

**MINUTES OF THE SPECIAL MEETING  
OF THE AMES CITY COUNCIL**

**AMES, IOWA**

**APRIL 1, 2014**

The Ames City Council met in special session at 7:00 p.m. on the 1<sup>st</sup> day of April, 2014, in the Council Chambers of City Hall, 515 Clark Avenue, pursuant to law with Mayor Ann Campbell presiding and the following City Council members present: Gloria Betcher, Amber Corrieri, Tim Gartin, Matthew Goodman, Chris Nelson, and Peter Orazem. *Ex officio* Member Alexandria Harvey was absent.

**RISE GRANT APPLICATION FOR ISU RESEARCH PARK, PHASE III:** City Manager Steve Schainker presented a staff report on the planned expansion of the ISU Research Park. He noted that the City had played an important role in the first two phases of the Park, which had proven to be a very successful part of the community. Mr. Schainker explained that the immediate impetus for this planning was in response to a recent action by the General Assembly to appropriate \$12 million for a new building in Phase III of the Research Park to serve as a catalyst for further expansion. This appropriation requires that the new building be completed by June 2016, and in order to meet that requirement, a significant number of actions must be accomplished, which would include identifying funding sources, annexation, rezoning, and platting.

According to Mr. Schainker, the Phase III Expansion will include three stages (A1, A2, and B) totaling 187.49 gross acres between University Avenue and South Riverside adjacent to the southern portion of the existing Park (101.25 acres will be developable).

The responsibilities being requested of the City for Stages A1 (in 2014) and A2 (in 2015) were detailed by City Manager Schainker. He advised that the total costs to the City for all improvements for Phase III are estimated to be \$11,443,265. Iowa State University (ISU) officials have asked that the City apply for Revitalize Iowa's Sound Economy (RISE) Grants from the Iowa Department of Transportation (Iowa DOT). If successful, the Immediate Opportunity RISE Grant would provide 80% for road improvements within Phase III and would reduce the City's financial obligation to \$4,112,463. A breakdown of the projected financial obligations of the City and the State was provided.

It was pointed out by City Manager Schainker that the Research Park will ultimately be responsible to ensure the remaining infrastructure is installed for Phase III. He noted that it is anticipated that other entities will agree to pay for certain improvements. At the inquiry of Council Member Gartin, Steve Carter, speaking on behalf of the ISU Research Park, stated that negotiations are in the beginning stages; however, it is thought that the County Conservation Board would manage the open space. Concerning the Rural Water buy-out, Mr. Schainker advised there are areas of the properties in question that the City believes it has not given up its rights to provide water; however, due to the time frame in which things need to move forward, ISU Research Park will be responsible for negotiating the Rural Water buy-out.

Options to finance the expansion were explained by Mr. Schainker, as follows:

1. Property Tax and Utility Fees Increases: One option would be to finance the local match for the road projects (\$1,832,701), the water main extensions (\$1,154,010), and the sanitary sewer line extensions (\$1,125,752) through the issuance of General Obligation

Bonds. The debt would be paid back with property taxes for the road improvements and with utility revenues for the line extensions. The tax rate would be increased by \$.08 for \$1,000 of taxable valuation for the road improvements, 1.055% increase in sewer rates, and a .83% increase in water rates to finance the utility improvements. This strategy spreads the financial obligation to all of the City's taxpayers and utility customers. A problem with that option is that the coming year's tax levy had already been certified. Therefore, it would not be possible to adjust the tax rate to cover any additional debt for the Research Park Expansion costs. Delaying construction until the tax rate can next be adjusted in FY 2015/15 would inhibit the timely completion of the catalyst building. Another issue with this option is that a series of rate increases in water and sewer utilities have already been scheduled to occur over the next five years. In order to hold those rates down and stay competitive, it would not be wise to add to the utility rate increases at this time.

2. Tax-Increment Financing. A second option would be to finance the City's share of the Research Park Expansion project costs through a tax-increment financing strategy. The City would issue General Obligation Bond debt to up-front the cost of the roads and utilities, with the payback coming from the additional taxes generated from new developments constructed on the land in Phase III. This would allow the project to move ahead in issuing Bonds to generate revenue to finance the improvements in FY 2014/15. In addition, it would place the burden to repay this debt only on the owners of property in the area who benefit from the infrastructure improvements. Mr. Schainker emphasized that it is very risky to utilize a tax-increment financing strategy for development of the area in advance of the necessary commitments to build sufficient taxable improvements to cover the infrastructure debt. Another disadvantage is that it would no longer be preferable for the City to offer tax abatement to new businesses that locate on the Phase III land as the required match for future state financial aid to new businesses. It was noted that discussions are occurring with Iowa Economic Development Authority officials to persuade them to recognize the City's financial contributions to the Phase III infrastructure improvements as a local match for future state incentives.

