

## Staff Report

# KINGLAND SYSTEMS CAMPUSTOWN REDEVELOPMENT PROJECT

August 27, 2013

### **BACKGROUND:**

On March 26, 2013 the City Council heard a presentation from representatives from Kingland Systems regarding their proposed redevelopment project along Lincoln Way in the Campustown Business District. At that time they were seeking Council approval for a modification to the step-back requirement reflected in the Zoning Ordinance for their properties along Lincoln Way and Welch Avenues.

Rather than give consideration to their request that evening, the City Council asked Kingland officials first to accomplish three tasks:

- 1) To come back with a more thorough explanation of what the project would entail;
- 2) To meet with the Historic Preservation Commission (HPC) to gain their feedback; and
- 3) To meet with the Campustown Action Committee (CAA) to gain their input.

At that meeting Warren Madden expressed the University's support for the project and indicated their intention to lease office space in the new building as well as to consider the possibility of University student housing on the upper floors. After not hearing from the Kingland representatives for some time, they recently reestablished contact with City staff. The University has now expressed their desire to only lease office space in the proposed new development. In addition, as requested Kingland representatives met with the CAA and the HPC to obtain their feedback regarding the project. **Based on this input, the development concept has now been solidified and Kingland officials are prepared to share this information with the City Council.**

### **INPUT FROM THE CAMPUSTOWN ACTION ASSOCIATION:**

Campustown Action Association (CAA) has expressed in Attachment I its support for the Kingland project. This support is based on the following list of priorities to encourage redevelopment that follows the mission and vision of the Campustown Action Association and that maintains the character of the district. (It was emphasized that a project does not have to meet all of the items referenced below to gain support from the CAA.)

1. The proposed project will add a missing service to the mix of businesses currently offered in Campustown.
2. The proposed project will improve the aesthetics of the business district while maintaining the current scale and feel of the district as a whole.
3. The proposed project will preserve structures of historic significance to the district.
4. The proposed project will include incentives to retain small, unique businesses to retain the distinctive shopping experience of the district.
5. The proposed project will include a percentage of rentable ground floor commercial space at lower market rates for local, independent businesses.
6. The proposed project will include high-density uses in penetrable retail street-level spaces.
7. The proposed project will enhance the cultural experience in Campustown.
8. The proposed project will include spaces for university students/faculty/staff with the opportunity for different university departments to interact off campus.
9. The proposed project will include considerations for parking capacities in Campustown.
10. The proposed project will consider reimbursement of depreciated leasehold improvement values to displaced tenants.

CAA members expressed appreciation that Kingland Systems worked with CAA to obtain input on the new building. Their design team utilized suggested ideas by the CAA Board to make the project more in line with the mission and values of CAA. Changes to the design based on conversations with CAA include (1) additional retail on the first floor, and (2) a change in the façade design to be more in tune with other buildings in the district, as well as have the appearance of individual storefronts.

**The CAA feels that the Kingland Systems project will be the catalyst to further development in the district. With the design changes Kingland Systems has made, CAA supports their request for a variance on the stepback requirement for their project. If the City Council directs staff to develop a tax incentive program for this project, they encourage the Council to consider their list of priorities when developing the incentives.**

### **INPUT FROM THE HISTORIC PRESERVATION COMMISSION:**

On August 29<sup>th</sup>, Kingland Systems presented the concept design of its project to the Historic Preservation Commission to allow the Commission to provide feedback to City Council. (See Attachment II) The Commission discussed the following questions and issues:

- Review of the previous historic surveys of the site and area
- Viability of reusing some of the existing buildings or reuse of some of the architectural elements
- How to document the historical record that would be lost with demolition of the buildings
- Possibility of landscaping along the street facades
- Appearance of the back of the building
- Opening in block face on the east side of Welch, especially trade-off between providing needed parking and void space that could detract from Campustown
- Possibility of recesses in building footprint along Lincoln Way that would invite pedestrians to interact and spend more time in the area

Statements were made in support of what the project can do for Campustown, along with regrets that historic buildings will be demolished.

**Commissioners said the owner should document the existing structures before they are demolished.** Several stated that plaques should be placed on two historic sites and that some of the historic materials should be utilized in some way in the proposed new building. The Commission also discussed the design compatibility of the project with Campustown and referenced the historic storefront patterns of the area.

Roberta Vann stated that the street appearance of the new structure seems harsh and non-inviting, and she hopes that they might be able to do something to the proposed plans that will help promote a welcoming atmosphere to the public.

### **THE LATEST CONCEPT DRAWINGS:**

The latest concept reflects a 3-story 75,000 square foot building which will include 25,000 square feet of office space on the second floor for Kingland, 25,000 square feet of office space on the third floor for Iowa State University, and 25,000 square feet of retail space on the first floor for an anchor tenant and two small tenants. The plan includes 72 surface parking spaces and a drive-thru facility to serve the retail anchor at the corner of Lincoln and Welch. (See Attachment III.) The concept drawings are based on an assumption of no step-back requirement for either the Lincoln Way or Welch Avenue frontages.

## **ACTION SOUGHT BY KINGLAND BEFORE PROJECT CAN PROCEED:**

While Kingland officials are poised to initiate the redevelopment project in Campustown, they are seeking approval regarding the following two issues before they incur the costs of developing final plans and construction drawings. (See Attachment IV.)

