

Staff Report

CYTOWN DEVELOPMENT

March 12, 2024

BACKGROUND:

The Iowa State Center was the vision of ISU President James Hilton to create a one-of-kind educational, cultural, and athletic complex that would serve the university, city, and region. The original four main buildings consist of C.Y. Stephens Auditorium, Fisher Theater, Hilton Coliseum, and the Scheman Building. Stephens Auditorium was the first building completed in 1969, with the Scheman Building being the final building completed in 1975.

The initial capital cost related to the construction of the four original buildings along with the other site improvements was reported to have totaled \$19,200,000. Construction was financed through donations, with no state funding being contributed to the project. Clifford Stephens, a dairy entrepreneur for whom Stephens Auditorium was named, offered the lead donation for the project. Stephens' widow stated at the building dedication: "within the walls of C.Y. Stephens Auditorium, countless persons will experience a newborn appreciation for the performing arts in the decades to come."

Upon completion, the complex was considered the premier performing arts, meeting, and sports venue in Iowa. Broadway touring companies, international symphony orchestras, and notable headliners performed at the Iowa State Center facilities. These performances assured not only an excellent quality of life for the citizens of Ames, but also attracted hundreds of thousands of visitors to the City, bolstering the local economy and generating associated sales and hotel/motel tax revenues.

This reputation endured for many years. In recent decades, however, competition grew as other major cities throughout the state constructed more modern event spaces. These venues have lured away many conferences, performances, and events from the Iowa State Center.

FINANCING THE IOWA STATE CENTER HAS BECOME A CHALLENGE:

Like similar convention and visitor complexes throughout the country, the Iowa State Center requires annual subsidies from the University to cover the operating costs. ISU officials have explained that before the transfer of the oversight of Iowa State Center to the ISU Athletics Department, the annual subsidy had grown to approximately \$800,000.

More problematic is the need for over \$110 million in renovations among the four main buildings. ISU officials have indicated that these renovations include \$37 million in deferred maintenance and over \$72 million for upgrades to meet current building code standards. **Despite their best efforts to fundraise for these needed improvements, ISU has found that there is not sufficient interest on the part of private donors to contribute funding of this magnitude towards these types of projects.**

CYTOWN'S CONNECTION TO IOWA STATE CENTER:

ISU began exploring the feasibility of a multi-use arts, culture, and community district in 2019, with the intent to develop the underutilized parking lots between Jack Trice Stadium and the Iowa State Center. This exploration resulted in the development concept called CYTown, which is planned to contain a medical facility, retail and office space, an outdoor plaza and amphitheater, and residential units. In preparation for the construction of these facilities, ISU began installing utilities and parking areas in February 2023.

Similar models for the CYTown concept include TitleTown in Green Bay, Wisconsin, and the Power and Light District in Kansas City, Missouri. These developments have demonstrated ways in which cultural attractions, entertainment, and retail uses can be successfully combined in a single complex in proximity to competition athletic facilities.

Although one objective of the CYTown development would be the creation of this new, vibrant community attraction, there is a more important goal for this development which sets it apart from other examples. **CYTown provides an innovative strategy to finance the needed improvements for the original four buildings at the Iowa State Center. Through the leases with tenants, ISU will create a revenue stream that can be used to pay the debt needed to fund improvements at the Iowa State Center, thereby rejuvenating those original facilities and safeguarding an invaluable arts and cultural center for the Ames community.**

WHY THE CITY SHOULD FACILITATE IOWA STATE CENTER IMPROVEMENTS:

City staff has held numerous discussions with ISU staff over the past several years to explore how the development concept would work. **There is agreement between the City staff and ISU administration regarding the wisdom of taking advantage of the CYTown development to generate revenue to address the capital improvement needs identified for the original four buildings at the Iowa State Center. It is City staff's belief that the Iowa State Center buildings are an asset to the entire Ames community, towards which no City investment has been previously made. It supports the City Council's value for Ames to be a fun, vibrant, and healthy community that attracts and retains people.**

However, although there is agreement about the merits of investing in these facilities, there is disagreement regarding the issues of 1) the University having to pay property taxes for the improvements constructed in CYTown and 2) the ability of this university development to compete with the private sector. The University staff focuses on a section of the Iowa Code that declares property owned by the state to be exempt from local property taxes. On the other hand, City staff relies on a different section of the Iowa Code that imposes restrictions on the University's ability to compete with the private sector.

