

**COUNCIL ACTION FORM**

**SUBJECT: PROPOSED BARILLA URBAN RENEWAL AREA AND TAX INCREMENT FINANCING DISTRICT**

**BACKGROUND:**

At the City Council meeting on February 28, 2017, the City Manager was directed to initiate steps to provide an economic development incentive in the form of a rebate of incremental property taxes for expansion of the Barilla manufacturing plant at 3303 and 3311 East Lincoln Way. Barilla proposes an expansion to add two additional production lines, improved rail facilities, and new silos. The estimated cost of improvements is \$64,000,000, of which \$16,320,000 will be in the form of increased taxable valuation.

The City Council directed staff to prepare a development agreement providing for a rebate of incremental property taxes for a period of 10 years or \$3,000,000, whichever occurs first. The property tax rebate will be provided as an incentive for the Barilla expansion project and requires that that company create 41 new jobs within three years after completing the project and to agreeing to a minimum assessment of \$16,320,000 of incremental new taxable property valuation to receive the City's incentive. **In order to provide a rebate of property taxes, an economic development Urban Renewal Area must be created along with Tax Increment Financing (TIF) district. The proposed Urban Renewal Area and tax increment district comprises 140 acres of land zoned Planned Industrial (PI) owned by Barilla America, Inc.**

**URBAN RENEWAL AREA:**

Code of Iowa Chapter 403 allows cities to establish tax increment financing districts through the creation of an urban renewal area. The creation of an urban renewal area requires the adoption of an urban renewal plan. That plan has been drafted and is now being submitted to the City Council. The first step in the adoption of the plan is to forward the plan to the Planning and Zoning Commission for a recommendation. The Commission's role is to make a recommendation as to whether the plan conforms to the intent and purposes of the Land Use Policy Plan.

The City Council will also hold a consultation with the taxing entities that will be affected by the establishment of tax increment financing district. These entities are the Ames Community School District and the Story County Board of Supervisors. Upon receipt of the Commission's recommendation and following the consultation, the City Council must hold a public hearing. The Council then can approve a resolution adopting the urban renewal plan, approve a resolution establishing the urban renewal area, and approve an ordinance creating a tax increment financing district. The necessary steps are outlined and a time line is established below.

**June 13**

Staff presents the Plan to the City Council. The City Council refers it to the Planning and Zoning Commission for a recommendation. The City Council also appoints a representative for the consultation to be held June 22.

**June 21**

Ames Planning and Zoning Commission makes recommendation regarding conformity with the Land Use Policy Plan.

**June 22**

The consultation between representatives of the City and the taxing entities is held.

**No later than June 29**

The taxing entities may make recommendations for modifications to the plan within 7 days of the consultation.

**July 11**

The City conducts a public hearing. The City then approves a resolution adopting the plan, approves a resolution establishing an urban renewal area, and approves first reading of an ordinance creating a TIF district. A draft development agreement with the Barilla will be presented at that time. Approval of the agreement is planned to coincide with the third reading of the ordinance.

**URBAN RENEWAL PLAN:**

Included with the City Council packet is a draft of the urban renewal plan. The plan includes the necessary components described by the Code of Iowa. It describes the project and its objectives and includes a summary of the process of its preparation and adoption. The plan identifies those components of the Land Use Policy Plan that are supported by the proposed urban renewal area.

The plan also contains a summary of the City's current debt obligations and the City's limits on issuing debt.

Please note that the plan is still in draft form. Some portions of the plan may change when tentative dates are confirmed and events happen. The appendices will be completed as the process moves forward. All these draft items will be finalized prior to the City Council being asked to adopt the plan on July 11.

**REPRESENTATIVE TO CONSULTATION:**

Since this proposed urban renewal area will also include tax increment financing, the Code of Iowa requires the City to hold a consultation with the other affected taxing entities (the school district and the county). Following the consultation, the taxing

entities are allowed to make their recommendations for any changes to the urban renewal plan. The City must then respond to those recommendations for changes. The City Council may appoint a representative to attend the consultation and to respond back to any requests for modifications to the plan by the taxing entities. The Planning and Housing Director can be appointed to this role as the representative to the consultation.