### **ISSUE 1: Modification of the Step-back Requirement in the Zoning Ordinance**

On March 26, 2013, City Council considered a request from Kingland Systems for a modification of the City's current zoning step-back standard in Campustown. The request is to consider allowing a three-story building with no 15-foot step-back above the second floor for its site at Lincoln Way and Welch Avenue. The concern arises from the difficulty in achieving an efficient layout and additional construction costs when incorporating a step-back requirement on the upper level.

Zoning in Campustown allows for intense development of up to nine-story buildings. At the time of adopting the current zoning for the area, there were concerns about the intensity and height of buildings planned for the area compared to the surrounding 2-story building pattern. As a result, standards were adopted that required any building greater than two stories in height to either be set back from the street 15 feet or to step back the upper floors by 15 feet. In recognition of the limitations of this standard, additional building height was allowed within the zoning district to still encourage high density development. A full discussion of the urban design history for Campustown can be found in Attachment V.

#### **Options Regarding Step-Back Request:**

**Option 1. No action, leaving the current standard in place, and step-back the building.**

Kingland Systems can avoid the cost of the step-back by placing the front of the building 15 feet from the right-of-way. However, this will reduce available area for parking in the rear of the building which is required by the prospective tenants. **While this option appears to satisfy the safety and scale issues associated with tall buildings at the street right-of-way, it would not fit the current Kingland Systems concept design.**

**Option 2. Initiate a zoning text amendment with design standards for building façades that create interest at the street level and pedestrian scale.**

This approach recognizes the differences between each project and, with general standards and architectural review, can allow needed flexibility for buildings that

are not as tall or do not have residential units. This approach could replace the step-back standard or be an option for projects where the step-back standard is not appropriate. It would require a discretionary design review process for implementation. The impact of this option would depend on whether Kingland's design meets these standards.

**Option 3. Initiate a zoning text amendment deleting the step-back requirement for the block facing along Lincoln Way only.**

With the width of Lincoln Way and the open space of the University on the north side of the street, the character of this urban space is quite different from Welch Avenue and other streets within Campustown that are more narrow. To promote compatibility with existing buildings in the area, design standards as described in Alternative 2 could also be required within zoning. **This would partially meet Kingland Systems' interests, but would still require a step-back along Welch Avenue.**

**Option 4. Initiate a zoning text amendment revising the step-back standard by increasing the allowable height to allow a maximum of three stories without a step-back for all properties in Campustown, while prohibiting residential units on the third floor.**

The current requirement of a step-back for buildings over 30 feet, or two stories, is based on the predominant building height in the core area. There is no "correct" height standard, as its appropriateness may vary by context. Rather, the principle is to limit the height at the street face so that it is not greater than the right-of-way width, which on Welch Avenue is 66 feet. This option would apply to all buildings within the area specified in the Code and appears to satisfy the safety and scale issues associated with tall buildings at the street right-of-way. The 15 foot step-back requirement would be maintained for buildings over three stories, or for projects with residential uses. **This would meet Kingland Systems' stated interests.**

**Option 5. Initiate a zoning text amendment revising the step-back standard to 3-stories for all buildings on sites that have frontage on Lincoln Way and prohibiting residential units on the third floor.**

This would allow corner properties along Lincoln Way to have building facades extend down Welch and Stanton without a step-back. The 15 foot step-back requirement would be maintained for buildings over three stories. It would not affect the majority of Campustown properties; **and would meet Kingland Systems' interests.**

**It should be emphasized that, no matter which option is selected, the City Council will not be able to approve a modification of the step-back requirement on August 27<sup>th</sup>. Council will only be able to pass a motion**

directing staff to prepare a draft modification to the ordinance, which will then need to be sent through the Planning and Zoning Commission for recommendation before a final decision is made by the Council regarding this request.

|   |
|---|
| <b>ISSUE 2: City Incentives Totaling \$2,064,530 (\$1,575,000 principal and \$489,530 interest)</b> |
|---|

**Kingland officials are now seeking a financial commitment from the City that would allow them to borrow \$1,575,000 to be used for the funding gap they have identified to make their project financially viable before they move ahead to develop final construction design documents.**

They have indicated to the City staff that their latest estimates reflect construction costs of \$10,925,000 with an overall project cost of \$18,740,000. **After accounting for an equity contribution from the company, proceeds from a conventional loan, and benefits from various federal tax credit programs, the funding gap for their project is \$1,575,000.**

It is important to note that we currently have a Campustown Urban Revitalization Tax Abatement Program for the area in which this project will be located. However, to be eligible for tax abatement, projects need to involve such requirements as slum and blighted properties, structured parking, adaptive reuse of an existing building, including underrepresented uses, and various design standards. **A review of the proposal indicates that the Kingland project will not qualify for incentives under our existing program. (See Attachment VI) The City Council could ask staff to revise the existing tax abatement program so that the Kingland project would qualify, but because of the uniqueness of the project a program change for this one development does not seem prudent.**

Kingland officials have suggested that the City provide the requested \$1,575,000 incentive through a Tax Increment Financing (TIF) rebate agreement. Under this proposal, no debt would be incurred by the City. Rather, a development agreement would be finalized and TIF ordinance passed that would obligate the City to transmit all TIF qualified property tax revenue generated for the City, Ames School District, and Story County from the incremental assessed value of the new project to Kingland over a period of years agreed in advance, in this case 10 years. Staff believes Kingland's incremental valuation estimates are very conservative and the level of incentives that are being sought will be satisfied in less than 10 years.