COMPROMISE REACHED:

Over the years the relationship between the City of Ames and Iowa State University has served as a role model for town/gown relationships with countless partnerships that benefit both entities. A protracted dispute with respect to the issues of taxability and competition would be detrimental to the parties' relationship and could delay or altogether thwart the renovation and improvement of the Iowa State Center facilities.

In order to avoid such a dispute, the administrative staff from the City and Iowa State University have designed a creative agreement that calls for a Payment In Lieu Of Taxes (PILOT) which will allow the improvements to move ahead without delay, generates revenue to finance the needed capital improvements for the four original buildings, and sets aside any differences of opinion that may exist about the issues of competition and taxation. A separate agreement addresses infrastructure and services for the development.

It should be noted that although City staff has reached an understanding with ISU regarding these issues as they relate to CYTown, the question of taxability is one that is determined by the City Assessor and the Iowa Department of Revenue. It should be emphasized that both of those authorities are independent of the City of Ames. In addition, although the City would set aside its concerns regarding competition with private enterprise, these agreements do not prevent other entities from raising the same concern.

Further, this unique arrangement applies only to the CYTown development. It does not imply the City's approval or cooperation with any future land developments ISU might undertake at other locations.

TWO AGREEMENTS:

Two agreements are necessary to garner the City staff's support for the CYTown development. The first agreement is a Memorandum of Understanding (MOU) that outlines the financial arrangements and the manner in which funds will be collected and re-invested into the Iowa State Center facilities. The second agreement describes the City's involvement in the construction of the improvements, the provision of utilities, traffic control, and the interaction of other City/ISU services in this new development.

The following is a summary of the major provisions of the two agreements.

1) MEMORANDUM OF UNDERSTANDING FOR THE CYTOWN DEVELOPMENT AREA:

CYTown Development Area – Article IV – Page 4

- The proposed contract covers an area south of Lincoln Way, north of Jack Trice Way, west of University Boulevard, and east of Beach Avenue.

Phased Development - Article IV C. – Page 5

- The MOU contemplates CYTown being developed in two phases, with Phase I being generally the southern half of the proposed buildings, and Phase II being any facility not included in Phase I. (See the Phasing Plan map attached to the CYTown MOU)

Payment In Lieu of Taxes - Article VII – Pages 6 to 11

- The City Assessor will determine the value of each of the new buildings in the CYTown area in the same manner as typical commercial properties. ISU will determine the amount of land that will be assigned to each building and will furnish the value of that land to the City. Each June, the City will prepare a statement for each building that outlines the amount of payment in lieu of tax (PILOT) to be collected in the next fiscal year.

- The PILOT will be based on the consolidated tax levy for the Ames community. **The portion of the PILOT that is equivalent to the City's tax collection for the building is considered "MOU PILOT."** The rest of the PILOT is considered "Remainder PILOT." These two amounts are accounted for separately and are used for different purposes.
- The Alumni Center building, the four original buildings at the Iowa State Center, and any future research, academic, or administrative building serving solely ISU are excluded from the appraisal and payment of the payment in lieu of taxes requirements.
- The Remainder PILOT can be used for operational expenses of CYTown (e.g., repayment of infrastructure debt, construction of the new buildings, common area maintenance and construction, and developer rebates).
- The Phase I MOU PILOT revenues and Phase II MOU PILOT revenues will be deposited in a CYTown Development Area Capital Improvements Fund administered by the University. For the revenues collection for each phase:
 - In years 1 to 19, 100% of the MOU PILOT revenues will be deposited into the CYTown Capital Improvements Fund.
 - In years 20 to 24, 25% of the MOU PILOT will be remitted to the City to be used for any purpose.
 - In years 25 to 29, 50% of the MOU PILOT will be remitted to the City to be used for any purpose.
 - In years 30 and thereafter, 75% of the MOU PILOT will be remitted to the City to be used for any purpose.
- The City may decline any or all of the MOU PILOT remittance it is entitled to, if it desires to leave the funding in the Capital Improvements Fund for further improvements to the Iowa State Center facilities.
- Any surplus operating revenues from rents, donations, etc., generated for CYTown that exceed the CYTown operating expenses (plus a reasonable reserve) must also be deposited by ISU into the Capital Improvements Fund.
- All monies deposited in the CYTown Development Area Capital Improvements Fund must be used exclusively to fund enhancements or renovations to:
 - C.Y. Stephens Auditorium,
 - The Scheman Building,
 - Fisher Theater,
 - Hilton Coliseum (only for building envelope improvements—limited to roof, windows, doors, and mechanical systems—or seating), and
 - Construction of new flat space or convention space, not including a hotel, only after there are no further enhancements or renovations that are planned or needed for the four original buildings.
- Monies from the CYTown Development Area Capital Improvements Fund are not to be used to cover operational expenses.

