightening the channel will allow them to formally certify a "no rise," as well as a "no impact" condition for our lot only. While these two situations are similar they are distinctly different and very difficult to obtain within the conditions of this development.
3. It has been brought to our attention that there is a possibility in the distant future that some work on the Highway 30 Bridges might be considered as they became a bit of a barrier during significant flooding like that of the 2010. That work will require additional land to widen the channel along with lengthening and raising the bridges. We propose donating the lower 10.8 acres to the City after our site work is completed and the lower portion is finished to City standards. The land is costing over \$600,000.00 or \$56,000.00/Acre before we prepare and finish it.

A lot of time has been spent since the last City Council meeting listening to the citizens of Ames concerns, as well as our Engineering firm. Given this additional information it is our sincere desire that you can revisit our request for abatement.

Thank you,

Fred Rose