Council Member Orazem voiced his concern that the sources that would be responsible for the other \$40 million might not come through. He asked what would happen then, and specifically, who would be responsible to pick up that share. Mr. Schainker replied that he will not be recommending moving ahead with the project until a Developer's Agreement was negotiated to the satisfaction of the City Council. The City also would not approve an agreement with the Iowa DOT to accept the RISE Grant.

Council Member Betcher raised the issue of the Application including the anticipation of additional CyRide services through the Park. Ms. Betcher also asked for a clarification of the section of the Application dealing with additional vehicle traffic. She pointed out that the Application stated that the 4,000 was expected to increase *to* 2,500 and asked if it should state that it would increase *by* 2,500. Scott Renaud said that the Application had to address what would happen in the future to accommodate for the expansion. He said that the roads would have to be constructed to allow for bus traffic through the area. Mr. Renaud replied, in reference to the vehicle traffic, that there was a typo in the Application. It should state that it is anticipated that the number of vehicles would increase *by* 2,500.

Council Member Nelson asked to know the property taxes currently being paid by the current Research Park. Mr. Carter replied that it paid approximately \$1 million/year.

The Council was told by City Manager Schainker that Research Park representatives are urging the City Council to adopt a Resolution in support of the submission of the RISE Grant Application for Stages A1 and A2 as soon as possible. The next meeting of the Iowa Transportation Commission would be on April 8, 2014. Mr. Renaud noted that the Grant Application must be on that Agenda for the Iowa DOT to accept the jobs currently being created by WebFilings. Mr. Schainker emphasized that he would have preferred that the Development Agreement between the City and the ISU Research Park Board would have been finalized prior to the submission of the Grant Application. It was again noted by City Manager Schainker that there is risk involved with pursuing the RISE Grant Program, since the job creation requirement is outside of the City's control. He explained that a certain number of jobs (365) are required to be created within three years from the Application for Stages A1 and A2. WebFilings plans to create those 365 jobs during the time period. If those promised jobs, are not created, the City would be obligated to repay the State of Iowa for the pro-rated Grant funds received based on the shortfall in jobs actually created. Mr. Schainker advised that that risk, however, could be mitigated through the inclusion of specific requirements of the Research Park Corporation/ISU in a Development Agreement. If the Council chooses to support the submission of the RISE Grant Application for Stages A1 and A2, Research Park officials understand and agree that until a Development Agreement can be negotiated to the satisfaction of the City Council, the City will not approve an agreement with the Iowa DOT to accept a RISE Grant.

At the question of Council Member Goodman, Mr. Carter advised that, in the current planning stages, a higher density of buildings/acre is planned. At the inquiry of Council Member Orazem regarding job creation at WebFilings, Mr. Carter indicated that the ISU Research Park had been having discussions with the Iowa DOT since November 2013 on this project. The DOT understands the burden that will be created on infrastructure from the expansion of WebFilings in its bringing in approximately 325 jobs.

Discussion ensued regarding the need for the size of the planned expansion. According to Mr. Carter, there are a number of factors that will provide the opportunity to grow the Research Park more rapidly than in the past. He also indicated that most of the remaining space in Phases I and II are committed.

The concepts of the Development Agreement to be recommended by the City were detailed by City Manager Schainker, as follows: (1) No Tax Exemption, (2) Minimum Assessment Agreement; (3) Cap on the Land Sale Price; and (4) Sharing of Job Creation Responsibility.

According to City Manager Schainker, City staff believes that the Tax-Increment Financing strategy is the preferred alternative. With that option, it would be possible to limit the City's risk related to that financing option with the inclusion of specific requirements of the Research Park Corporation/ISU in a Development Agreement.

Moved by Corrieri, seconded by Betcher, to adopt RESOLUTION NO. 14-162 endorsing the project (ISU Research Park, Phase III) and directing the Mayor to sign and staff to submit the Immediate Opportunity RISE Grant Application to the Iowa Department of Transportation.

Council Member Gartin expressed his strong reservations about the use of tax-increment financing. However, because of the thoroughness of the explanation and the mitigation of risk to the City for this project, he voiced his approval of adopting the Resolution.

Roll Call Vote: 6-0. Resolution declared adopted unanimously, signed by the Mayor, and hereby made a portion of these Minutes.

**COUNCIL COMMENTS:** Council Member Betcher noted that she had had additional discussions with the VEISHEA Co-Chairs about the Council's participation in the parade. She also advised that the VEISHEA Co-Chairs are still wondering about the Council's participation in the Pancake Feed. She provided more information to the Council about the Pancake Feed, and asked them to contact her if they wanted to participate.

Council Member Gartin advised that Story County is looking at a County-wide ban on the sale of e-cigarettes to minors. He noted that he was in favor of the ban, but somewhat reluctant about the precedent that it would set. Mr. Gartin urged those who wanted more information to attend the forum hosted by the County to be held on Thursday, April 3, 2014, in the Ames Council Chambers.

**ADJOURNMENT:** Moved by Goodman to adjourn the Special Meeting at 8:16 p.m.

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Diane R. Voss, City Clerk

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Ann H. Campbell, Mayor