**It should be noted that the TIF rebate does not provide up-front funding to the developers for the project. The guarantee of a TIF rebate will allow them to borrow \$1,575,000 for the project and use the rebated taxes to pay the**

**principal and interest on the debt. Therefore, their request will require an incentive total of \$2,064,530 (\$1,575,000 principal and \$489,530 interest).**

**Under our traditional incentive program, the City could grant up to \$1,260,335 in tax abatement if the project fit the matrix and the developer selected the 10 year option. Therefore, the difficult policy decision before the Council is whether this project is worthy of an incentive amount greater than the standard partial tax abatement program.**

**The staff believes that a case can be made that this is a project worthy of uncommon incentives from the City which most likely will not be replicated in the Campustown area because of its size and relationship to job creation/retention (non-retail employment). If the City Council agrees with this assessment, a TIF reimbursement project with a cap of \$1,575,000 for the principal plus interest up to 10 years might be warranted. Under this proposal, the City's obligation to provide an incentive will end when the TIF rebate reaches the cap or when ten years have passed from the beginning of our contract, whichever is sooner.**

Here again, it must be emphasized that the City Council will not be able to approve a \$1,575,000 incentive package on August 27<sup>th</sup>. You will only be able to pass a motion directing staff to initiate the process to accomplish the TIF strategy described above. Future staff work will include the creation of an Urban Renewal Plan and the preparation of a development agreement for the TIF rebate ordinance.

#### **Options Regarding Incentives:**

##### **Option 1. Deny the request to provide incentives to the Kingland project.**

The City Council has already made a decision on the level of incentives they want to offer in the Campustown area through establishment of the existing tax abatement program. This development, as currently proposed, does not qualify.

##### **Option 2. Provide the standard property tax abatement to the Kingland project.**

This option could yield up to \$1,260,335 of tax abatement to the project. However, in order to accomplish this option, the Urban Revitalization Criteria Matrix must be revised in such a way as to allow the Kingland project to qualify for abatement.

##### **Option 3. Provide a TIF Rebate Incentive that splits the incremental property taxes generated from the Kingland project between the taxing entities and the developers over the next 10 years.**

Under this option, the City would provide a TIF rebate to the developers that would provide them some percentage less than 100% of the TIF qualified property tax revenue generated from the incremental assessed value of the Kingland project.

For example, a 50% split is estimated to generate a total of \$1,238,718 over 10 years, allowing them to borrow \$787,000.

**Option 4. Provide a 100% TIF rebate with a cap of \$2,064,530 (\$1,575,000 principle and \$449,530 interest) up until the time the cap is reached or ten years have passed from the time of the development agreement, whichever comes first.**

This option satisfies the developer's request.

### **STAFF COMMENTS:**

For a number of years the City Council has been seeking a catalyst project to lead the way with the redevelopment of the Campustown Business District. The City's partnership with Lane4 to redevelop the area along Lincoln Way between Stanton and Hayward never materialized because of the challenges involved in acquiring the multiple properties necessary to accomplish this ambitious plan.

Staff believes that the Kingland proposal is worthy of an incentive package in excess of our traditional incentives because (1) the developers are offering the most significant redevelopment project in Campustown since the City Council placed a high priority on identifying a catalyst project, and (2) this project allows Kingland Systems to retain and expand a number of high paying, non-retail jobs in this commercial district, as well as a large number of part-time technical positions filled by ISU students.

**Staff has consistently cautioned Council about the use of TIF financing as a development incentive and that it should be utilized sparingly. Because of the unique set of circumstances involved with this project, staff believes the project warrants support in the form of Option 4 above.**

**With regards to the request to modify the step-back requirement, staff can support Option 5.** This support is based on the fact that the height of the Kingland project as proposed does not come near the maximum allowable height and is less likely to have the impacts associated with a "canyon effect" than originally anticipated. With the width of Lincoln Way and the open space of the University on the north side of the street, the character of the urban space is quite different from Welch Avenue and other streets within Campustown. The proposed height of three stories is also not excessively greater than the right-of-way width on Welch Avenue, which is 66 feet. It is also significant that the Kingland project will not include any residential units when considering the compatibility of the use in Campustown and not just building design issues.





campustown  
action  
association

Honorable Mayor Campbell and City Council  
Ames City Hall  
515 Clark Avenue  
Ames, IA 50010

August 22, 2013

RE: Kingland Systems Redevelopment Project

Dear Honorable Mayor Campbell and City Council,

Campustown Action Association (CAA) is in support of the proposed project submitted by Kingland Systems for the redevelopment of the buildings currently located between 2412 and 2430 Lincoln Way and 114 Welch Avenue in Campustown.

As part of the Five Year Strategic Plan for Campustown, CAA encourages development in our business district. As our Board discussed how to work with development projects requesting tax incentives, CAA composed the following list of priorities to encourage redevelopment that follows the mission and vision of Campustown Action Association and maintains the character of the district. Each priority will be weighed separately and no project needs to accomplish all ten goals in order to have the support of the CAA.