### **ALTERNATIVES:**

1. The City Council can forward the draft urban renewal plan to the Planning and Zoning Commission for a recommendation, set July 11 as the date of the public hearing on the plan, direct staff to implement the other required procedures for establishing an urban renewal area and a tax increment financing district, and appoint the Planning and Housing Director as the representative to the consultation with the other taxing entities.
2. The City Council can choose not to initiate the urban renewal plan for Barilla.

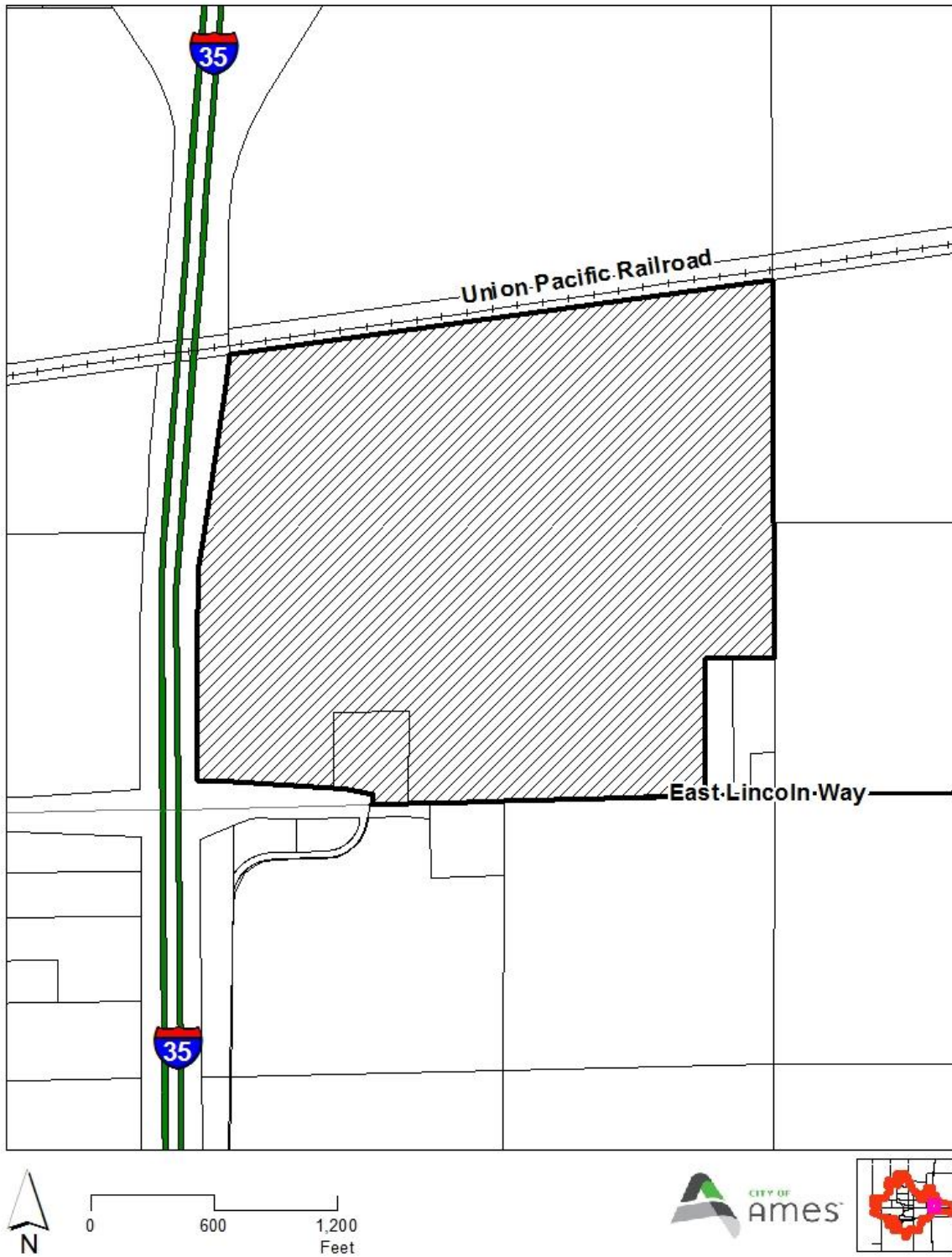
### **MANAGER'S RECOMMENDED ACTION:**

Following the direction of the City Council at their February 28 meeting, staff has prepared a draft of an urban renewal plan. The plan follows the requirements as set out in Chapter 403, Code of Iowa, and is needed to allow the city to offer tax abatement incentives for the Barilla expansion.

