

COUNCIL ACTION FORM

SUBJECT: PROPOSED NORTH DAYTON INDUSTRIAL PARK URBAN RENEWAL AREA

BACKGROUND:

Urban Renewal Areas (URA) allow for a city to use a variety of powers and authorities to support economic development within an URA, as defined by Chapter 403 of the Code of Iowa. An Urban Renewal Plan for an Urban Renewal Area may also establish Tax Increment Financing (TIF) districts to financially support the objectives and projects of the Urban Renewal Plan.

The proposed URA comprises approximately 73 acres of land along Dayton Avenue on land containing a recently approved Preliminary Plat known as the North Dayton Industrial Park Subdivision at 2105 & 2421 Dayton Avenue. (Attachment A). The proposed boundaries match the external boundary of the North Dayton Industrial Park Subdivision Preliminary Plat. The land is currently zoned General Industrial (GI) with a masterplan which was approved this past summer.

The City Council approved a Development Agreement with Dayton Avenue Development LLC at its October 5th City Council meeting. That agreement described the terms and conditions as well as the maximum amount of financial assistance to be rebated via incremental property taxes to the developer for development of this industrial subdivision. The agreement and its obligations are predicated on the City approved an Urban Renewal Area and Plan for this site.

The proposed Urban Renewal Plan (URP) is intended to promote economic development for the City of Ames by supporting the development of small-scale industrial lots and speculative buildings for small businesses. (Attachment B) The proposed URP contemplates use of Tax Increment Financing (TIF) in the form of property tax rebates to the developer. The value of the incentive is based upon estimated costs of public improvements needed to support the subdivision and is capped at \$2,968,264. Note that the development agreement caps the TIF at either 10 years of rebates or \$2,968,264, whichever occurs first.

URBAN RENEWAL AREA:

The creation of an urban renewal area first requires the City Council to adopt a resolution of necessity to initiate the process of adopting the Urban Renewal Plan for an area. Approving the resolution of necessity kicks off a number of steps including public notice for a hearing to adopt the Plan.

Subsequent steps include a referral to the Planning and Zoning Commission for recommendation on conformance to the Ames 2040 Comprehensive Plan, formal consultation with affected taxing entities (e.g. Story County and Ames Community School District) and notice of a public hearing to adopt the Plan. Important dates and steps are outlined below:

November 8th:

Staff presents the URA and draft URP to the City Council. Council adopts a resolution of necessity to initiate the statutory process for the URA.

November 16th:

The Planning and Zoning Commission must make a recommendation as to whether the Urban Renewal Plan is consistent with the Ames 2040 Comprehensive Plan. No official public hearing is required, but public input may be gathered.

November 18th:

City staff meets with interested taxing entities for consultation related to tax increment financing. The taxing entities have 7 days to make written recommendations for modifications to the plan.

December 13th:

The City Council conducts a public hearing in order to approve the Plan. The Council then approves a resolution adopting the URA and URP. An TIF ordinance will also be presented at that meeting.

URBAN RENEWAL PLAN:

The proposed Plan includes the necessary components described by the Code of Iowa. The draft URP identifies its purpose to support economic development. It describes the projects and its objectives. The draft URP identifies those components of the Ames 2040 Comprehensive Plan that support the proposed URA.

The Urban Renewal Plan must reflect if, and how, TIF funds will be used. The identified amount of TIF funds is a cap on the amount of TIF that can be collected in support of Urban Renewal Projects. Additional projects, or any increase in TIF that exceeds what is authorized in the Plan, would require an amendment to the Plan. The Plan identifies up to \$2.968 million dollars for use in facilitating private development through incremental property tax rebates.

The Iowa Code also requires that the Plan contain a summary of the City's current debt obligations, the City's limits on issuing debt, and an estimate of the amount of TIF debt that would be incurred. In this case the structure of the TIF rebate will be subject to annual appropriation by the City Council and does not count towards the City's debt limit.