1. The proposed project will add a missing service to the mix of businesses currently offered in Campustown.
2. The proposed project will improve the aesthetics of the business district while maintaining the current scale and feel of the district as a whole
3. The proposed project will preserve structures of historic significance to the district.
4. The proposed project will include incentives to retain small, unique businesses to retain the distinctive shopping experience of the district
5. The proposed project will include a percentage of rentable ground floor commercial space at lower market rates for local, independent businesses
6. The proposed project will include high-density uses in penetrable retail street-level spaces
7. The proposed project will enhance the cultural experience in Campustown
8. The proposed project will include spaces for university students/faculty/staff with the opportunity for different university departments to interact off campus.
9. The proposed project will include considerations for parking capacities in Campustown
10. The proposed project will consider reimbursement of depreciated leasehold improvement values to displaced tenants.



campustown  
action  
association

We appreciate Kingland Systems working with CAA and meeting with our Board on several occasions throughout the design process to get our input on the new building. Their design team utilized suggested ideas by our Board to make the project more in line with the mission and values of CAA. Changes to the design based on conversations with CAA include additional retail on the first floor and a change in the façade design to be more in tune with other buildings in our district and have the appearance of individual storefronts. We feel that the Kingland Systems project will be the catalyst to further development in our district and are looking forward to working with them as the project moves forward.

With the design changes Kingland Systems has made, CAA supports their request for a variance on the setback requirement for their project.

If the City Council directs staff to develop a tax incentive program for this project, we encourage them to consider our list of priorities when developing the incentives.

We thank the City Council for encouraging Kingland Systems to seek our input, and hope that our list of ten priorities is kept in mind for all Campustown development projects moving forward. Thank you for your time and consideration.

Sincerely,

Ryan Jeffrey

Kim Hanna

CAA Board President  
Arcadia Café

CAA Executive Director

CC: Todd Rognes, Kingland Systems  
Dan Culhane, Ames Chamber of Commerce  
Brian Phillips, City of Ames

**TO:** Mayor and City Council

**FROM:** Jason Dietzenbach, Vice Chair  
Historic Preservation Commission

**DATE:** 23 August 2013

**SUBJECT:** The Proposed Kingland Campus Properties Development Project for the 2400 Block of Lincoln Way between Welch Avenue and Stanton Avenue.

At the special meeting on August 19, the Ames Historic Preservation Commission voted to provide input in response to the Proposed Kingland Campus Properties Development Project. The HPC would like to note that there are two buildings of significance that are planned to be demolished as part of this project:

- The Champlin Building, 2424 Lincoln Way, the first brick structure in Campustown
- The Historical Theater, 2420 Lincoln Way, the current Kingland Office.

Please see the end of this memo for the historical significance of these buildings per the HPC memo on July 26, 2010.

If these two buildings are allowed to be demolished the HPC recommends the following options:

- Buildings to be documented prior to demolition.
- Plaques of these two buildings and their significance to the community to be included in the new project.
- Utilize existing materials into the new project, as proposed by the design team.

The HPC would also like to note that this project may impact future projects by:

- Allowing taller building heights that may continue south along Welch, which will block the view of the campus's taller building structures.
- Provide precedence for future improvement grant standards.

We hope to remain involved and to continue to consult as necessary to see this important project through its next phases.

Jason Dietzenbach, Assoc. AIA  
Vice Chairperson, Historic Preservation Commission

CC: Kelly Diekmann, Director  
Jeff Benson, Planner  
Ray Anderson, Planner  
Lorrie Banks, Principal Clerk  
Sharon Wirth, HPC

Bill Malone, HPC  
Roberta Vann, HPC  
Matt Donovan, HPC  
Kimberly Hanna, HPC  
Marie Miller, HPC

The following references are taken from the HPC memo on July 26, 2010:

### **HISTORIC SIGNIFICANCE**

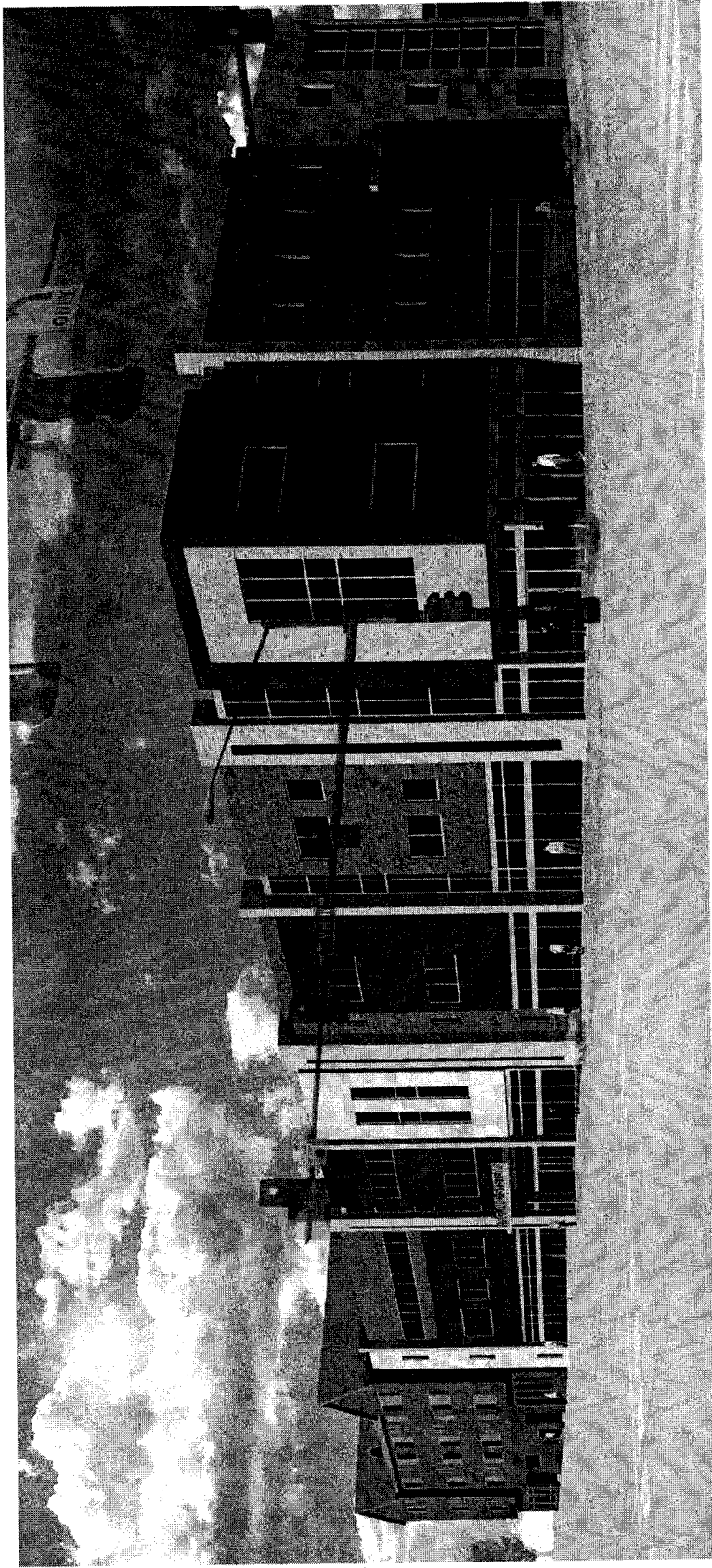
The buildings planned for demolition for this project comprise the South Campus area's first business district; this district has added national historical significance as a business district that developed on the Lincoln Highway, one of our nation's historic by-ways.

The HPC recognizes that extensive reconstruction or demolition of existing historic structures may be required, and so this memo also offers suggestions on how new construction might best maintain the historic character of the area by incorporating, to the extent possible, the characteristics outlined by public historian William Page in section E, pages 210 and 211, of the historic resource survey *Fourth Ward, Ames Iowa* (Page 2007). These characteristics include

- small-sized buildings (predominantly 1-2 stories but no taller than 4 stories)
- brick facades in mixed tones, mostly reds but ranging to cream
- designs influenced by the Neo-Classical Revival and Commercial Styles popular from the early 1900s to the 1950s.

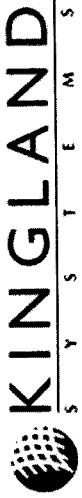
### **THE HISTORIC NATURE OF CAMPUSTOWN**

Since the completion of the historic resource survey of West Ames, *Fourth Ward, Ames, Iowa* (Page, 2007), the HPC has been aware of the potential to create a Campustown Historic District, an area comprised of approximately 50 buildings, most of which are of a character, age, and historical significance to be admitted onto the National Register. This potential Campustown Historic District, an area platted in the early part of the 20<sup>th</sup> century that encompasses the buildings bounded by Hayward on the west, Stanton on the east, Lincoln Way on the north, and Chamberlain on the south, also constitutes the heart of the Campustown Redevelopment area. Understandably, the HPC, as the governmental body charged with surveying and protecting the historic resources of Ames, believes that its input into this project is crucial if the city wishes to mitigate possible damage to the area's historic importance. The HPC also realizes that creating an historic district in Campustown may not be possible because of the failing structural integrity of some of the building stock, the potential lack of support for such a listing among property owners, and the need to move quickly to stop the continuing degradation of the area. The HPC, following the goals and objectives of the Ames Comprehensive Historic Preservation Plan, remains committed to pursuing such a National Register District. The hesitancy of the City Council to approve funding for an intensive historic resource survey of Campustown has made such a listing less of a priority for the HPC. The Commission believes that, for now, it must simply make known its concerns and provide consultation to the City and Lane4 Group as this project progresses.



