

## Staff Report

**STATUS OF REINVESTMENT DISTRICT PROJECTS**

July 13, 2021

**INDOOR AQUATICS CENTER:**

The City Council will recall that the City had applied for \$21,527,983 of incentive funding through the Iowa Reinvestment District Program. It was hoped that these state monies combined with \$10,000,000 from private donations would cover almost the total projected cost of approximately \$27,494,000 (plus \$4,426,746 in estimated interest payments on debt) for a new Indoor Aquatics Center on Lincoln Way across from the IDOT headquarters.

On June 25, 2021, the Iowa Economic Development Authority approved provisional funding decisions for the current round of Reinvestment District funding. A summary of the allocations is highlighted below.

<b>Applicant</b>	<b>Requested Funding</b>	<b>Provisional Funding</b>
<b>Ames</b>	<b>\$21,527,983</b>	<b>\$10,000,000</b>
Cedar Rapids	\$39,500,000	\$9,000,000
Des Moines	\$27,100,000	\$23,500,000
Fort Dodge	\$18,000,000	\$17,000,000
Merle Hay Reinvestment District	\$30,000,000	\$26,500,000
Newton	\$15,469,661	\$14,000,000
<b>Total</b>	<b>\$151,597,644</b>	<b>\$100,000,000</b>

It should be emphasized that these funding totals are considered provisional because much of the information included in each application was preliminary. The cities now have until February 25, 2022 to submit their final applications which will reflect the final design plans and expenditure/revenue projections for the projects.

Given this \$11,527,983 reduction in Reinvestment District funding, the gap that will require property taxpayer support is now estimated to be \$7,494,000, as reflected in the next table.

Estimated Cost of Aquatics Center Project (2022 Dollars)	\$27,494,000
Minus: Donations	-\$10,000,000
Estimated Amount of Debt Needed To Be Issued	\$17,494,000
Minus: Reinvestment District Revenue	-\$10,000,000
<b>GAP: Estimated Amount To Be Paid By Property Taxes</b>	<b>\$7,494,000</b>

## **FINANCING OPTIONS**

The City Council has three principal options to finance the project. **It should be emphasized that under Options 1 and 2, the City would issue \$17,494,000 in General Obligation debt. However, it is anticipated that the net impact to taxpayers would be \$7,494,000, after accounting for the \$10,000,000 of Reinvestment District funding.** These three options for the Council to consider consist of:

### **1. Urban Renewal**

**Since the proposed site of the Aquatics Center will be situated within a designated Urban Renewal Area, under the Iowa Code the \$17,494,000 in G.O. Bonds issued for this project can be issued as an Essential Corporate Purpose. These bonds can be issued by the City Council following a hearing, without holding a public referendum to authorize the sale of the bonds.**

**However, a referendum can be required if the Council receives a valid petition requesting a vote. The petition must contain signatures equaling at least 10% (3,189) of the number who voted in the last regular election. The petition may be signed by any person residing in Ames who is eligible to vote at the time they sign the petition (petition signers need not be registered to vote, but simply be eligible to register). The petition must be filed with the City Clerk prior to the conclusion of the public hearing authorizing the issuance of the debt. A minimum ten-day notice is required prior to the hearing. This option is what the staff has referred to as a “Reverse Referendum.”**

### **2. Referendum Election**

**The City Council can decide to bring forward for a public referendum a question to authorize \$17,494,000 in G.O. Bonds. This referendum would require a 60% approval from voters. State law allows a vote at a Special Election on September 14, 2021 or March 1, 2022, or at the General Election on November 2, 2021. Given the amount of time needed to adequately educate the public regarding the project, the earliest a referendum should be held is November 2021.**

In order to place this issue before the voters, a Council resolution must be submitted to the Story County Auditor at least 46 days in advance of the election. The last regular scheduled City Council meeting 46 days before November 2 is September 14.

To educate the public for the vote, an informational campaign would be organized and would require funding from the City Council. Issues that should be addressed in the informational campaign include: the features contained in the Aquatics Center, the location, operating costs, user fees, and the unusual funding situation whereby it would be estimated that property owners would only have to pay taxes of \$7,494,000 of a total project cost of \$27,494,000.

### **3. Hybrid Urban Renewal and Referendum Election**

Under this option, the Council would separately approve \$10,000,000 in Essential Corporate Purpose G.O. bonds within the Urban Renewal Area (subject to a reverse referendum) and authorize a \$7,494,000 G.O. Bond referendum election. Although the same total of G.O. Bonds would be issued, a possible rationale to bifurcate these bond issuances is to isolate the benefit of the Reinvestment District revenue.

**With any of the three options highlighted above, the City Council could reduce the amount needed to be financed by the taxpayers by eliminating the second floor of the Aquatics Center which is intended to house the walking track and exercise area. This approach would reduce the gap from \$7,494,000 to \$2,805,000.**

### **LINCOLN WAY REDEVELOPMENT PROJECT (CLARK TO KELLOGG):**

As you will recall, our Reinvestment District application represented a development concept that was originally presented to the City Council. The proposal described in the application included a full-service hotel (136 rooms), conference space (23,000 sq. ft.), hotel restaurant, office space (75,465 sq. ft.), residential apartments (71 units), retail/restaurant space (14,500 sq. ft.), and a large outdoor plaza space.

The staff was aware at the time of preparing the application that the property owner was continuing talks with various development teams and the project might be altered, but not so significantly that it would jeopardize eligibility for the Reinvestment District incentive funding.