Staff will have a draft of the development agreement ready at the time of the public hearing on July 11. A signed agreement will be needed prior to third reading of the TIF ordinance expected on August 8.

Therefore, it is the recommendation of the City Manager that the City Council act in accordance with Alternative 1, initiating the process for adoption of the urban renewal plan. Future City Council actions will include approval of the urban renewal plan, approving a development agreement with Barilla regarding the creation of new jobs and minimum assessment, and establishment of the tax increment financing district.

# LOCATION MAP



# Barilla Urban Renewal Plan



**Draft Prepared by the  
Dept. of Planning and Housing  
and  
Presented to the Ames City Council  
on June 13, 2017**

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## **Urban Renewal Plan**

This Urban Renewal Plan for Barilla Urban Renewal Area (the Plan) was prepared at the direction of the Ames City Council and in conformance with the Code of Iowa Chapter 403 Urban Renewal. This Plan comprises the necessary components as described in Chapter 403.17(24). In addition, it describes and documents the procedures followed in bringing the Plan forward, in approving the Plan, and in allowing the division of revenues from taxation (tax increment financing).

This Plan designates the proposed urban renewal area as an economic development area as defined in Chapter 403.17(10).

## **Plan Preparation and Adoption**

### **PREPARATION AND COMMISSION ACTION**

The City of Ames Department of Planning and Housing (the Department) prepared this draft Plan, presenting it to the Ames City Council on June 13, 2017. The City Council is asked to direct the Department to submit the Plan to the Planning and Zoning Commission (the Commission) for their review and to provide a recommendation as to its conformity with the general plan of the City—the Ames Land Use Policy Plan.

The Commission will meet on June 21, 2017 and hear a summary of the report and a recommendation from the Department. The Commission will then formulate their recommendation for the City Council. The written recommendation of the Commission will be found in the Appendix.

### **NOTIFICATION AND CONSULTATIONS**

During the preparation of this Plan, the City will meet the notification and consultation requirements of Code of Iowa Chapter 403.5. Notice will be provided to the affected taxing entities as required when the urban renewal area includes an allowance for the division of revenues from taxation (tax increment financing). Notice will be provided to the Story County Board of Supervisors, and the Ames Community School District. The notice of a consultation and a copy of the Plan will be sent by regular mail to the taxing entities on June 14 for a consultation to be held on June 22. The taxing entities, their addresses and their designated representatives will be listed in the appendix.

The taxing entities will be notified that they have seven days following the consultation to provide any recommendations for modifications of the Plan.

### **CITY COUNCIL ACTION**

The Ames City Council will hold a public hearing on July 11, 2017 to consider the adoption of the Plan, the resolution to establish the urban renewal area and the ordinance to allow for the division of revenue from taxation (tax increment financing). Notification for the public hearing will be as prescribed by Code of Iowa Chapter 403.5(3). Public notice will be published in the Ames Tribune between

June 21 and July 7, a copy of which will be included in the appendix. In addition, a copy of the notice will be sent by regular mail to the affected taxing entities.

At the public hearing, the City Manager will present a summary of the report and a recommendation to the City Council. The City Council will be presented with the written recommendation of the Planning and Zoning Commission. Following the public hearing, the City Council is asked to act on the Plan.

## **Property Description**

The proposed urban renewal area comprises two parcels. The legal descriptions are:

3311 East Lincoln Way (10-06-400-010)

Parcel "B" being a part of the Southeast Quarter (SE ¼) and East Half (E ½) of the Southwest Quarter (SW ¼), Section Six (6), Township Eighty-three (83) North, Range Twenty-three (23) West of the 5<sup>th</sup> P.M., City of Ames, Story County, Iowa as described in a Plat of Survey filed in the office of the Recorder of Story County, Iowa, on July 22, 1997, in Certificate & Field Notes Book 15, Page 18.

and

3303 East Lincoln Way (10-06-450-020)

Beginning at a point on the South Line of the Southeast Quarter (SE ¼) of Section Six (6), Township Eighty-three (83) North, Range Twenty-three (23) West of the 5<sup>th</sup> P.M., Story County, Iowa, Four Hundred Seventy-seven (477) Feet East of the South Quarter (S ¼) Corner of said Section Six (6); thence North 2° 03' East Four Hundred Fifty Five (455) Feet; thence East Three Hundred Sixty-eight (368) Feet; thence South 2° 03' West Four Hundred Fifty-five (455) Feet; thence West along the Section line Three Hundred Sixty-eight (368) Feet to the Point of Beginning, now in the City of Ames, Iowa, subject to easements to the State of Iowa recorded in Book 98, Page 123 and Book 88, Page 295.