It is important to emphasize that this agreement only pertains to the City PILOT. The agreement suggests that ISU may create similar agreements with the other taxing entities (i.e., Story County

and the Ames Community School District), to dedicate portions of the Remainder PILOT to specific purposes on behalf of those taxing authorities. However, those agreements would have to be negotiated separately by ISU. The City's agreement with ISU indicates that if those entities were able to achieve a "better" deal with ISU (e.g., longer term, earlier access to cash, or a different formula for calculating PILOT), then the City could unilaterally amend this agreement to adopt the same term(s). Article XII - Page 14

CYTown Advisory Committee - Article VI – Page 6

- In order to assure that the funds deposited in and expended from the Capital Improvements Fund are in accordance with the agreement, a three-person advisory committee comprised of an ISU President designee, the ISU Research Park President, and the Ames City Manager will be created to provide input to the ISU President regarding the overall development, review the financial statements of the development area, and make recommendations for the scheduling of improvements.

ISU Responsibilities – Article IX – Page 13

- The parties agree that all facilities within the CYTown Development Area are under the administration, management, governance, and control of Iowa State University. As such, the development is not subject to the City's Zoning Ordinance, Building Codes, Noise Ordinance, Rental Code, etc.
- The CYTown Development Area is subject to the City standards and adopted codes for those city utilities (water, sanitary sewer, and electric) that are located in the Area.

Termination – XVI – Page 15

- The MOU will remain in effect for 35 years from the date the first building in Phase II is occupied, unless: 1) terminated by mutual consent of the parties, or 2) terminated by ISU if there is a final determination by a taxing authority that property taxes are owed.
- After termination, any funds remaining in the Capital Improvements Fund must be used in accordance with the requirements previously mentioned until the fund is exhausted.

2) CONSTRUCTION, UTILITIES, TRAFFIC, AND RELATED SERVICES M.O.U.:

The second CYTown agreement relates to the infrastructure and public services that are to be furnished for CYTown.

- The buildings within CYTown will be constructed according to the state-adopted codes and inspected by the State Fire Marshal, rather than the City. This is the manner in which other University buildings are constructed. However, ISU will consult with the Fire Department regarding building plans to identify any issues that may hinder emergency response. (Article X - Page 9)
- Water, sanitary sewer, and electrical services will be provided by the City to the facilities constructed in CYTown in a similar manner to a commercial subdivision. Each building will be individually metered for these services. (Articles V, VI, VII - Pages 3-8)

- ISU is responsible for the installation of mains, hydrants, valves, manholes, and other aspects of these systems. City staff has reviewed the plans and has inspected the infrastructure as it is installed. Once complete, the City will take ownership of the mains and responsibility for maintenance, and ISU will retain responsibility for maintaining service lines, just like any other commercial development.
- Because CYTown buildings will not be inspected under a City plumbing permit, each service connection must contain a backflow protection device. This is a standard term for service in Ames Municipal Code for any facility that receives Ames water where no City plumbing permit has been obtained. (Article V - Page 4)
- If a tenant has the potential to discharge fats, oils, or grease (e.g., a restaurant use), or high-strength wastewater, the City must be provided advance notification, and the customer may be required to install grease interceptors or meet other City-directed requirements. (Article 6 - Page 5)
- ISU is given the option to request that any existing facility within the CYTown Development Area be connected to City water, sanitary sewer, or electric service if desired in the future. Existing facilities include: Hilton Coliseum, the Scheman Building, Fisher Theater, C.Y. Stephens Auditorium, and the Alumni Center, all of which are currently connected to ISU's utilities systems. If the City agrees to connect any of these facilities as a retail customer in the future, the terms for connection outlined in the agreement would apply to that facility as well.
- The utilities customers within CYTown will be exempt from City storm water fees. ISU currently has its own Municipal Separate Storm Sewer System (MS4) permit. Since the stormwater management for CYTown involves no discharge of stormwater through the City's stormwater system, ISU will manage the stormwater up to the point where it is discharged into Ioway Creek. Because of this, ISU will not be required to obtain a City stormwater permit for the development with CYTown. (Article VIII - Page 8)
- ISU is required to apply to the City for a Flood Plain Development Permit prior to any excavation, filling, construction, or remodeling within the Special Flood Hazard Area. (Article IX - Page 9)
- Traffic Improvements: (Article XI - pages 9-13)
 - ISU retained an engineering firm in 2020 to complete a traffic study for the proposed improvements. This study concludes that several infrastructure improvements, as described below, will be necessary as CYTown develops. The agreement with ISU identifies triggering conditions to complete those improvements and the subsequent ownership and management of the improvements.
 - A traffic signal and related intersection improvements are proposed at Center Drive and University Boulevard (a T-intersection). This signal will be installed by ISU and then dedicated to the City. ISU will be responsible for one-third of future replacement costs; the City will be responsible for two-thirds. These improvements would be triggered when the first four buildings of CYTown are occupied.
 - A traffic signal and related intersection improvements are proposed at Beach Avenue and Jack Trice Way. This signal will be installed by ISU and then dedicated to the City. ISU