A TIF ordinance establishing a TIF District for the entirety of the North Dayton Industrial Park URA will be drafted and brought back to the City Council for consideration at a public hearing in conjunction with the adoption of the URA and URP on December 13th, 2022.

REPRESENTATIVE TO CONSULTATION:

Since this proposed urban renewal area will include tax increment financing, the Code of Iowa requires that the City hold a consultation with the other affected taxing entities (the School District and the County). Following the consultation, the taxing entities are allowed to make recommendations for any changes to the Urban Renewal Plan. The City must then respond to those recommendations for changes.

The City Council may appoint a representative to the consultation and to respond back regarding any requests by the taxing entities for modifications to the plan. In the past, the Planning and Housing Director, or his designee, has been appointed to fulfill this role as the Council's representative to the consultation. In this instance, the consultation is tentatively scheduled for November 18th. Any comments from the taxing entities would then be required to be submitted within seven days. The City's representative would then respond back to those comments no later than seven days prior to the public hearing planned for December 13th.

ALTERNATIVES:

1. Adopt a resolution of necessity that City desires to support economic development within the described URA boundaries and to initiate the proceedings for creating the urban renewal area, and
 - a. Forward the draft Urban Renewal Plan to the Planning and Zoning Commission for a recommendation, and
 - b. Appoint the Planning and Housing Director or designee as the City's representative to the consultation with the affected taxing entities on November 18th, and
 - c. Set the public hearing date for the Urban Renewal Plan on December 13th, 2022.
2. Do not adopt a resolution of necessity and ask for more information or direct specific changes to the plan before proceeding.
3. Decline to initiate creating an Urban Renewal Area for the North Dayton Industrial Park and direct the City staff not to proceed further with creation of an Urban Renewal Area and Urban Renewal Plan.

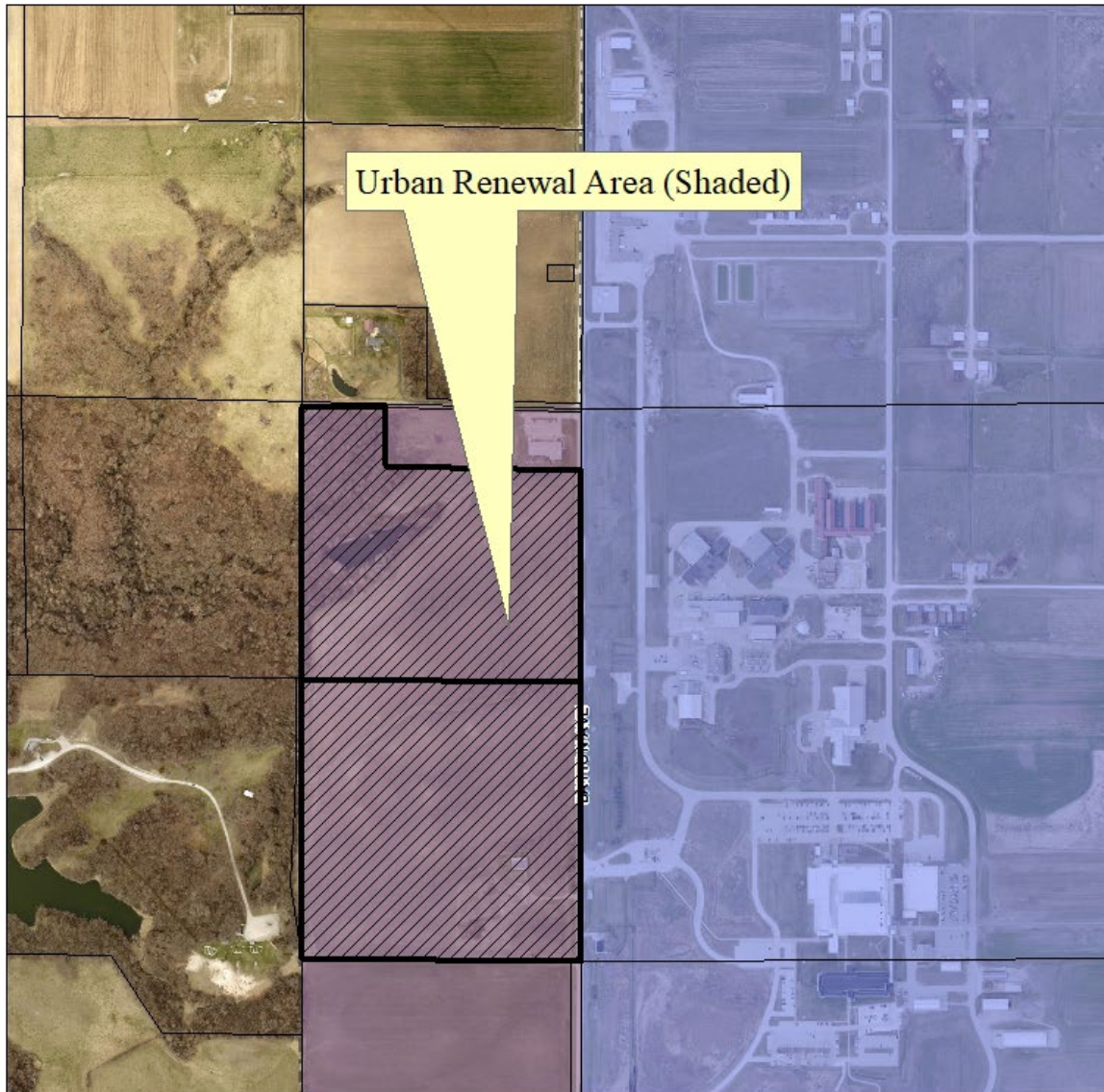
CITY MANAGER’S RECOMMENDED ACTION:

The proposed Plan includes the justification for financially supporting economic development goals for the URA. The Plan authorizes future use of Tax Increment Financing (TIF) to provide an incremental property tax rebate to the developer. Staff will prepare a TIF ordinance to accompany approval of the Plan.

The creation of the North Dayton Avenue Industrial Park URA and URP is the final step in the City financially supporting the development of small scale industrial lots and speculative buildings at this location. This is the fulfillment of City Council’s decision to assist in enabling the development small-scale industrial lots due to an identified need in the market for small sites for small business development.

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

Attachment A- Proposed Urban Renewal Area



North Dayton Industrial Park Urban Renewal Area

Legend

- PARCELS
- Employment (Emp)
- Civic
- City Limits

URBAN RENEWAL PLAN
North Dayton Industrial Park Urban Renewal Area

CITY OF AMES, IOWA

October 21, 2022

I. INTRODUCTION

Chapter 403 of the Code of Iowa authorizes cities to establish areas within their boundaries known as "urban renewal areas," and to exercise special powers within these areas.

Chapter 15A of the Code of Iowa declares that economic development is a "public purpose" and authorizes local governments to make grants, loans, guarantees, tax incentives and other financial assistance to private enterprise. The statute defines "economic development" as including public investment involving the creation of new jobs and income or the retention of existing jobs and income that would otherwise be lost.

The proposed URA matches the boundaries of the North Dayton Industrial Park Subdivision and is approximately 73 acres in size. In addition to defining an area, Iowa Code requires preparation of a Plan identifying the purpose of the URA and the types of projects and activities that will occur within the URA.

This document is intended to serve as the Urban Renewal Plan for an urban renewal area to be known as the North Dayton Industrial Park (the "Urban Renewal Area"). It is intended that this Urban Renewal Plan will guide the City in promoting economic development. This document is an Urban Renewal Plan within the meaning of Chapter 403 of the Code of Iowa, and it sets out proposed projects to be undertaken within the Urban Renewal Area.

A City's Planning and Zoning Commission must review the draft plan and inform the City Council if it is consistent with the City's general plan, for Ames this is the Ames 2040 Comprehensive Plan. Additionally, all affected taxing entities, such as counties and school districts, must be notified and given an opportunity to comment on the proposed plan. The City Council must hold a public hearing on the urban renewal plan, following which, the Council may approve the plan and designate an area.