## **Urban Renewal Project Description**

This urban renewal area is being created to facilitate the expansion of the Barilla manufacturing facility at 3303 and 3311 East Lincoln Way. Barilla is proposing an expansion of 71,000 square feet to house two additional processing lines, a rail yard expansion allowing the unloading of 100-car trains in 35 hours, and six additional silos capable of 10,000 metric tons of grain storage. The total investment is estimated at \$64 million with the taxable value estimated at \$16,320,000.

The project does not anticipate any changes to the zoning designation, acquisition of property by the City of Ames, or improvements to public infrastructure to be borne by the City of Ames.



## Urban Renewal Plan Objectives

The City is offering a rebate of incremental property taxes for a period of 10 years or \$3 million, whichever comes first, for the creation of 41 new jobs within 3 years and a minimum assessment agreement for the estimated taxable value (\$16,320,000) of the new improvements.

## Conformance with Land Use Policy Plan

The Land Use Policy Plan, adopted by the City Council in 1997 and subsequently amended, provides guidance on the adoption of an urban renewal plan.

### GOALS FOR A NEW VISION (LUPP PP. 14-23)

Goals for a New Vision of the Land Use Policy Plan describe ten goals in broad categories, as well as a number of objectives to meet those goals. Those that more greatly influence the development of an industrial urban renewal area are quoted below. Some goals are not included as they bear little relationship to this economic development issue.

**Goal No. 1.** Recognizing that additional population and economic growth is likely, it is the goal of Ames to plan for and manage growth within the context of the community's capacity and preferences. It is the further goal of the community to manage its growth so that it is more sustainable, predictable and assures quality of life.

Objectives. In managing growth, Ames seeks the following objectives.

....

- 1.C. Ames seeks to manage a population and employment base that can be supported by the community's capacity for growth. A population base of 61,000-73,000 and an employment base of up to 34,000 is targeted within the City. Additionally, it is estimated that the population in the combined City and unincorporated Planning Area could be as much as 67,000 and the employment base could be as much as 38,000 by the year 2030.

**Goal No. 2.** In preparing for the target population and employment growth, it is the goal of Ames to assure the adequate provision and availability of developable land. It is the further goal of the community to guide the character, location, and compatibility of growth with the area's natural resources and rural areas.

Objectives. In assuring and guiding areas for growth, Ames seeks the following objectives.

- 2.A. Ames seeks to provide at least 600 to 2,500 acres of additional developable land within the present City and Planning Area by the year 2030. Since the potential demand exceeds the supply within the current corporate limits, alternate sources shall be sought by the community through limited

intensification of existing areas while concentrating on the annexation and development of new areas. The use of existing and new areas should be selective rather than general.

....

**Goal No. 9.** It is the goal of Ames to promote expansion and diversification of the economy in creating a base that is more self-sufficient and that is more sustainable with regard to the environment.

Objectives. In creating an economic base that is more self-sufficient and environmentally sustainable, Ames seeks the following objectives.

- 9.A. Ames seeks more diversified regional employment opportunities involving technology-related services and production, office centers and retail centers.
- 9.B. Ames seeks to attract and support a small- and medium-size business center that utilizes the skills and products of the area's trained workforce.
- 9.C. Ames seeks to expand its research and technology development through greater private, public and university coordination and cooperation.
- 9.D. Ames seeks economic activities that are compatible and sustainable with its environment.

#### **FUTURE LAND USE POLICY PLAN MAP (LUPP FOLLOWING P. 36)**

The area of the proposed urban renewal area is identified on the Land Use Policy Plan Map as Planned Industrial.

- Planned Industrial - Industrial uses that involve a clustered/industrial park setting in order to achieve greater integration of uses, access and appearance. Locations should be near limited-access thoroughfares.