will be responsible for one-quarter of future replacement costs; the City will be responsible for three-quarters. These improvements would be triggered when a hotel is constructed and occupied, or when the first two buildings in Phase II of CYTown are occupied, whichever is earlier.

- The intersection of Beach Avenue, Center Drive, and Greeley Street is to be realigned at ISU's expense at the same time the Beach Avenue and Jack Trice Way signal is required.
- Any of the three intersection improvement projects described above can be deferred if the Traffic Engineer finds a reason not to require it, including if there is a revised traffic study that indicates the development did not generate the traffic initially anticipated.
- Traffic calming measures may be necessary in the Country Club neighborhood west of Beach Avenue. Therefore, when Phase I of CYTown is complete, the Traffic Engineer is to conduct a study to determine if those measures are warranted. If determined to be necessary by the City, ISU is to reimburse the City for any costs to install the traffic calming measures. A process is in place for ISU to discuss the proposed measures with the City and suggest alternatives if desired.
- ISU will grant easements that are in a form acceptable to the City for the infrastructure the City will be accepting (water mains, sewer mains, and electric lines) at no cost. In addition, ISU is to grant easements for electric lines to cross its property in areas outside of CYTown that are necessary to provide reliable electrical service to the site. (Article XII- Page 13). Several of these easements have already been completed and approved by the City Council ([February 27, 2024 City Council meeting](#)). However, additional easements need to be completed to satisfy this provision of the agreement.
- The agreement confirms that law enforcement services and fire protection services within the CYTown area are to be administered under the two existing agreements between ISU and the City for those services. In accordance with those agreements, ISU will provide the primary law enforcement responsibility for the area, and the City will provide fire protection services for the area. (Articles XIV and XV - Page 14)
- This agreement does not contain an expiration date.

OPTIONS:

1. In order for the City Council and the public to have sufficient time to review the two documents, direct the staff to bring back for approval both proposed agreements at an upcoming April Council meeting.
2. Direct staff to negotiate other terms for one or both proposed agreements.
3. Decide not to enter into the two proposed agreements if the City Council does not want to commit the payments in lieu of tax solely to finance improvements at the Iowa State Center.
4. Decide not to enter into the two proposed agreements if the City Council wants to first resolve the disagreement between the parties regarding the property tax exemption and competition issues.

STAFF COMMENTS:

Competition from other venues will make it impossible for the Iowa State Center to restore its prominence as a regional draw for the performing arts and conventions. However, it is possible to creatively finance needed improvements to these facilities through the proposed agreements. These improvements are necessary to assure an adequate performing arts venue that, while owned by Iowa State University, will continue to enhance the quality of life for the entire Ames community.

It should be emphasized that staff is reporting a joint recommendation from the City Manager and the Iowa State University administration for the two attached agreements. The ultimate approval of this unique arrangement will require approval of the agreements by both the City Council and the Board of Regents.

Realizing that this is the first time the City Council and public have been introduced to the issues addressed in the attached agreements, City staff is not asking for approval of the documents at this time. In addition, it should be noted that there still remains one issue dealing with the required easements on the CYTown property that needs to be resolved. Therefore, the approval of the two agreements is being delayed until an upcoming Council meeting in April. This should allow staff time to resolve the last remaining issue and allow time for the public to understand what is being recommended.

ATTACHMENT(S):

[CYTOWN CONSTRUCTION UTILITIES TRAFFIC ETC MOU - Mar 2024.docx](#)
[MOU CYTOWN.docx](#)