II. DESCRIPTION OF URBAN RENEWAL AREA

The North Dayton Industrial Park Urban Renewal Area would include approximately 73 acres of land located along Dayton Avenue in the northeastern part of Ames as depicted in Attachment A. A legal description of the property is attached hereto as Exhibit B.

III. AREA DESIGNATION

The URA is designated as an economic development area appropriate for the promotion of industrial development. Appropriateness for industrial development is based upon the City's

Comprehensive Plan and zoning designation that supports industrial development. The City solicited proposals in 2021 for the express purpose of developing additional industrial lots and speculative buildings as an economic development goal. The proposed Urban Renewal Area is planned for industrial development of small and medium size industrial lots to allow for a wide range of uses allowed by the City's industrial zoning.

IV. URBAN RENEWAL OBJECTIVES

The primary objectives for development within the North Dayton Industrial Park Urban Renewal Area are:

To contribute to a diversified, well-balanced local economy by retaining and creating job opportunities and strengthening the property tax base by facilitating development of small lot and medium size industrial development and the construction of small-scale speculative buildings.

To provide economic development incentives for development of a project consistent with the small and medium size industrial development goals.

To promote development utilizing any other objectives allowed by Chapter 403 of the *Code of Iowa*.

V. CITY PLAN

The City's Comprehensive Plan Land Use Map designates this property with the Employment category of land use. The Employment category policy goals, development guidelines and public actions support the proposed Urban Renewal Plan that will support development that is in alignment with the vision proposed in the Comprehensive Plan. Physical industrial land will need to increase by up to 156 acres to accommodate needed industrial growth. (Page 63 Ames 2040 Comprehensive Plan). The following goals are included in the Employment Category, among others, and best support the creation of the North Dayton Industrial Park Urban Renewal Area:

1. Provide attractive and well-functioning settings for a range of industrial enterprises.

These industrial lots will be developed in a subdivision with planned infrastructure installation and will extend infrastructure according to City standards appropriately. Streets, sidewalks & shared use paths, water, sewer, storm sewer and electrical infrastructure will connect to their larger networks to provide connections to the rest of the community.

2. Minimize impact and external effects on city neighborhoods.

These industrial lots will be located away from residential neighborhoods in an area that has been developed with a mix of commercial, industrial and government research uses.

3. Discourage industrial uses that are large resource users for water and sewer services with system capacity impacts.

The smaller size of these lots and requirement for speculative buildings on the smallest lots will discourage high water and sewer users. City Site Development

Plan review will also review resource consumption to protect against excessive water and sewer usage.

Growth & Land Use

The City's Growth & Land Use principals found in the Ames 2040 Comprehensive Plan also support development which will occur within this Urban Renewal Area. Ames is anticipated to add 15,000 residents by the year 2040. This presents the challenge of accommodating this population growth and job opportunities as a result in ways that create the most efficient, connected, rewarding, delightful and equitable experience. Specifically, principals G1, G2, G5 and G6 all directly support the development which will occur here. Below is a portion of the Plan with these principles described:

G1: Sustainable Growth. The vision is for new growth to be both economically and environmentally sustainable. This encompasses housing densities that minimize the footprint of growth and reduce service cost per unit; maximum use of existing infrastructure; new investments that have citywide benefits; and preservation of environmental assets.

The emphasis on smaller sized industrial lots helps reduce building footprint and which helps with minimizing overall growth footprint.

G2: Contiguous Greenfield Development. Ames will accommodate much of its projected population growth in areas contiguous to the existing built-up city. During the Plan 2040 process, the City identified alternative contiguous Tier 1 and Tier 2 areas as most readily able to serve the projected growth in population and employment. Providing multiple opportunity areas creates choices that support a variety of needs of a growing community.

The industrial development within the North Dayton Industrial URA is contiguous to existing developed areas of the city.

