

ITEM #:	<u>2</u>
DATE:	<u>10-02-24</u>
DEPT:	<u>P&H</u>

COUNCIL ACTION FORM

**SUBJECT: UPDATE ON DOWNTOWN AMES REINVESTMENT DISTRICT FINAL
APPLICATION AND LINC DEVELOPMENT PROJECT**

BACKGROUND:

In 2022, the City prepared an application for the Iowa Reinvestment District program. This program provides state incentives of rebated sales and hotel/motel tax generated within a designated Reinvestment District. The City's designated 75-acre Reinvestment District is situated downtown (See attached map), in an area that includes the new Fitch Family Indoor Aquatic Center, Steven L. Schainker Plaza, and the private development of the Linc (along the north side of Lincoln Way between Clark Avenue and Kellogg Avenue).

The City received a preliminary Reinvestment District program award of up to \$10 million to be rebated to the City over 20 years from receipts generated by new approved development projects within the District. Since the 2022 submittal, staff has been working with the developer of the Linc project to finalize the schedule and development details in order to submit an updated final application to the Iowa Economic Development Authority (IEDA). [City Council last reviewed details regarding the Linc project on October 11, 2022.](#) **The developer has since determined that the proposed project from 2022 was not financially feasible. The developer has sought to identify a different development partner and modify the project elements to create a financially feasible plan. The developer has been in the process of seeking a new partner for the project since spring 2024.**

IEDA contacted City staff in spring 2024 and indicated that the Board wanted to complete the final approval process for all outstanding applications by fall 2024. The developer was made aware of the deadline and the need to provide an updated project description in order for the City to complete the application process. **IEDA staff contacted the City on September 24 and indicated that the City has a deadline of October 4 to submit updated materials for the final application in order to evaluate the revised project and to maintain eligibility for a Reinvestment District award.**

The developer indicated they have a new partner and outlined a new development concept and schedule for the project to City staff last week. Staff reviewed the draft materials and determined that it required City Council review and direction in order for staff to submit the revised development plan for the Linc as part of the City's Reinvestment District application process. **It is important to emphasize that this review by City Council is not an approval of the Linc project, the terms of a development agreement, or the design of specific components of the Linc project. It is, rather, for approval to proceed with a concept, which is required for completing the Reinvestment District application process.**

The original 2022 Reinvestment District Application included four related projects to make up the elements of the District. They included the Aquatics Center and downtown plaza as attractions and two phases of the Linc project, including the developer's construction of a pedestrian bridge over the railroad to a Downtown parking garage located south of Wells Fargo in the City CBD parking lot. The City's two projects will remain the same for the final application. **However, the developer's plans for the Linc are substantially different due to market changes and development costs. The current**

concept includes more residential units, a reduction in overall commercial/restaurant square footage, and removal of the office building and the conference space. The project continues to include a hotel.

As a result of the changes of use, the developer has chosen to accommodate all the parking needed for the project on the site south of the railroad tracks. No parking north of the tracks will be necessary. The project also did not generate enough TIF revenues to finance the north parking ramp portion of the project. The project does continue to include a pedestrian bridge for the connection of the Linc to the Downtown. The overall site plan has also been modified considerably from the 2022 proposal, primarily affecting the design and use of open space in the project (See attached 2024 Site Plan Concept). The project intends to include parking in a podium structure and in surface lots all on the site of the Linc to serve its uses.

Note that the 2022 application was in February 2022 and included a conceptual development plan that was later refined and presented to Council in October 2022. The February 2022 application has not been finalized or modified since its initial submittal to IEDA. **The table below summarizes the minimum elements of the original concept and the new concept as they relate to the Reinvestment District application.**

Reinvestment District Application Comparison		
	2022	2024
Project Elements		
Linc Retail/Rest.	53,500 sq. ft.	40,500 sq. ft.
Linc Housing	260 units	372 units
Linc Office	85,000 sq. ft.	None
Linc Hotel	142 rooms	128 rooms
Linc Hotel Restaurant	6,800 sq. ft.	6,000 sq. ft.
Linc Conference Center	15,500 sq. ft.	None
Linc/Public Downtown Parking Garage (including 8,500 sq. ft. of commercial space along Clark)	Yes	None
Downtown Plaza (City)	Yes	Yes
Indoor Aquatic Facility (City)	Yes	Yes
Linc Pedestrian Bridge (Developer)	Yes	Yes
Reinvestment District Commencement Date	Q3 2025	Q2 2027
Total Phases	2	3
Completion of Final Phase	August 2025	Q2 2029
Projected sales tax and hotel/motel tax receipts	\$27.35 million	\$23.8 million

The new Linc proposal also includes changes to the overall timing and phasing of the project. The prior project was to be built in two phases; the proposal is now for three phases. The schedule of the developer is to work on design and negotiate a development agreement with the City during the first two quarters of 2025. The first mixed-use building would be completed in the third quarter of 2026 and the

hotel in the second quarter of 2027. The subsequent phases would be completed through the summer 2029 (see Developer Milestones Attachment for Phase descriptions).