#### **SUMMARY**

The urban renewal plan and the proposed urban renewal project within the proposed urban renewal area are consistent with and supported by the goals of the Ames Land Use Policy Plan. This is demonstrated by:

- The Project will support an increased employment base moving the City closer to its 2030 employment projections.
- The Project provides intensification of development in the industrial area.
- The Project leverages private development with its investment of public resources.
- The Project supports and the Area is within an industrial infill area where public infrastructure is immediately adjacent.
- The Project will allow for the expansion of the industrial base.
- The Area lies within a Planned Industrial designation of the Land Use Policy Plan Map.

- There are no identified issues that make the development of the Project within this Area inconsistent with the Land Use Policy Plan.

## Conformance with Zoning and Current Use

The Area is currently zoned PI Planned Industrial. This zoning designation is consistent with the Land Use Policy Plan Map. It is also consistent with the current use (Barilla).

## City's Debt Obligations

This urban renewal area will include a provision for tax increment financing. In accordance with Code of Iowa Chapter 403.17(24)(c), the following financial information is provided.

### CURRENT GENERAL OBLIGATION AND REVENUE BOND DEBT

Governmental Activities					
General Obligation Bonds	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2016
Corporate purpose	2008	\$ 5,855,000	3.75-4.150 %	2020	\$ 2,295,000
Corporate purpose	2009	11,165,000	2.00-3.500	2021	5,265,000
Corporate purpose	2010	6,690,000	2.00-2.500	2022	3,655,000
Refunding	2011	5,980,000	2.00-3.350	2021	1,190,000
Corporate purpose	2011	6,675,000	1.00-2.400	2023	4,045,000
Corporate purpose	2012	11,325,000	1.50-3.000	2032	8,530,000
Corporate purpose/refunding	2013	21,220,000	2.00-3.125	2032	16,440,000
Corporate purpose	2014	9,395,000	2.00-2.500	2026	7,870,000
Corporate purpose/refunding	2015	16,585,000	3.00-5.000	2035	14,405,404
		<u>\$ 94,890,000</u>			<u>\$ 63,695,404</u>

Business-Type Activities					
General Obligation Bonds	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding June 30, 2016
Corporate purpose	2008	\$ 2,500,000	1.00-2.40 %	2023	\$ 995,000
Corporate purpose	2012	1,335,000	1.50-3.00	2024	935,000
Corporate purpose	2013	1,320,000	2.00-3.00	2025	1,020,000
Corporate purpose	2014	300,000	2.00-2.50	2024	250,000
Corporate purpose/refunding	2015	2,061,714	3.00-5.00	2027	1,929,596
		<u>\$ 7,516,714</u>			<u>\$ 5,129,596</u>

