

**COUNCIL ACTION FORM**

**SUBJECT: CITY COUNCIL APPROVAL OF THE REQUEST FOR PROPOSALS (RFP)  
FOR AN INDUSTRIAL DEVELOPMENT UTILIZING TAX INCREMENT  
FINANCING (TIF)**

**BACKGROUND:**

At the July 27, 2021 City Council meeting, the City Council received a staff report addressing available small industrial lots for economic development purposes. This report was in response to a request from Chuck Winkleblack from May 2021 requesting the City Council consider incentivizing the creation of a new small lot industrial development as the Ames Community Development Park 4<sup>th</sup> Addition located along Bell Avenue nears completion. The July report concluded there are a minimal number of existing developable lots within the 1-10 acre range. The Council indicated a willingness to utilize Tax Increment Financing (TIF) to assist in paying for the cost of constructing infrastructure in support of a small industrial development in a manner similar to the Ames Community Development Park. City Council directed staff to proceed with developing a Request for Proposals (RFP) for development of an industrial subdivision that provides for smaller scale industrial lots.

Attached for your review is the draft RFP (Attachment A). The RFP includes a description of the goals for development of a site with smaller industrial lots, minimum development requirements, financial incentives, submittal requirements, and evaluation criteria. Due to the broad nature of the RFP, all responsive proposals will be forwarded to City Council for City Council's final selection.

Below are key items discussed in the RFP which provide the framework for a future Development Agreement.:

1. Development must be located outside the Prairie View Industrial Park
2. Minimum 10 acre site size with a subdivision of at least six lots
3. Developer responsibilities for development of the subdivision.
4. Developer responsibility to follow a timeline for construction of speculative buildings.
5. Requirement for minimum valuations (land & buildings) and assessment agreements
6. Maximum land sale price

Although the RFP follows the model from the most recent similar development agreement from 2008 for the Ames Community Development Park 4<sup>th</sup> Addition, it differs in some of the details. The speculative building requirements are the most notable changes. The RFP includes a section on a preferred approach for speculative buildings regarding timing and valuation. The intent of addressing minimum valuations is to encourage efficient and productive use of the land in the subdivision in order to expand the City's tax base, minimize land speculation, and creation of taxable valuation for repayment of City held TIF debt.

The most notable change, is the proposed 18-month speculative building construction timeline. The current agreement in Ames Community Development Park only requires construction of a speculative building once the building is occupied or sold. The next speculative building is required to be completed within 12 months. The new proposal indicates a preference for the developer to construct a new speculative building to a minimum of a shell building standard every 18 months regardless of the status of the previously built speculative building. Staff believes this will ensure a regular construction schedule to achieve build-out of the subdivision, create more options for businesses to locate, and a predictable increase in valuations for repayment of TIF debt.

The proposed minimum valuation for new speculative buildings is \$850,000. The previous agreement only required a \$350,000 minimum assessment, based upon 2008 values. Staff believes the \$850,000 is necessary to reflect current similar building values. Buildings values along South Bell currently exceed \$1,000,000.

As with the previous agreement, the City expects the selected developer to adhere to a minimum assessment on the value of land for lots greater than 1.5 acres in size. However, the new lots below 1.5 acres that do not contain speculative buildings will also have a minimum assessment value. Minimum land assessment amounts will be determined prior to approval of a Development Agreement. Staff also is proposing that vacant lots be assessed as industrial land rather than agricultural as was the case in the previous Ames Community Development Park. This change will reduce long-term land speculation and assist in a quicker payback to the TIF debt.

Other items in the proposal are intended to reflect previous agreements as staff has found that they have worked well. This includes requirements for public improvements such as streets, utility lines, stormwater facility construction and subdivision platting. A land price ceiling is required which ensures affordable sales of lots based upon City infrastructure investments. Financial security is also required to ensure construction of buildings on the agreed timeline.

The proposed industrial park is targeted for smaller scale industrial lots less than 10 acres in size. Staff believes that the land submitted for consideration with the proposals should be located outside of the 1,200 acres planned for the Prairie View Industrial Park along East Lincoln Way. This will ensure the vision of Prairie View Industrial Park is realized as being larger industrial sites and not compete with our current water and sewer extension

investments.

Before development can begin once a developer is selected, a Development Agreement that further clarifies the specific details of the new subdivision and any associated financial assistance must be agreed to with the selected developer and approved by the City Council. The agreement will lay out the specifics of development timelines, final minimum assessments, and any TIF repayment schedule as well as clarify specifics of any associated covenants. In addition, a new Urban Renewal Area must be approved the the City Council for the new subdivision.

