

Staff Report

**IOWA STATE UNIVERSITY RESEARCH PARK – PHASE IV**

June 12, 2018

**BACKGROUND:**

The City staff has been approached by the staff at the Iowa State Research Park to assist in the development of Phase IV of the ISU Research Park. This new phase will comprise approximately 32 developable acres of land for development. (See Attachment 1) The impetus for this addition is the fact that the John Deere company desires to increase its presence at the Research Park.

This additional presence will come in two forms. First, the construction of a new approximately 35,000 square foot building on 5 acres where they intend to develop the next generation of sprayer equipment. Included in the building square footage is approximately 5,000 square feet of office space. At this time, it is not known how many employees will be housed in this space. Second, Deere also intends lease space in other parts of the Research Park for their new innovation center.

Rather than select a lot that is platted and currently served by utilities in one of the first three phases, John Deere and Research Park officials have agreed on a site on the west side of S. Riverside Avenue approximately ¼ mile south of the currently paved section of S. Riverside Drive. **This leapfrogging of the current infrastructure will require a new investment in street and utility improvements for the creation of Phase IV.**

**The City of Ames has been a partner in the first three phases of the Research Park by financing the majority of the needed infrastructure. In return, a commitment was made for the Research Park property to remain on the tax rolls and that the sale (or lease) price of land in the Park be decreased to reflect the fact that the City's incentives resulted in a reduction in the per acre developed land cost as the incentive for new development.**

**PROPOSED FINANCING OF PHASE IV:**

Research Park staff engaged in negotiations with John Deere officials for City incentives without the participation of City staff. We were surprised to hear that John Deere officials have made a public announcement that they will be coming to the Park subject to receiving the incentive that was discussed, Industrial Tax Abatement. In all three previous agreements with the Research Park the property tax abatement incentive has not been allowed by the City until the TIF debt is paid off. The granting of the Industrial Tax Abatement will serve to prolong the payback period for the debt.

Fortunately, Research Park representatives also have been working to secure a new source of funding for infrastructure, an U.S. Economic Development Administration (EDA) grant for up to \$1,500,000. In addition, discussions are underway to modify the IDOT's RISE program to allow research park projects to be eligible for 70% funding, rather than the standard 50% funding with no job requirements. If this federal funding can be obtained, coupled with a State RISE grant for road improvements, it could be possible to offer the Industrial Tax Abatement incentive for the John Deere project and still meet our traditional financing goals. Without this EDA grant, the costs for developing the leapfrogged site and incentives offered would be disproportionate to the amount of the development area realized in Phase IV.

### **POSSIBLE FUNDING SCENARIOS:**

Depending on how successful we are on securing outside funding, there appears to be, at least, three possible funding scenarios for Phase IV at the Research Park. You will note, Scenario 3 reflects an overall cost decrease from Scenarios 1 and 2 because the project scope is reduced to eliminate the improvements to Collaboration Place and create less developable area at this time. However, without the advantage of EDA funds, the cost to the developer (ISU Research Park) for Scenario 3 is the greatest of the three.

#### **Scenario 1 - 70% RISE Funding With EDA Grant Funds**

<b>Project Element*</b>	<b>Cost</b>	<b>Revenue</b>	<b>Source</b>
Street	\$2,692,256	\$1,884,579	RISE
		\$807,677	EDA
Water/San. Sewer/Storm Sewer	\$524,260	\$262,130	EDA
		\$262,130	ISU Research Park
Electric Distribution	\$400,000	\$135,000	Electric Fund
		\$200,000	EDA
		\$65,000	ISU Research Park
<b>Total Project Cost</b>	<b>\$3,616,516</b>	<b>\$3,616,516</b>	<b>RISE=\$1,884,579</b> <b>EDA=\$1,269,807</b> <b>Electric Fund=\$135,000</b> <b><u>Research Park=\$327,130</u></b>

\*Improvement costs based upon City estimates consistent with the Research Park Master Plan

### Scenario 2 - 50% RISE Funding With EDA Grant Funds

Project Element*	Cost	Revenue	Source
Street	\$2,692,256	\$1,346,128	RISE
		\$1,346,128	EDA
Water/San. Sewer/Storm Sewer	\$524,260	\$153,872	EDA
		\$370,388	ISU Research Park
Electric Distribution	\$400,000	\$265,000	ISU Research Park
		\$135,000	Electric Fund
Total Project Cost	<b>\$3,616,516</b>	<b>\$3,616,516</b>	<b>RISE=\$1,346,128</b> <b>EDA=\$1,500,000</b> <b>Electric Fund=\$135,000</b> <b>Research Park=\$635,388</b>

\*Improvement costs based upon City estimates consistent with the Research Park Master Plan

### Scenario 3 – 50% RISE Funding With No EDA Grant Funds

Project Element*	Cost	Revenue	Source
Street	\$1,603,720	\$801,860	RISE
		\$801,860	ISU Research Park
Water/San. Sewer/Storm Sewer	\$437,853	\$437,853	ISU Research Park
Electric Distribution	\$250,000	\$167,500	ISU Research Park
		\$82,500	Electric Fund
Total Project Cost	<b>\$2,291,573</b>	<b>\$2,291,573</b>	<b>RISE=\$801,860</b> <b>Electric Fund=\$82,500</b> <b>ISU Research Park=\$1,407,213</b>

\*Improvement costs based upon City estimates consistent with the Research Park Master Plan

### **STAFF COMMENTS:**

ISU Research Park officials are again seeking the City's assistance in assuming the costs that would normally be their responsibility as developers of the subdivision. These are the costs noted in the above tables as ISU Research Park. They would like to take advantage of EDA and Rise grant funding and extend infrastructure further south on S. Riverside and west on Collaboration Place in order to open up approximately 32 more developable acres as the full Phase IV area.