## CURRENT CONSTITUTIONAL DEBT LIMIT AND CAPACITY

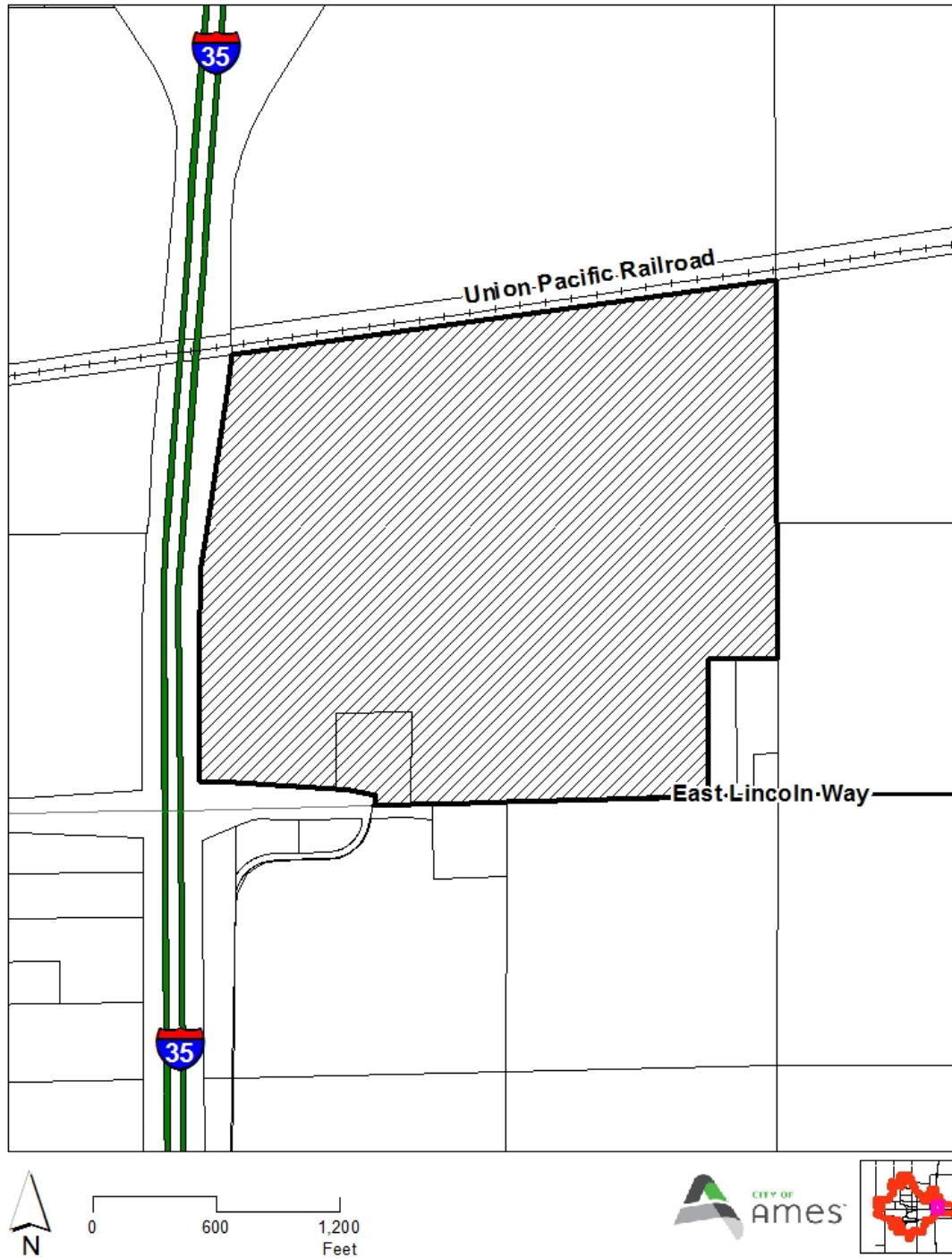
Legal debt margin for the fiscal year ended June 30, 2016:

Assessed value	<u>\$ 3,789,598,226</u>
Debt limit (5% of actual value)	\$ 189,479,911
Debt applicable to limit:	
General obligation bonds	<u>68,825,000</u>
Legal debt margin	<u>\$ 120,654,911</u>
Percentage of net debt margin available	<u>63.68%</u>
Percentage of net debt margin exhausted	<u>36.32%</u>