Staff recommends that the deadline for submittals be January 7<sup>th</sup>, 2022. An informational meeting will be held in early December to answer questions any potential developers may have. Staff tentatively plans to return to Council with the submitted RFP's at the January 25<sup>th</sup> City Council meeting.

**ALTERNATIVES:**

1. The City Council can direct staff to proceed with issuing a Request for Proposals (RFP) to identify a developer for an industrial park targeted at small scale industrial lots as outlined in the attached draft RFP.
2. The City Council can direct staff to proceed with issuing a modified Request for Proposals (RFP) to identify a developer for an industrial park targeted at small scale industrial lots
3. The City Council can refer this item back to staff with further direction.

**CITY MANAGER'S RECOMMENDED ACTION:**

The proposed RFP includes all the requirements that have been stated for development of a new industrial subdivision targeted at small scale lots. The RFP establishes a framework to guide proposals as well as a general method to evaluate and score the potential proposals that could be submitted. The tentative schedule includes issuing the RFP on November 15<sup>th</sup> and allowing for proposals to be returned to the City by January 7, 2022. City Council could review qualified proposals as early as January 25, 2022. With selection of preferred developer on January 25<sup>th</sup>, staff and developer would negotiate a development agreement with tentative date of City Council approval on February 25, 2022. This timeframe allows for City Council consideration of budgeting for capital improvements supported by TIF and for the selected developer to complete the subdivision approvals in the spring of 2022.

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

## **DRAFT SMALL LOT INDUSTRIAL DEVELOPMENT RFP**

### **I. Introduction**

Ames has identified a market need for smaller industrial lots in the 1-10 acre range for key industrial services which play a vital economic role in the Ames economy. A recent land inventory of general industrial land indicated that there are a small number of vacant industrial properties available for new development. The Ames Community Development Park 1<sup>st</sup> through 4<sup>th</sup> Additions are examples of developments based upon this type of partnership.

The City of Ames, Iowa is accepting proposals from property owners and qualified and experienced developers (Developer) for development of a small lot industrial subdivision that would in part be supported through Tax Increment Financing (TIF) assistance as part of an Urban Renewal Area. The Developer with a successful proposal would enter into a Development Agreement with the City of Ames for development of a specific site related to subdivision platting, construction of streets, utilities, storm water systems, maximum lot sale price, and the construction of speculative buildings.

Note that nothing in this RFP is a commitment by the City to select or financially support a proposal. There will be no reimbursement of costs associated with the preparation of the response to the RFP or for any additional materials, plans, agreements needed to finalize a development agreement. Additional details on requirements and expectations are described below.

### **II. General Information**

- A. The City of Ames reserves the right to accept or reject any and all proposals. Proposals will be evaluated by city staff as described below. City Council will review the application materials and make a selection of a preferred Developer.
  
- B. Upon selection, the City will negotiate with the Developer on a Development Agreement for City Council approval. Approval of an

agreement is subject to City approval of Urban Renewal District for economic development purposes in order to provide of tax increment financing.

- C. All proposals must be sealed and delivered to the City of Ames Purchasing Division (1<sup>st</sup> Floor), City Hall, 515 Clark Avenue, Ames, IA 50010 with all supporting documentation no later than 4:00 p.m. (local time) on January 7, 2022. No verbal or faxed submittals will be accepted. Submittals shall have a subject line of “Ames Industrial Park Proposal”.

Estimated Time Table of Events:

Information Meeting: December ??, 2021

Proposal Deadline: January 7, 2022 at 4:00 pm

Developer Selection: January 25, 2022

Developer Agreement: February 22, 2022

**III. Minimum Proposal Requirements**

- A. The proposed development site must not be located within the approximately 1,200 acres along E. Lincoln Way planned for Prairie View Industrial Park.
- B. Demonstrated site control with either acknowledgement of the property owner as a participant in the project or an option to purchase the site.
- C. Conceptual subdivision layout and infrastructure improvements.
- The proposal must provide for a minimum 10-acre site size for the subdivision.

- The conceptual lot layout must provide for a minimum of 6 lots as small scale industrial lots targeted primarily in the 1-3 acre range with a lot size limit of no more than 10 acres in size.
- The proposal must include proposed infrastructure improvements.

D. Proposed types of uses and/or excluded uses.

- The proposed development must be of industrial service uses in nature.
- Acceptable industrial uses do not include principle uses of warehousing, mini-storage, salvage, and other types of low intensity employment uses.