The proposed schedule and phasing have some impacts to the financial assumptions of the project and to the City regarding projected Reinvestment District receipts for the \$10 million preliminary award based upon projections of \$27.35 million of new total receipts. Reinvestment Districts must set a commencement date tied to the largest capital investment in the district. The commencement date starts the 20-year clock on the duration of the district to collect receipts up to the maximum award. **The hotel project has been and continues to be the largest investment overall and the commencement date is set by that project, proposed as Q2 2027.** Projects completed prior to the commencement date will generate little or no sales tax or hotel motel tax receipts for the City. In this case, the City's aquatic facility will be completed before 2027 and its contributions to the sales tax receipts will then be minimal. Aquatic center receipts were originally projected as \$735,000 of the total \$27.35 million.

Additionally, the overall projection of receipts is less than indicated in the original application due to the changes in the project overall.

Using the same economic assumptions of the 2022 application, City staff estimates that with the new schedule and mix of uses, approximately \$23.8 million of sales tax and hotel/motel taxes would be generated. Only the hotel rooms and commercial square footage relate to the Reinvestment District receipts; changes to residential units and office square footage do not impact the receipts calculations. **IEDA will reevaluate the final application submittal and determine if additional economic analysis is needed to substantiate the application and/or if the lower projections will result in a recommendation to reduce the preliminary award amount.**

Council will note that the developer continues to include an assumption of receiving TIF rebate revenues as part of the financing structure of the \$137,000,000 Linc project. The developer has assumed a rebate of 100% of TIF (\$19,000,000) generated by the project over 20 years for each phase is needed to close the financial gap for the project. TIF is about 2/3 of the overall property tax generated in relation to a property, meaning the roughly 1/3 of taxes associated with debt service for each of the taxing authorities would continue to be collected. **City Council will review the financial gap and TIF request as part of the development agreement negotiations in 2025.** The original Reinvestment District had a similar assumption of TIF usage, subject to final negotiations with the City Council, but the extension of time and more phases does elongate the TIF time overall compared to the original two-phase project.

ALTERNATIVES:

1. Direct staff to finalize the Downtown Reinvestment District Application with the Linc site concept from 2024 and submit it to IEDA on October 4.
2. Direct staff to modify details of the Reinvestment District Application and submit it to IEDA on October 4.
3. Direct staff to not proceed with the final Reinvestment District Application and notify IEDA of the City's withdrawal of its application, thereby foregoing any opportunity to abate the debt service payments owed for the Fitch Family Indoor Aquatic Center.

CITY MANAGER'S RECOMMENDED ACTION:

At this time the City must make a decision whether to commit to a final application or forego eligibility for the Reinvestment District award of up to \$10 million. The new Linc concept includes many desired elements of the project, but contains designs and layouts significantly altered from the October 2022 design. It appears the developer has identified a new partner for the construction of the project and believes the proposed mix of uses is viable in the market. The developer looks forward to refining the design and working with City Council on a development agreement.

Council's approval to include the current concept in the Reinvestment District application sets the development schedule and intensity and mix of uses for state approval, but it does not dictate final design elements and TIF assistance for the project. Submitting the updated application on October 4, even without final approval of the changes to the project components and schedule, is critical to continue to be eligible for the maximum \$10 million preliminary award of rebated sales and hotel/motel taxes. Approving the final Reinvestment District application does not obligate the Council to come to an agreement with the developer. However, an approved site plan for the first phase of the Linc project will be necessary by August 2026 if the funding from the Reinvestment District program is to be received. Therefore, it is the recommendation of the City Manager for the City Council to approve Alternative 1, directing staff to revise the final application and submit it to IEDA on October 4.

ATTACHMENT(S):

[Reinvestment District Boundary Map.pdf](#)

[LINC Milestones Summary Oct 1.docx](#)

[Linc Concept Plan with Phasing](#)