

COUNCIL ACTION FORM

SUBJECT: SMALL LOT INDUSTRIAL LAND INVENTORY FOR INDUSTRIAL TIF PARK PROPOSALS

BACKGROUND

At its May 25, 2021 meeting, the City Council directed staff to study the availability of smaller industrial lots within the City. This direction was provided so the Council could determine whether further consideration was appropriate of a request made by Chuck Winkleblack and Roger Underwood to use Tax Increment Financing (TIF) to help finance a proposed new industrial park on land they are proposing to annex into the City along Dayton Road near the USDA facilities. The developer proposes a subdivision of lots ranging from 1-10 acres in an effort to provide smaller lots for industrial development which the developer claims are increasingly difficult to find in Ames.

PREVIOUS SMALL LOT INDUSTRIAL DEVELOPMENTS:

All of the lots within the existing Ames Community Development Park 4th Addition located along Bell Avenue are less than 10 acres in size. This development consisted primarily of 1.5-acre lots, with some lots as large as 6 acres. Prior phases did include lots up to 10 acres in size. It is anticipated that an industrial park such as the one the developer proposes along Dayton Avenue would closely resemble the types of lots in Ames Community Development Park.

Over the last ten years the rate of issuance of building permits for new construction on lots within the 1-10 acre range has averaged approximately two permits per year citywide. This includes the Ames Community Development Park lots along South Bell Avenue. The few unbuilt lots still in the Ames Community Development Park have been spoken for by businesses looking to expand or build there and are not currently marketed as available.

By contrast, during the same ten-year period, no new building construction permits on lots over 10 acres in size were issued in GI zones. This is not surprising, as there are few, if any, large GI lots left in the City and larger facilities are located on PI or Research Park zoned sites. The City recently addressed the larger lot supply issue with its support of the East Industrial Prairie View Industrial Park located along Lincoln Way.

UNDEVELOPED INDUSTRIAL-ZONED LOTS:

General Industrial (GI) zoning allows the types of uses the developer of the proposed industrial park would target for construction. The GI zoning is primarily concentrated in east Ames near Dayton and Bell Avenues and East Lincoln Way (See Attachment A).

Staff has reviewed the supply of industrial lots based upon assessor data for which lots have no buildings at all or no industrial building currently on them but are zoned GI. Staff separated the built and unbuilt lots in the GI zoning district and also separated them by lots greater than 10 acres versus lots less than 10 acres in size.

Staff found there are 65 unbuilt GI zoned lots in the City, totaling 177 acres (Attachment B). Of those unbuilt lots, 61 are less than 10 acres in size, at a total acreage of 125 acres. However, of these smaller lots, 33 of them are located within a floodplain, leaving 28 potentially developable. Some of these lots are also used by businesses on abutting lots and not truly available for development (Attachment C).

	Number of Lots	Total Acreage
Total Unbuilt GI Lots	65	177
...and <10 Acres in Size	61	125
...and Outside Floodplain	28	44

FREEL DRIVE SMALL INDUSTRIAL LOTS:

Many of the currently unbuilt lots are located along Freel Drive and Southeast 5th Street. Most of these properties are located within the floodplain. Although development is permitted within the floodway fringe areas, the costs to fill and elevate structures along with increased flood insurance premiums make development less practical.

Additionally, Freel Drive must be paved and improved as new building sites are approved. The cost of paving Freel Drive falls to either the City as a street assessment or CIP project -or- the developer of an individual lot for at least the length of street frontage that abuts their property. With the street costs and added floodplain development issues this makes areas along Freel financially impractical and unattractive for development of lot sizes under 10 acres for most small business owners.

For these reasons, staff views these properties as not being a viable alternative for most types of small scale industrial development. If the City modified the missing infrastructure ordinance to accept the current condition of Freel Drive as is, this area may then be more competitive for small industrial uses even when accounting for the floodplain standards.

The current availability of only 28 lots represents a very limited supply of the types of lots that the developer requesting consideration of a TIF industrial park targets for development. Additionally, some of these remaining empty lots outside of the floodplain are unique in dimensions and located in areas where development may be impractical for many years or are owned by neighboring property owners and have been used ancillary areas for their main business on a neighboring lot.

BOONE COUNTY SMALL INDUSTRIAL LOTS:

In addition to land within Ames, staff evaluated land immediately west of the City in Boone County, which also has seen some development of commercial and industrial service uses over the last 15 years and is part of a Tier 2 area of Plan 2040. The rate of development in this area has been slow since it initially started in the early 2000s and has not had significant additions in over a decade.

Based on these development trends, staff does not view this Boone County area as being in a competitive position or posing a current market alternative to provide for industrial land that meets similar needs to those described within Ames. However, the area includes land use designations as part of Plan 2040 in support of these types of uses in the future.

FOLLOW-UP STEPS:

Developing a new industrial park with TIF can be done either by working with a single developer or by undertaking a competitive RFP process, thereby inviting multiple developers to provide proposals for different sites. The City utilized a competitive bid process in the 1990s, which ultimately resulted in the creation of the Ames Community Development Park.

Part of a proposal evaluation process would be a financial feasibility assessment and evaluation of the payback on the City's investment. **If directed to proceed, with TIF staff will work further to determine the cost of land per acre and the total costs of construction in order to get a clearer picture of the economics and the financial structure of any agreement before it is approved.**

ALTERNATIVES

1. Direct staff to prepare an RFP for a competitive bidding process with proposals describing the size of the development, cost of infrastructure, timing, planned uses, and level of City subsidy for a TIF infrastructure project.
2. Direct staff to work only with the requestor to negotiate terms and create a development proposal for the land at 2105 & 2421 Dayton Avenue.
3. Do not proceed with a TIF process to develop small industrial lots, and allow the developer to pursue private development options to annex and develop the Dayton Road properties.