E. Proposed timeline for the development of the subdivision, noting any phasing plans.

F. Conceptual plan for construction of speculative buildings.

- Minimum size
- Design requirements
- Timeline for initial and subsequent construction of speculative buildings (see also development agreement requirements below)
- Minimum valuation of buildings

G. Breakdown of Estimated development costs by improvement type and requested amount of TIF support.

- This includes the developer's ability to secure development financing for subdivision improvements.
- The City may request additional information about the financial capacity of the developer to secure initial financing for the development of the subdivision as well as financial security for construction of speculative buildings.

H. Amount paid per acre to purchase the land in the proposed development.

#### **IV. Developer Minimum Responsibilities/Requirements**

As part of this request for proposal, the selected Developer agrees to the following minimum responsibilities/ requirements as a selected Developer to enter into a development agreement and to develop the project:

- A. The selected Developer will be responsible for platting the subdivision according to the City's subdivision and zoning standards. The selected developer must rezone the property to an industrial zoning classification if it is not already zoned industrial.
- B. The selected Developer must demonstrate a willingness and the ability to start site work no later than 12 months from approval of a development agreement.
- C. The selected Developer will be responsible for producing public improvement plans.
- D. The selected Developer will be responsible for all lot development requirements, including but not limited to site grading, broadband, water, sewer, storm water and streets, with the exception of any agreed upon public improvements to be constructed by the City with the use of TIF.
- E. The selected Developer will be responsible for construction of speculative industrial buildings on the agreed upon timeline, preferred requirements include:
  - The initial speculative industrial building must be complete within 12 months of final plat approval final building occupancy level of shell building.
  - Subsequent speculative buildings shall be constructed and completed to at least a final building occupancy level of shell building within 18 months of completion of the prior speculative building.
  - Speculative buildings must have a minimum assessed improvement value of \$850,000 (not including land).

- Speculative buildings must have no less than 10,000 square feet of floor area.
  - Financial security for construction of speculative buildings.
- F. The selected Developer shall prepare covenants addressing development standards and uses for City acceptance with a development agreement.
- G. Minimum valuations and assessment agreements addressing the following:
- a. Vacant improved lots assessed as industrial land
  - b. Minimum valuation of improvements on lots less than 1.5 acres
  - c. Minimum valuation of improvements on lots exceeding 1.5 acres.
- H. Limits on maximum sale price of land as an incentive for economic development and recognizing the city investment in development of the site.
- I. Limits on holding of land for speculative purposes.
- J. Prohibition on industrial tax abatement until the TIF debt is paid off.

## **V. Financial Incentives**

- A. The proposal may include a request for a developer economic grant of rebated TIF value of actual value created for up to 10 years needed for the purposes of constructing public improvements. Alternatively, the proposal may request City construction of specified public improvements that the City would fund with TIF generated by development within the proposed subdivision.
- B. No waiver of fees or permitting requirements are included with the RFP.



## **VI. Review Criteria**

The City of Ames is seeking to maximize its efforts to create additional industrial land for small scale industrial uses. The proposals will be reviewed according to the following criteria:

- Design Elements
- City financial subsidy per lot
- Total cost of the subdivision and total cost of requested City subsidy
- Total number of lots and marketability of the site
- Proposed timeline to build out the subdivision and corresponding repayment of TIF debt

## **VII. Submittal Requirements**

Provide (5) copies of the proposal. All proposals must be sealed, ~~postmarked and/or~~ and delivered to the City of Ames purchasing Division (1<sup>st</sup> Floor), Ames City Hall, 515 Clark Avenue, Ames, IA 50010. Proposals must include all supporting documentation and be received no later than 4:00 p.m. (local time) on December 10<sup>th</sup>, 2021. No verbal or faxed submittals will be accepted. Submittals should have the subject line of “Ames Industrial Park Proposal”. All late or incomplete submittals will be rejected.

## **VIII. Contract Negotiations**

The City reserves the right to reject any and all proposals and to negotiate the terms of the Development Agreement, with the selected developer prior to entering a written agreement. Final decisions will be subject to construction bidding limitations for public improvements by the City.

## **IX. Questions/Contact Persons**

Questions concerning this proposal, the application, or the review process may be directed to Kelly Diekmann, Director of Planning & Housing by mail at City of Ames, Planning & Housing Department; P.O. Box 811, Ames, IA 50010; by email at [kelly.diekmann@cityofames.org](mailto:kelly.diekmann@cityofames.org); or by phone at 515-239-5400.