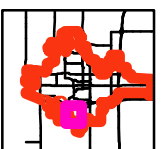
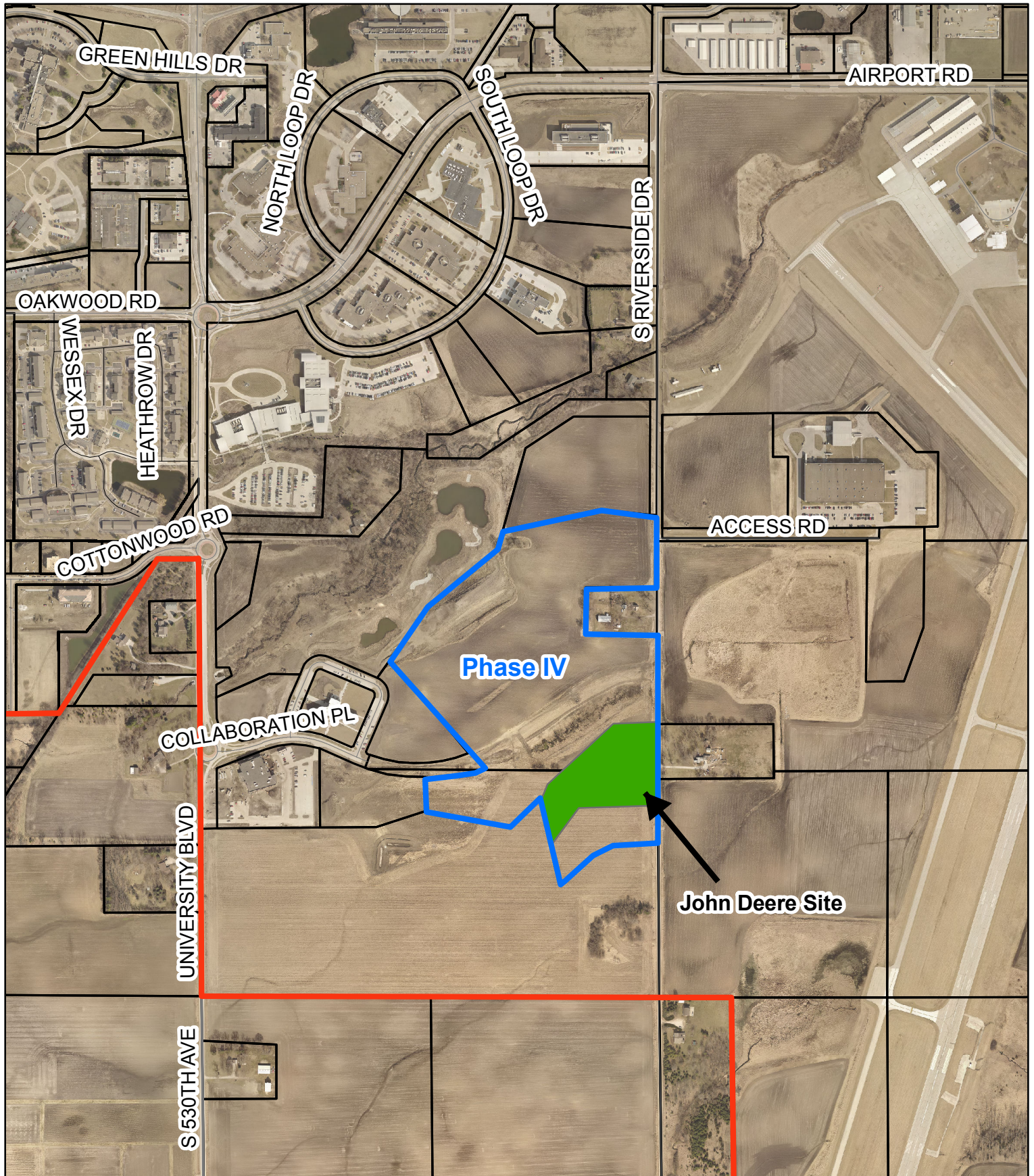
Because of the benefits derived from increased tax valuation, additional jobs, etc., the City staff is in support of providing financial assistance to this phase. However, determining whether or not the City should support all of the costs associated with locating John Deere at its preferred site in Phase IV rather than on land in Phase III which already has installed infrastructure, should be made at a later date when we hear about the outside funding decisions. It is hoped that the EDA grant award will be made as early as June 28<sup>th</sup> and the RISE grant in July.

John Deere hopes to begin their project this fall which leaves very little time to install the utilities necessary to facilitate construction. Therefore, interim strategies will have to be developed to handle utilities until the final scenario is selected.

**In the meantime, the only action that the City Council is being asked to take at this time is to pass a resolution supporting the co-sponsorship of the EDA grant application.**

Should the City Council ultimately decide to provide financial support for this phase of the Research Park, a new Developer Agreement with provisions that mirror the Phase III agreement will need to be agreed to by both parties in order for the City to participate in the project. The City would also take on the responsibility of design and construction for the infrastructure.

# Attachment 1: Location Map



## Attachment 2: Research Park Master Plan