G5: Review and Approval Process. The ongoing land use planning process defines priorities and policies, while development review affirms consistency with specific standards that implement these policies. Decisions will be made through a transparent, collaborative process that includes stakeholders, and moves toward solutions that are compatible with longterm community goals. This process should be viewed by all parties as fair and reliable.

The Site development review process will ensure sites are developed consist with zoning standards and in a manner that is most efficient and logical.

G6: Planning for Equity. Ames will continue to grow in diversity of its people and jobs during the next twenty years. Equity with growth requires consideration of the needs of a diverse population. This includes adding affordable housing, multiple housing types, and marketbased price points, supporting economic growth, expanding transportation choice, providing accessible institutions and services, and maintaining a variety of amenities.

The creation of these industrial lots within the URA will support economic growth and add job opportunities to the community.

VI. RENEWAL PROJECTS AND ACTIVITIES

The purpose of this Urban Renewal Plan is to facilitate the development of a new industrial subdivision with small size industrial lots for business development and expansion consistent with City plans and zoning. To this end the City will provide a rebate of incremental property tax revenues collected from properties within this subdivision to the developer. This incentive is based upon estimated costs for the developer to install required public infrastructure and improvements as part of the subdivision.

Nothing in this section should be construed as limiting the range or types of activities or powers granted to the City under Chapter 403 or any other provisions of the Code of Iowa in furtherance of the Urban Renewal Plan as the City Council determines necessary to fulfill the goals for development of this Area.

A. Tax Increment Financing

Under the Iowa Urban Renewal Law, in order to assist in the development of new private enterprises, the City may be requested to provide a property tax incentive in the form of an agreement that returns certain incremental property tax revenues to a developer as economic development payments. As part of the establishment of an urban renewal area, the City may adopt an ordinance to create a tax increment financing district (the "TIF District"), within which the property taxes eventually paid by new private development will be used to pay costs of urban renewal projects, including economic development agreements. The use of these tax revenues in this manner is known as tax increment financing ("TIF").

Depending on the date on which a TIF District is legally established and the date on which debt is initially certified within a TIF District, an original taxable valuation is established for the property within a TIF District, which is known as the "base valuation." The "base valuation" is the assessed value of the taxable property in a TIF District as of January 1 of the calendar year preceding the calendar year in which a City first certifies the amount of any obligations payable from TIF revenues to be generated within that TIF District. When the value of the property inside a TIF District increases by virtue of new construction or any other reason, the difference between the base valuation and the new property value is the "tax increment" or "incremental value."

Procedurally, after tax increment debt has been incurred within a TIF District, property taxes levied by the city, the county, the school district and the area college against the incremental value, with the exception of taxes levied to repay debt incurred by those jurisdictions and the school district physical plant and equipment and instructional support levies, are allocated by state law to the City's tax increment fund rather than to each jurisdiction. These new tax dollars are then used to repay any tax increment obligations incurred in the Urban Renewal Area.

Review of the proposed projects by City has resulted in a determination that financial assistance is likely required in order to make the projects financially viable through the use of Tax Increment Financing outlined in Chapter 403 of the Code of Iowa for public improvements and private development.

The City has entered into a Tax Increment Financing (TIF) rebate agreement with the private developer for projects that meet the objectives of the plan, subject to approval of this Plan. The agreement includes a rebate of eligible incremental property taxes up to \$2,968,264. The TIF agreement is structured such that the amount of the TIF rebate will not be included as debt subject to the state mandated debt limitation as it will be approved each year as an Annual Appropriation.

If the Urban Renewal Area is legally established, and a Tax Increment Financing (TIF) ordinance is adopted, then the "base value" of the Area will be the assessed value of the taxable property within the TIF Ordinance area as of January 1 of the calendar year preceding the calendar year in which the City first certifies the amount of any debt on the Area pursuant to Iowa Code Section 403.19.

VII. PROPERTY ACQUISITION/DISPOSITION

The City may acquire property within the area for purposes and objectives consistent with this Plan, which may include the use of eminent domain, as allowed under Chapter 403 and 6A. The City will follow any applicable requirements for the acquisition and disposition of property within the Urban Renewal Area.

