



**VEENSTRA & KIMM INC.**

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June 22, 2023

Cindy Riesselman  
City Clerk  
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DALLAS CENTER, IOWA  
NORTHEAST SEWER PLANNING STUDY  
PROJECT SCOPE

In a letter dated June 2, 2022 the writer presented alternatives for the location of a lift station to serve the northeast development area of the City. The catalyst for the evaluation of alternatives was the proposed Skye View Estates development. The letter of June 2, 2022 identified three alternative locations for a future lift station.

Alternative 1 located the lift station along S Avenue north of Highway 44. Alternative 2 located the lift station on the south side of Highway 44 east of S Avenue. Alternative 3 located the lift station farther to the east near T Avenue.

When the City Council reviewed the three alternatives there was a general agreement Alternative 2 locating the lift station on the south side of Highway 44 east of S Avenue was the preferred location. This alternative allowed for open areas east of S Avenue for future development. The current estimated cost for Alternative 2 is approximately \$3,100,000.

While the City Council preferred Alternative 2 there appear to be two factors that would merit reconsideration of the alternative selection. First, the \$3,100,000 cost for the project appears to be greater than the City could fund even with a contribution from the developer of Skye View Estates.

Second, it appears unlikely the areas east of S Avenue along both the north and south side of Highway 44 will develop within the next 20 years. This area is approximately 1 mile east of the current easterly extent of the development in the City. The property ownership, especially on the north side of Highway 44, does not appear to be particularly conducive to development in the near term.

Based on the financial constraints and the limited likelihood of development east of S Avenue within the near term the writer would suggest it would be appropriate to reconsider the selection of Alternative 2 and consider Alternative 1. The Alternative 1 location would provide service to the Skye View Estates area and property extending as far east as S Avenue on the north side of Highway 44. Although there are no immediate plans for development along the west side of S Avenue the property ownership would suggest this area may have a likelihood of development in the next several years if sewer service is available.

If areas on the south side of Highway 44 west of S Avenue were to develop the preferred alternative for providing sewer service to that area would likely be the construction of a gravity sewer that would extend southwesterly toward the lagoon facility. The construction of a gravity sewer and lift station near the lagoon would provide a relatively large service area extending as far east as S Avenue.

If the City were to consider the location under Alternative 1 on S Avenue it would reduce the cost of the project by shortening both the gravity sewer construction length and the force main length. Under Alternative 1 the City would need to construct about one-half mile of gravity sewer to the lift station. There would be approximately 1-1/4 miles of force main extending south and west to connect to the existing sewer near Fairview Drive and Highway 44.

The updated estimate of cost for Alternative 1 is as follows:

<u>Description</u>	<u>Units</u>	<u>Estimated Quantity</u>	<u>Unit Price</u>	<u>Extended Price</u>
Lift Station	LS	1	\$650,000	\$650,000
Force Main - 8" - Open Cut	LF	6,300	\$60	\$378,000
Force Main - 8" - Trenchless	LF	500	\$150	\$75,000
Trunk Sewer - Open cut	LF	2,500	\$150	\$375,000
Manholes	EA	8	\$8,500	\$68,000
Erosion Control	LS	1	\$20,000	\$20,000
Seeding	Acre	10	\$2,500	\$25,000
Traffic Control	LS	1	\$20,000	\$20,000
Estimated Construction Cost				\$1,611,000
Contingency @ 15%				\$241,650
Engineering, Legal and Admin @ 18%				\$289,980
Estimated Project Cost				\$2,142,630

The cost estimate for Alternative 1 in the \$2,150,000 range appears to be more fundable from a bonding perspective.

The developer of Skye View Estates has indicated a willingness to provide some upfront funding for the lift station. The developer has proposed its upfront funding would be tied to its percentage share of the service area that could be served by the lift station. Moving the lift station westerly to S Avenue reduces the service area and may provide a basis for a higher percentage of contribution by the developer.

The developer's contribution will likely be limited by what can reasonably be recovered under a residential TIF. Given the value of housing in Skye View Estates and the uncertainty regarding the rate of development in Skye View Estates the pay back from the urban renewal area may well become the limiting factor in what can be expected as a contribution from the developer.

The developer of Skye View Estates indicated they would likely start with on 20 lot project and would develop additional lots based on market conditions. The developer indicated the total assessed value of the houses would be in the range of \$300,000.

The developer of Skye View Estates indicated they did not appear to have an interest in providing upfront funding that would not be recovered from the 20 residences. Based on the anticipated rollback, recoverable tax rate under an urban renewal area and the LMI set aside, it would appear an upfront cost contribution by the developer with a 10 year recovery would likely be in the range of not more than \$450,000.

Based on the discussion with the developer it would appear the developer would not consider going any higher than this level based on the percentage of the lift station that would be utilized by Skye View Estates even if the TIF recovery would be greater than \$450,000. Assuming the developer would be willing to contribute in the range of \$450,000, the net cost that would need to be funded by the City would be in the range of \$1,700,000. Based on 4% interest a 20 year bond issue would have an annual debt service in the range of about \$125,000.

Based on the information provided by Travis Squires a \$1,700,000 general obligation bond issue would be manageable if the City moved \$1,000,000 of existing GO debt to sewer revenue debt under the SRF program. This would result in only an additional \$700,000 commitment from the City's GO debt capacity.

From a borrowing perspective it appears there is a reasonable plan to borrow for the project. The issue with the project is identifying a reasonable method of paying the annual debt service. If it is possible to develop a plan to fund the debt service an east lift station project would appear viable. Without a plan for funding the debt service it may not be possible to move forward with an east lift station project.

The developer of Skye View Estates has indicated the preference would be to move forward with the project in 2024 with first occupancy of residences in the spring of 2025. To meet that schedule it would be necessary for the City to move forward with its lift station within the next 2 or 3 months.

Cindy Riesselman  
June 22, 2023  
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If you have any questions or comments concerning the project, please contact the writer at 515-225-8000, or bveenstra@v-k.net.

VEENSTRA & KIMM, INC.

A handwritten signature in blue ink, appearing to read "H. R. Veenstra Jr.", with a stylized flourish at the end.

H. R. Veenstra Jr.

HRVJr:paj  
212188

Cc: Ralph Brown, Brown, Fagen & Rouse