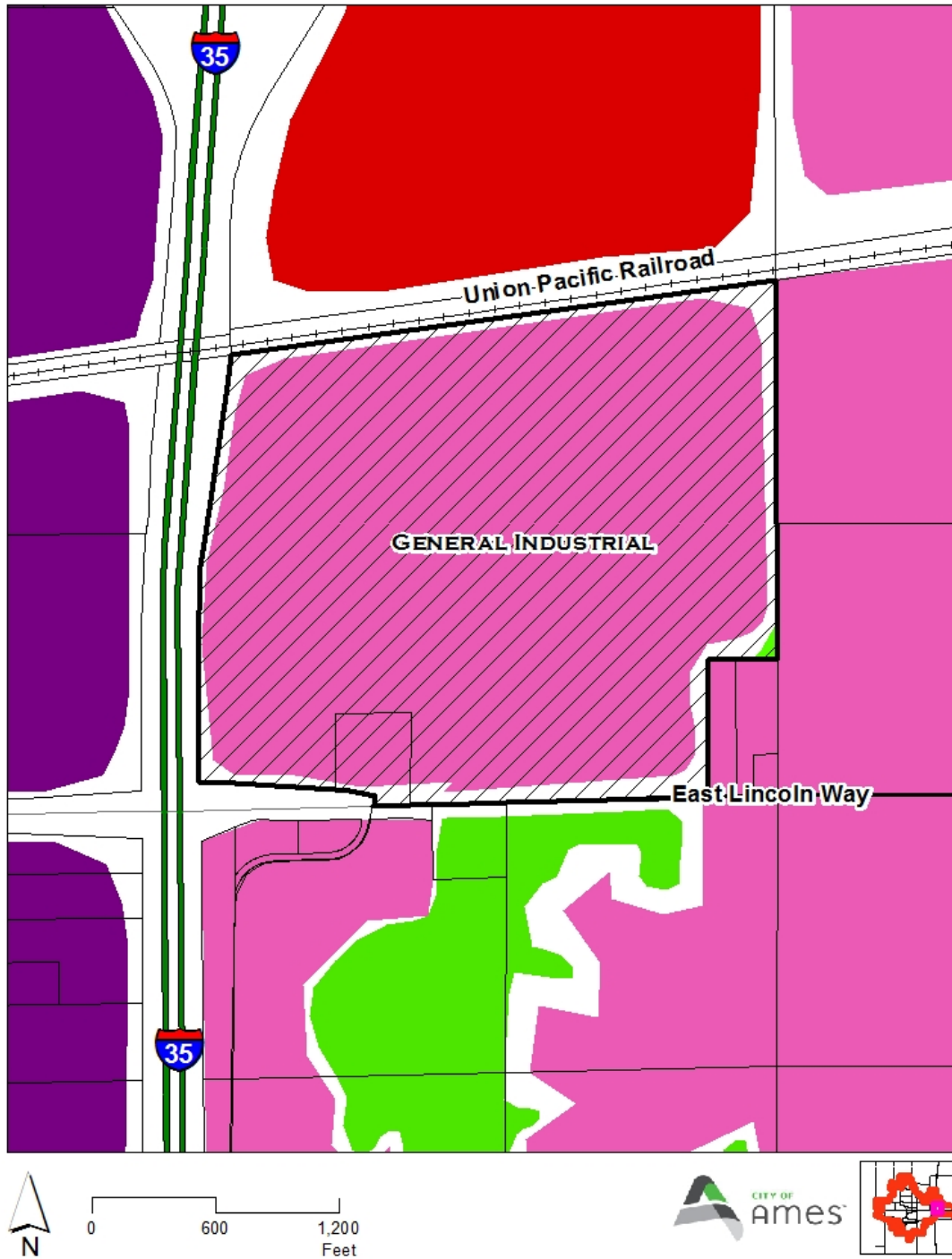
### Proposed Amount of Tax Increment Financing

The City intends to enter into a Tax Increment Financing (TIF) rebate agreement with the developer of the project to provide a rebate of 100 percent of eligible incremental property taxes for a period of ten years or an amount not exceed \$3,000,000, whichever comes first. The TIF agreement will provide for annual City Council approval of each TIF rebate, which will enable the City to count only the amount of each rebate payment against the City's constitutional debt limit rather than the full \$3,000,000.

## MAP 1: LOCATION AND PROJECT AREA



MAP 2: LAND USE POLICY PLAN [EXCERPT]



## **Appendix A**

Recommendation of the Planning and Zoning Commission of June 21, 2017.

## Appendix B

Affected Taxing Entities, their addresses, and representatives to the consultation.

Affected Taxing Entity	Mailing Address	Representative to Consultation
City of Ames	PO Box 811 Ames, IA 50010	Kelly Diekmann, Planning and Housing Director
Ames Community School District	2005 24 <sup>th</sup> Street Ames, IA 50014	TBD
Story County	900 6th Street Nevada, IA 50201	TBD



## **Appendix C**

Notice of consultation to Affected Taxing Entities

## **Appendix D**

Notice of public hearing to be published in the Ames Tribune one time between June 18 and July 11, 2107 and mailed to the Affected Taxing Entities.

### **LEGAL NOTICE**

**NOTICE IS HEREBY GIVEN** that the Ames City Council will hold a public hearing in the Council Chambers at Ames City Hall, 515 Clark Avenue, Ames, Iowa at 6:00 p.m. on July 11, regarding the proposed adoption of an urban renewal plan for the Barilla Urban Renewal Area pursuant to Iowa Code Section 403.5.

The proposed urban renewal area comprises 140 acres of land east of Interstate Highway 35 and north of East Lincoln Way. This urban renewal area is being created to facilitate the expansion of the Barilla manufacturing facility at 3303 and 3311 East Lincoln Way.

Diane Voss, City Clerk