CITY MANAGER'S RECOMMENDED ACTION

City staff's assessment is that there is very limited land remaining for small scale industrial uses in Ames that are practical and cost effective for development. While the aggregate amount of total unbuilt GI zoned land seems generous when viewed altogether, a closer

look reveals that empty small-scale industrial land outside of the floodplain and along paved streets is quite limited.

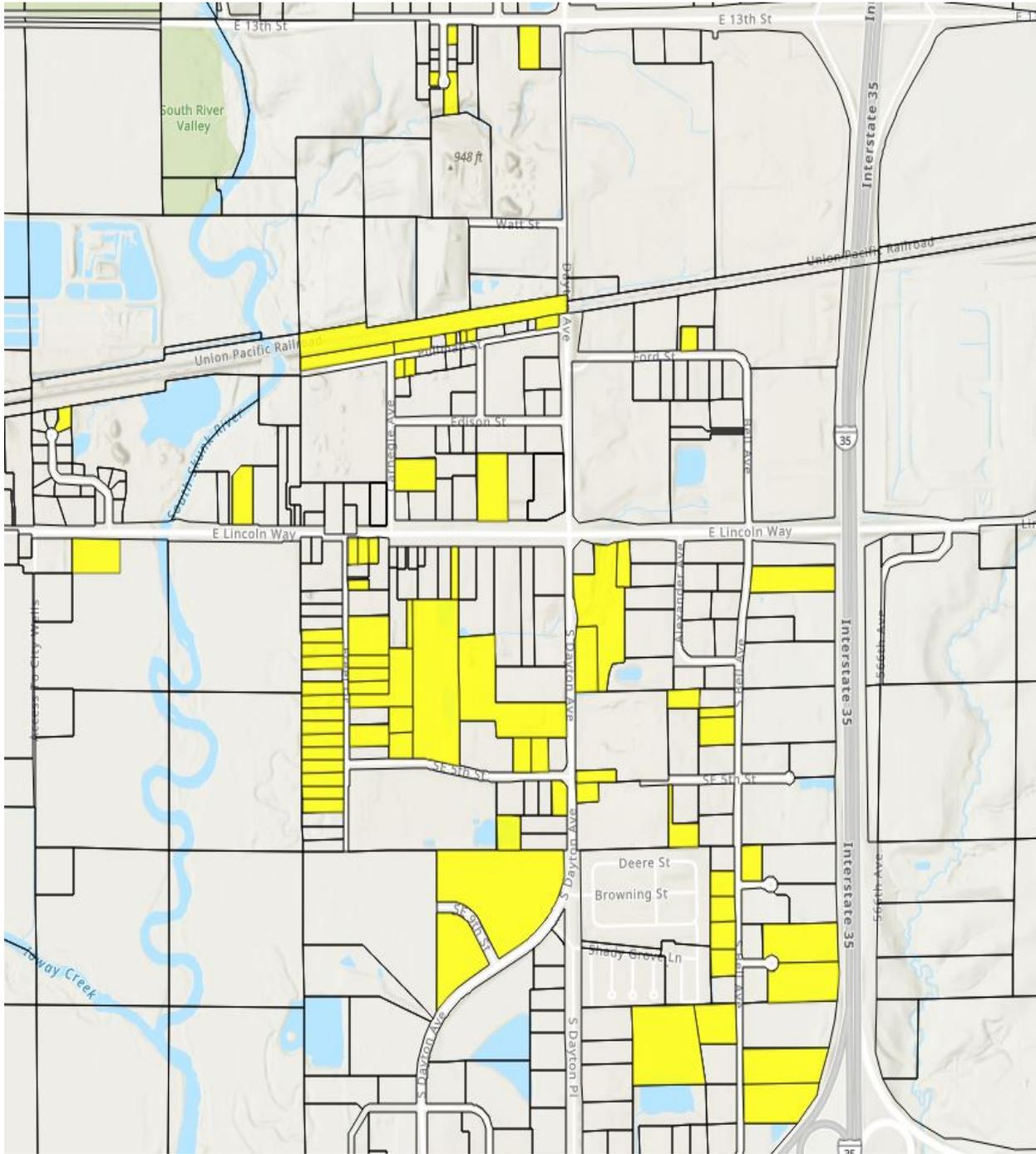
Investing in development of a new small lot industrial park will provide for economic growth and additional jobs in the industrial services and business sector that are essential to Ames and have a clear demonstrated pattern for demand based upon recent construction activity.

Although staff is not familiar with other potential parties for an industrial subdivision, it would be consistent with past practices to reach out to the community and solicit proposals for the use of City incentives since there likely one than one location in the City that could accommodate such use.

Once the City Council reviews proposals and selects one, the City Council would then initiate designation of an Urban Renewal Area, preparation of an Urban Renewal Plan, and Tax Increment Financing Agreement. This process will take additional time but would not likely impact the overall amount of time to approve a project and have it be available for development within the next 18 months.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, as described above.

Attachment B- All GI Zoned lots Unbuilt



**Attachment C- All <10 Acre Lots Unbuilt GI Zoned Outside Floodplain
(Floodplain shown in gray and light blue)**