VIII. EFFECTIVE PERIOD

This Urban Renewal Plan will become effective upon its adoption by the City Council and will remain in effect to the extent it is allowed by state law or until it is repealed by the City Council. State law allows the collection of incremental property taxes generated within the Urban Renewal Area for up to twenty years. Each project or activity to which incremental property tax revenues will be devoted will be subject to such restrictions as may be deemed necessary and appropriate by the City Council.

IX. PLAN AMENDMENTS

This Urban Renewal Plan may be amended in accordance with the procedures set forth in Chapter 403 of the Code of Iowa in order to carry out any purposes consistent with state law.

X. CITY DEBT INFORMATION

Chapter 403 of the Code of Iowa requires that any urban renewal plan include certain information with respect to City general obligation debt, ability to incur additional debt and the amount of proposed tax increment debt to be incurred.

CURRENT GENERAL OBLIGATION BOND DEBT

<u>General Obligation Bonds</u>	<u>Amount Originally Issued</u>	<u>Final Maturity</u>	<u>Outstanding as of June 30, 2022</u>
2014 Corporate purpose	9,695,000	2026	3,120,000
2015A Corporate purpose	18,445,000	2035	6,580,000
2016A Corporate purpose/refunding	11,650,000	2028	4,735,000
2017A Corporate purpose	10,975,000	2029	4,395,000
2018A Corporate purpose	7,490,000	2030	5,360,000
2019A	10,775,000	2031	8,330,000
2020A	17,865,000	2032	12,415,000
2021A	19,640,000	2033	17,635,000
2022A (to be issued Nov. 8, 2022)	13,400,000	2034	13,400,000
Total General Obligation Bonds Outstanding			<u>\$ 75,970,000</u>

CURRENT CONSTITUTIONAL DEBT LIMIT AND CAPACITY

As of the Fiscal Year Ended 6/30/2022

Total Actual Valuation	\$ 5,516,171,844	
State Mandated Debt Limit*	\$ 275,808,592	
City Reserve (25% of Limit)**	<u>\$ 68,952,148</u>	
Un-Reserved Debt Capacity	\$ 206,856,444	
Total Debt Subject to Limit	\$ 75,970,000	
Available Un-Reserved Debt Capacity (\$/%)	\$ 130,886,444	63.27%
Total Debt Capacity Available (\$/%)	\$ 199,838,592	72.46%