LOOKING EAST DOWN LINCOLN WAY

PRELIMINARY RENDERING



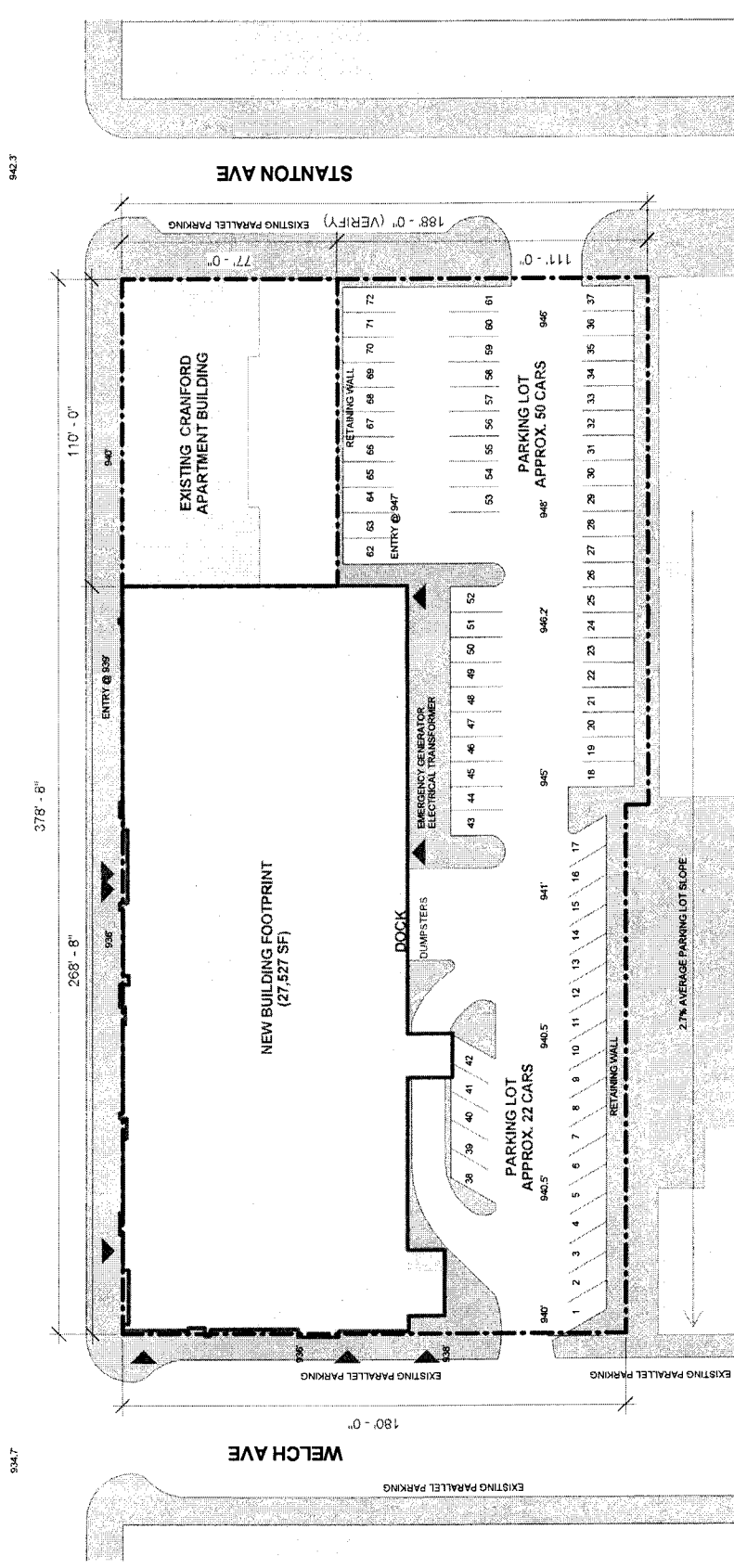
\$ Y S T E M S

CAMPUSTOWN DEVELOPMENT | AMES, IOWA | 04.2013 | NO SCALE | N





LINCOLN WAY



**1 SITE PLAN**  
 1" = 40'-0"



August 22, 2013

The Honorable Mayor Ann Campbell and City Council Members  
City of Ames  
515 Clark Ave.  
Ames, IA 50010

RE: Kingland Campustown Redevelopment Proposal

Dear Mayor Campbell and City Council Members:

We are pleased to submit the following proposal to the City of Ames for redevelopment of property in the Campustown area. Since the time of our earlier presentation to you in March, Kingland Systems has been diligently analyzing the financing and feasibility of its proposed redevelopment project. We have confirmed various aspects of the project financing and offer the information contained in this letter to advance the City's consideration of project.

At the time of our previous presentation, the direction you provided was to engage in conversations with the Campustown Action Association (CAA) and the Historic Preservation Commission (HPC), and to develop the building design concepts further, based on input received. The design images were intended to show the ways in which the 15 foot building setback that is required above the second floor for buildings in this area could be relaxed while achieving the design goals intended by the regulation.

We have held meetings with the CAA and the HPC. At CAA meetings in March and April, the project concepts were shared. The reaction of the CAA group is positive and they shared their thoughts about various aspects of the project design. As a result of those meetings, more commercial space has been added on the main floor, moving more of Kingland's office space to the second level. The horizontal orientation of the building façade has been modified to reflect the more vertical, historic lot-by-lot rhythm of the current block.

We also met with the HPC on August 19 to review the development concepts. Although several members expressed concern about the loss of existing buildings, overall their comments for the project were supportive. They seemed to appreciate the new façade design that reflects the historic type of lot-by-lot development. We discussed creative ways in which the history of certain buildings can be preserved through the incorporation of existing building materials and design elements into the new building and development of other interpretive elements that can be displayed on and in the new facilities. Kingland is committed to engaging assistance from local groups to achieve these elements into the project.

