

COUNCIL ACTION FORM

SUBJECT: IOWA REINVESTMENT DISTRICT PROGRAM FINAL APPLICATION

BACKGROUND:

The Iowa Economic Development Authority (IEDA) Reinvestment District Program is designed to assist communities in developing transformative projects that will improve the quality of life, create and enhance unique opportunities, and substantially benefit the community, region, and state. Participating communities establish a Reinvestment District in which development projects occur to generate funding for improvements within the District. When the primary district project is complete, the State of Iowa will rebate back to the City 4¢ of the 5¢ of the State's portion (not the City's portion) of their sales tax and the 5¢ of their Hotel/Motel lodging tax generated within the Reinvestment District for a twenty-year period, up to the maximum amount of the award.

The current round of the program provides a pool of \$100 million in new state hotel/motel tax and sales tax revenues to be redirected from the state to the awarded communities in a competitive process. The funds received by the City may be used for purposes designated in the application. The Reinvestment Program consists of a pre-application, with qualified communities being invited to submit a final application with revised information in the following year.

In February 2021, the City submitted a pre-application for funding from the Reinvestment District Program. The preliminary application was based upon a combination of public and private projects. In June 2021, the IEDA made a provisional award of \$10 million in Reinvestment District funding to the City of Ames. The collected State revenues would partially abate the property taxes necessary to repay debt issued for the construction of an indoor aquatics center. The final Reinvestment District application must now be submitted to IEDA for a final award.

ACTIONS TAKEN BY COUNCIL RELATED TO THE REINVESTMENT DISTRICT:

The Council has taken several actions in the process for the Reinvestment District since receiving notice of the provisional award, including:

1. Holding a public hearing and establishing a Downtown Reinvestment District Urban Renewal Area
2. Holding a public hearing and adopting a Downtown Reinvestment District Urban Renewal plan, including the projects proposed in the Reinvestment District Application.

3. Adopting a general obligation bond resolution authorizing the issuance of bonds to fund an indoor aquatics center located in the Reinvestment District Urban Renewal Area.
4. Approving a Capital Improvement Plan that includes the downtown plaza and indoor aquatics center. Both projects are in the Reinvestment District Application and are underway.

PROPOSED PROJECTS:

The initial application included five components: three private development projects and two public projects. The final application has been altered to include the two public projects –the Indoor Aquatic Facility and Downtown Plaza—and one private project—the Lincoln Way Mixed Use site.

The Onondoga project at 5th and Burnett is no longer an eligible project as the rehabilitation improvements are already complete. The future second hotel shown on the east side of Kellogg was removed for lack of development details and developer readiness. Additionally, the Lincoln Way Mixed Use description has been modified to align with the concept plan presented to City Council in November 2021. **Even with these changes, the City's economic consultant projects Reinvestment District receipts at \$15.4 million, which exceeds the State's provisional \$10 million award.**

The Lincoln Way Mixed Use Project is divided into two projects in the application: Phase 1 and Phase 2. The project was divided into two projects for the purposes of defining the improvements that trigger the commencement date for the District in regards to collecting the sales and hotel/motel taxes. The First Phase is the most substantial and will be the start of the 20-year timing for the District. The application identifies that July 1, 2025 as the estimated commencement date for the District.

- a. **Lincoln Way Redevelopment – Phase 1:** This portion includes an anchor full-service hotel with conference center at the corner of Kellogg and Lincoln Way, parking structure, mixed-use restaurant and retail space, outdoor gathering space, and residential apartments. Phase 1 has an estimated project cost budgeted at \$79,535,127. Financing assumes use of standard equity and debt by the developer along with City-provided Tax Increment Financing (TIF). TIF terms are yet to be negotiated.
- b. **Lincoln Way Redevelopment – Phase 2:** Includes a mixed-use commercial office building at the center of the site and a mixed-use apartment building at the corner of Clark and Lincoln Way. Within this phase there is approximately 39,400 square feet of retail and restaurant space. This phase also includes a public parking garage on City property north of the railroad tracks. The concept of a pedestrian bridge linking the south site and north garage are represented in the plan for this phase, but it is not considered a committed project component within the Reinvestment District Application. Phase 2 has an estimated project cost of \$78,668,360. Financing

assumes use of standard equity and debt by the developer along with City provided TIF. TIF terms are yet to be negotiated.

- c. **Indoor Aquatic Center:** This will be a recreational and wellness facility with 41,100 square feet of space. The building will include a six-lane 25-yard lap pool, a zero-depth recreational pool with a current channel, children's water playground, a therapy pool, two water slides, walking area, multi-purpose space, locker rooms, a party/meeting room, staff offices, storage, social area, and a mechanical/equipment room for the pool basins. The total project budget is \$30,186,176.
- d. **Downtown Plaza:** A one-acre parking lot will be converted into a multi-seasonal plaza featuring interactive water features, public art, seating areas, restrooms, food trucks, and in the winter recreational ice skating. The total project budget is \$4,555,121.

ALTERNATIVES:

- 1. Authorize City staff to submit the final application to the Iowa Economic Development Authority for the Reinvestment District.
- 2. Forego submitting a final application for the Reinvestment District Program. This will eliminate the opportunity to receive the \$10 million State funding even if the downtown development proceeds. The debt service for the indoor aquatics center will be paid fully from the debt service property tax levy.

CITY MANAGER'S RECOMMENDED ACTION:

The City Council has taken several actions to proceed with the development of a mixed-use project on the north side of Lincoln Way from Clark Avenue to Kellogg Avenue. It is hoped that the addition of this major project will serve as a catalyst to stimulate further redevelopment in accordance with the City Council's Lincoln Way Corridor Plan.

Additionally, with the submission of the final application, City can take advantage of the Reinvestment District Program funding from new retail and hotel/motel tax revenues collected from this mixed-use development to help fund an indoor aquatic center, significantly reducing the cost to the local property taxpayers. Following submittal of the application and its approval by the IEDA Board, the City Council will then be required to approve an ordinance creating the Reinvestment District to finalize the Reinvestment District process.

The proposed Lincoln Way Mixed Use project as described in the application is based upon the November concept presented to City Council and preliminary financial information from the developer.

Although the City desired to have accepted a final concept plan with a development agreement prior to submitting the final application, this has not yet occurred. City staff

conferred with IEDA, which stated that a development agreement for a specific project is not required element for the final application. This means the City can continue to work with the developer to finalize a specific plan and negotiate a development agreement even after submitting the Reinvestment District application. If necessary, the City can submit a modified application to the State after its approval for changes to the projects listed in the application or to add new projects.

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