On June 28, 2021, City staff met with the property owner and his development team for an update about the project. The developer described an updated concept that would include some of public parking located in a garage north of the tracks, in our Central Business District parking lot behind Wells Fargo, with a pedestrian bridge connection to the south over the railroad tracks. The developer described how adjusting the location of parking would allow for a more intensive development on the Lincoln Way site. While the final square footages have not been determined, along with a full-service hotel and conference meeting space, they are exploring more residential and office space than was included in previous concepts. The additional square footage would help the developer

more efficiently develop the site and the City would realize more of its vision for the Focus Area with additional uses.

A significant amount of work remains for the developer to complete a detailed concept and financing plans for staff to evaluate and then present to the City Council. **These plans and accompanying developer agreement would need to be finalized by the end of 2021.** This is necessary to complete the final Reinvestment District application by February 2022.

## **DOWNTOWN PLAZA:**

### **6<sup>th</sup> Street Parking Lot**

Since public parking spaces in the lot east of City Hall will be removed to make way for this new public gathering space, a new parking lot will be constructed on the north side of 6<sup>th</sup> Street across from the City Hall. This land was purchased by the City with federal Community Development Block Grant funds as a potential site for affordable housing. However, efforts to attract developers for this type of housing proved unsuccessful as it was learned that the property was not large enough for developers to generate a sufficient return on their investment.

Therefore, the next step is to repay Department of Housing and Urban Development (HUD) for the appraised value property. Staff intends to bring this matter before the City Council in July. The \$200,000 required to reimburse the HUD is included in the FY 2020/21 budget. along with \$275,000 for the design and construction of the new parking lot on 6<sup>th</sup> Street.

Public Works staff has hired Bolton and Menk to design the new parking lot north of City Hall along 6<sup>th</sup> Street. This parking area will replace part of the parking displaced by the plaza project. It currently is planned that the project will be bid in September 2021 with construction anticipated in the spring of 2022. The new parking spaces along the west side of Clark adjacent to City Hall will be incorporated into the design and construction of the plaza. The \$225,000 to install this additional parking is included FY 2020/21.

### **Plaza**

In July, staff plans to bring a recommendation to the Council to waive Purchasing Policies and Procedures and authorize the hiring of Confluence to design the new Downtown Plaza. This company developed the plaza concept and cost projections for the Reinvestment District application and therefore, is most familiar with our project. Second, by contracting with this company immediately, we can avoid a time consuming bidding process that would cause the project to be delayed by another year.

**The current plan is for the plaza project to be bid in December 2021 with construction beginning in the summer of 2022.** The FY 2020/21 budget includes

\$3,925,000 for the design, installation of the parking to the west of Kellogg, the construction of the plaza, and the commission for a signature art piece.

### **Artwork**

The plaza concept includes three elements of public art, with a focus on a signature large sculpture at the center of the plaza. The total estimated budget for artists' commissions, fabrication, and installation by the artists is \$340,000. This amount is included within the \$3,925,000 total plaza budget. Due to central location, creative interests, and size of the signature sculpture, staff believes a Request for Qualifications to select an artist is the best approach.

Staff plans to work with a subcommittee of the Public Art Commission to release an RFQ for the signature art sculpture with a budget of \$150,000-\$175,000 in July. The proposals will be reviewed by a committee of staff and Public Art Commission representatives. Selection of the artist and beginning work on concepts for sculpture in September and October is critical to finalizing the overall plaza design plans by December. The other planned artwork elements will be decided at a later date once the final plan for the Plaza is approved.

### **ONONDAGA PROPERTIES (330 5<sup>TH</sup> STREET/412 BURNETT):**

This project, which was under construction, was added to the Reinvestment District application to take advantage of the retail sales that were projected from the redevelopment of these properties into new retail/restaurant space. The renovation of this property is progressing very well and the Nelson family has done a wonderful job revitalizing these buildings.

### **STAFF COMMENTS:**

A final Reinvestment District application is necessary to secure the \$10 million provisionally approved by the State. Based upon the original projections for the Lincoln Way project itself, it appears that the Lincoln Way project alone could be the sole source of retail sales tax and hotel motel tax receipts needed to support the \$10 million of Reinvestment District funds pledged by the State. The final application requires updated project plans, project pro forma, and revenue projections to meet State requirements.

The final application is due to the State by February 25, 2022. **To meet this deadline staff believes that all of Reinvestment District project components must be solidified by December 31 to allow time for staff and its economic consultant to complete their final evaluation and projections for the Reinvestment District Application.**

**The critical components to move forward on this project are: 1) Resolving the projected funding gap for the aquatics center, 2) Creating an Urban Renewal Area, and 3) Reaching an agreement with the developer of the Lincoln Way project, which represents the primary source of the projected Reinvestment District revenue.** The Lincoln Way project will likely include a conceptual development plan with a developer agreement approved by City Council, followed by a more detailed Major Site Development Plan that is also subject to City Council approval prior to development of each building on the site.

**To move forward with the Reinvestment District projects, the first major decision for the City Council is to determine which of the three financing options for the Aquatics Center highlighted above should be pursued. It should be emphasized that the Staff is not seeking a decision at the July 13<sup>th</sup> meeting regarding which of the three financing options the City Council wishes to pursue. This can come at later date. However, if a referendum option is preferred, it would be beneficial to make this decision as soon as possible so that there is plenty of time to present an adequate public informational campaign.**