Kingland has had ongoing conversations with prospective tenants for the new project. These discussions have continued to be positive as we work through the details of their participation. After much study, ISU has determined that they wish to be part of the project and that they won't require that the space include a residential component. The strength of the desire by retail tenants for the main floor retail space has been confirmed in conversations with those prospective tenants. Conversations have been held with each of the existing tenants of the buildings to be included in the project. The project timing and impacts to their businesses have been updated for them.

The result of this analysis, conversation and design development is that Kingland is convinced that this project is achievable. It will provide a long overdue significant investment in the improvement of Campustown, if we can overcome the extraordinary financial burden that accompanies redevelopment projects.

1401 Sixth Avenue South, Clear Lake, Iowa USA 50428  
Phone: 641.355.1000 Fax: 641.355.1099 E-mail: [answers@kingland.com](mailto:answers@kingland.com)

*"How do you stay competitive?"*®

[www.kingland.com](http://www.kingland.com)

Kingland Systems has maintained a presence and a significant employment base in Ames for over nine years. Kingland's business has consistently grown to the point that it needs larger and more flexible facilities to accommodate its growth. As it has examined locations for this to occur, Kingland has determined that expanding in Ames is the best strategic decision for its future. Although based in Clear Lake, the firm sees the Ames facility as an opportunity to expand both its part-time student employment base and its full-time staff. The ability to employ students and graduates from Iowa State University has and will continue to serve Kingland well, and it creates an opportunity for Ames to attract and retain professional employment positions.

In its years of operation in Ames, Kingland has employed some 1,000 students, in addition to the full time staff. Currently, approximately 100 students and 30 full-time staff members are employed at the Ames facility, for a total full-time-equivalent (FTE) employment level of 80. Total payrolls for 2013 in Ames are projected to be \$2.5 million. Through this expansion project, it is projected that all these jobs would be retained and 200-300 FTE or more office and retail jobs could be achieved in the facility through Kingland and other tenants.

The firm has found the proximity its current facilities have to the ISU campus is beneficial. Therefore, for its expansion, Kingland Systems proposes to undertake this redevelopment project. This will provide larger space for them and will provide additional retail and office space in a portion of Campustown that has long needed redevelopment.

#### **Development Proposal**

Kingland will construct a three-story building that will house offices for an expanded Kingland Systems presence in the block, offices for an additional tenant and retail space. It expects to start construction in the spring of 2014, completing the project in 2015. By undertaking a temporary relocation of their offices to the existing building at 114 Welch in early 2014, the new construction has been simplified to be accomplished in one phase. This will minimize the disruption to the neighborhood by reducing the construction period.

The total area of the multiple floors of the new building will be 75,000 square feet. Retail tenants will occupy the main floor. The upper floors will be office space proposed to be occupied by Kingland and ISU. The private development investment leveraged by this project will be nearly \$19 million.

#### **Zoning Text Amendment Proposal**

The challenges of compliance with the current building setback requirements of your zoning ordinance, and the unique character of this site were discussed at a prior City Council meeting. The challenges include the increased cost of an additional column line within the structure to support a stepped-back wall, the inability to gain the needed building space within three floors and additional costs for elevators and infrastructure costs if the three floor design must be exceeded. It is our perception the current zoning regulations could be modified while still achieving the design goals intended by the current requirements:

- The fact that there will never be development on the north side of Lincoln Way eliminates the concern that a "tunnel effect" will be created by multi-story buildings built to the property lines on the south side of Lincoln Way. This potential impact can be further lessened by the specific building design, providing a more vertical orientation and a variety of building materials and design details for individual storefronts, rather than a broad, horizontal, monolithic design.
- Kingland proposes to commit to a limitation that the building will be no more than three stories tall and that it will not include residential use, thereby addressing another of the concerns that prompted the 15' setback requirements.
- The interruption of the Welch Avenue frontage by an open parking lot, the entrance to which can be heavily landscaped, eliminates the "tunnel effect" concern along Welch Avenue.



It is proposed that the City's staff and Planning Commission be directed to prepare and propose a zoning text amendment that will address these concerns.

### **Financing Proposal**

The process of redevelopment is expensive and time-consuming. As an inducement to undertake this significant neighborhood improvement, Kingland Systems respectfully requests that the City of Ames provide financial assistance to help offset a portion of the extraordinary cost of redevelopment and training of a rapidly expanding employee base.

Tax Increment Financing (TIF): It is proposed that Kingland, as site redeveloper, will receive TIF assistance funded by 100% of the TIF received by the City for a period of 10 years. This will be explained in more detail later in this letter.

Grayfield/Brownfield Grant: The Iowa Economic Development Authority (IEDA) administers a program that can provide tax credits to redevelopment projects that are impacted by the existence of hazardous materials. Such materials, in the form of lead-based paint and asbestos, have been found within the buildings proposed for redevelopment. This program allows Kingland to receive tax credits (credits against income taxes) in the amount of 24% of eligible costs. The only requirement of the City in such an application is sponsorship of the application that is prepared by Kingland. There are no further monitoring, reporting or other financial requirements of the City after the sponsorship resolution is approved.

### **TIF Background**

The State of Iowa adopted tax increment financing (TIF) legislation nearly 50 years ago as a means to encourage redevelopment of existing community neighborhoods and to reduce the effects of urban sprawl. Since that time, it has also become a tool to encourage economic development, but its original intent is still being carried out by dozens of progressive Iowa communities as a means to accomplish redevelopment projects cities wish to achieve.