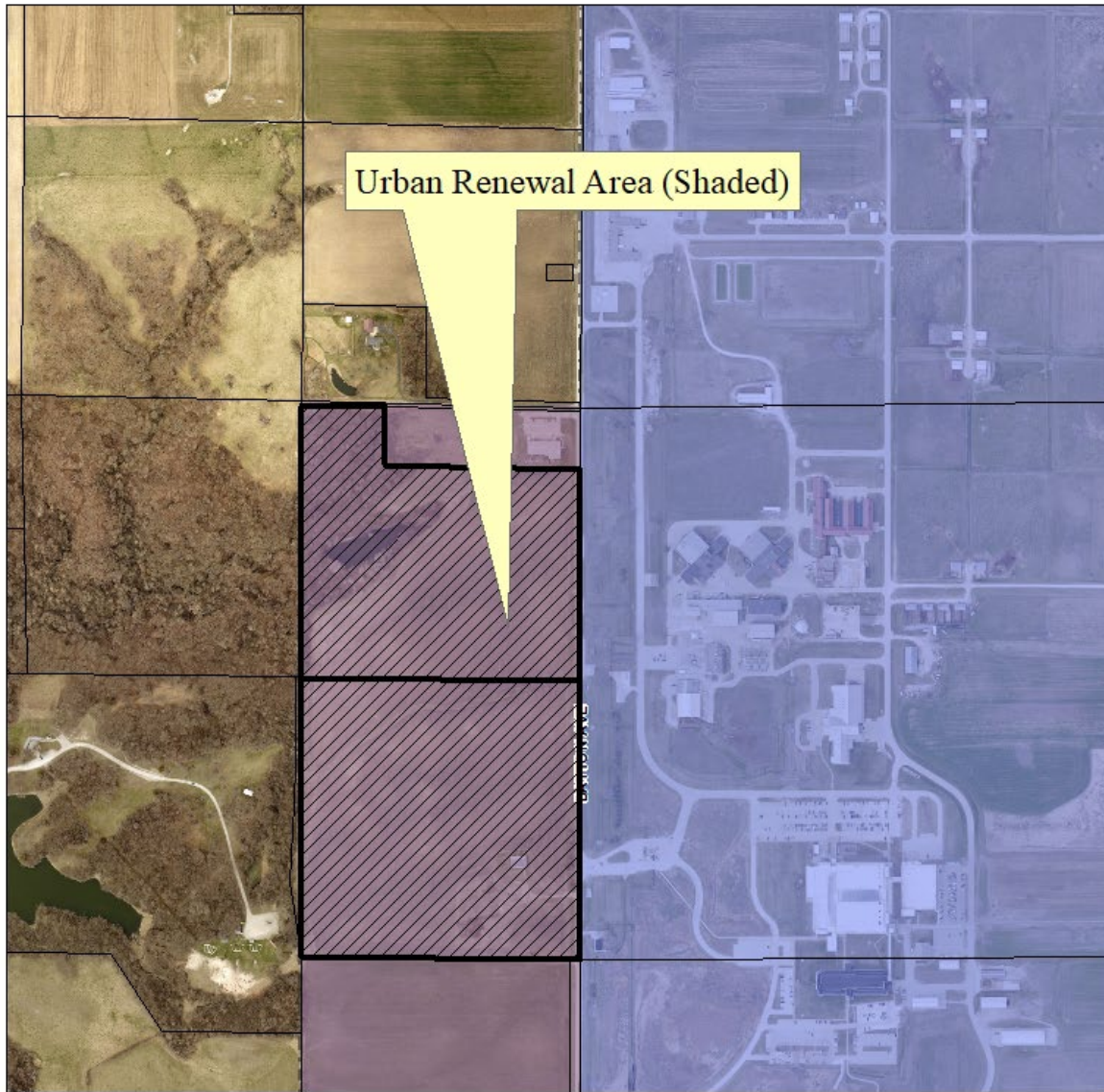
Notes:

**Iowa Statutory Debt Limit is 5% of total actual valuation*

***City Policy reserves 25% of available debt capacity*

The proposed amount of development incentives will not exceed \$2,968,264 of TIF for the North Dayton Industrial Urban Renewal Area. However, the development incentives are subject to annual City Council appropriation and are not part of the City's debt limits.

Exhibit A- Location & Land Use Map



Urban Renewal Area (Shaded)

North Dayton Industrial Park Urban Renewal Area

Legend





-  PARCELS
-  Employment (Emp)
-  Civic
-  City Limits

Exhibit B- Legal Description

The Southeast Quarter (SE $\frac{1}{4}$) of the Northeast Quarter (NE $\frac{1}{4}$) of Section Thirty-six (36); the Northeast Quarter (NE $\frac{1}{4}$) of the Northeast Quarter (NE $\frac{1}{4}$), of Section Thirty-six (36) **except** the North 1 rod and **except** A part of the NE $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Sec. 36-T84-R24W of the 5th P.M., Story County, Iowa, described as follows: Beginning at a point on the east line, 16.5 feet south of the NE Corner of said NE $\frac{1}{4}$ of the NE $\frac{1}{4}$; thence N88°41'W 925.0 feet, parallel and 16.5 feet distant from the north line of said NE $\frac{1}{4}$ of the NE $\frac{1}{4}$, thence South 275.0 feet, thence S88°41'E 925.0 feet to the east line of said NE $\frac{1}{4}$ of the NE $\frac{1}{4}$; thence North 275.0 feet to the point of beginning,