The basic premise behind this valuable incentive tool is to capture the increase in real estate taxes that occurs as the result of new investment in buildings, either through renovation of existing buildings or construction of new structures, using that tax increase to provide development incentives. TIF, in such circumstances, is frequently used to offset the extraordinary cost of buying land and buildings and paying for the cost of building removal, returning the site to a bare ground condition for construction of a new building.

Many communities have found TIF to be a useful tool to encourage and obtain the type of redevelopment projects they want to achieve, especially in commercial business districts. In this manner the community can expand its tax base and retain reasonable property values in older neighborhoods in which full municipal services are already provided, while reducing the City's necessity to extend expensive infrastructure to serve new areas at the fringe of the community.

Redevelopment is costly. It is less expensive to develop on bare land at the fringe of a community. In the case of the Kingland Systems project, these redevelopment cost challenges can be lessened if the City is willing to apply the use of TIF to the project. It is understood that the City allows the use of a similar revitalization tool, tax abatements, to encourage reinvestment in existing structures and neighborhoods. However, in this case, the high cost of redevelopment can be more effectively offset by use of TIF assistance.

The value of the buildings on the redevelopment site that must be demolished is approximately \$2,300,000. Additionally, there will be costs to demolish the buildings and remove the materials from the site, address hazardous environmental materials, and relocate and upgrade existing utilities. All this work is conducted within the constraints of a limited site upon which to complete the construction, adding further to the costs. Together, these costs represent an extraordinary investment of more than \$3 million that must be overcome as the company determines the financial feasibility of such an undertaking. It is also more costly to plan for and finance such projects, as the developer works through the complexities of a redevelopment project and incurs extra interest costs due to longer construction periods and a restricted construction site. It is important to Kingland that the City considers the use of TIF in this case to achieve an aggressive redevelopment of this block.

Kingland's proposal for TIF assistance is that the City would provide an annual rebate of 100% of the TIF produced by the project for a period of 10 years. This level of assistance is projected to provide an effective benefit to the project of \$1,575,000. The rebate approach to the TIF assistance is proposed, rather than an up-front grant, because it significantly reduces the City's financial risk in the project. The 10 year rebate period is proposed instead of a potential longer assistance term, to allow the City to complete its obligation to the project in a shorter time period, advancing the date that it will receive the full amount of increased tax revenues generated by the project.

It is understood that the City of Ames has historically not used TIF to achieve redevelopment efforts. It is also recognized that there have been several prior redevelopment proposals for this block that have all failed to proceed to completion. Kingland is poised to immediately undertake this much needed, overdue redevelopment of this site and is committed to its achievement if it can overcome the extraordinary cost impact of buying and removing buildings.

This project is a unique opportunity for Ames which we believe warrants the consideration of TIF assistance at these levels. It enables achievement of the original intended use of TIF; the redevelopment of existing neighborhoods, partially offsetting the inherent extraordinary costs of such an undertaking. At the same time, it furthers achievement of the City's economic development goals of retaining and adding valuable jobs within an existing neighborhood.

Kingland has assembled a redevelopment team that has extensive history in such projects, understanding the sensitivity of properly planning for their scope and impact, and communicating with the community about the value of such an effort. With the City's support, this long-awaited redevelopment project can occur, nearly \$19 million in private investment in the development can be leveraged, quality jobs can be retained in the community and additional jobs can be secured. Campustown can take on a new, vibrant function and appearance at the "front door" to the ISU campus, spurring further redevelopment and revitalization efforts in the future.

We respectfully request your consideration and support for this project. The next steps proposed would be your direction of City staff to proceed with the necessary amendment of the zoning regulations and the approval of tasks necessary to provide the TIF assistance as requested for this project. We look forward to attending your City Council meeting on August 27 to share project details with you. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Rognes", with a long, sweeping horizontal line extending to the right.

Todd Rognes  
President

Staff Report

HISTORY OF STEP-BACK REQUIREMENT IN CAMPUSTOWN

August 27, 2013

One of the primary objectives of land use policy in the area south of the University campus has been to guide new infill development so that it is compatible with existing development. The Land Use Policy Plan describes this area as being made up of districts, each with a distinct character, well defined by building use, type, scale, setting, intended activity level, and other characteristics. It further states:

*At the core, in the Campustown Service Center, buildings will be the largest and residential densities will be the highest, supporting lively commercial activity at the street level. Building placement, design, and materials reinforce a dynamic, pedestrian-friendly neighborhood character. (P. 51)*

The Land Use Policy Plan calls for compatibility standards to guide the design integration of new development with existing development. Compatibility standards address scale, height, exterior materials, rhythms, and other building elements.

These compatibility standards, now in the Zoning Ordinance, are based on an inventory conducted in 2003 and 2004 of all buildings and property within the areas south and west of campus. The inventory and analysis identified a Center Commercial District consisting of seven portions of blocks within the Campustown Service Center. In this Center Commercial District, 85% of all buildings were two stories or less in height and most were located at the right-of-way line with a zero set-back. It was determined that these characteristics contribute to the "pedestrian-friendly neighborhood character" of this commercial area. In other words, the buildings along the street form the boundaries of urban space of a size that promotes and encourages people to walk as a means to go from place to place within the district. (See Attachment B for a graphical summary of the findings and conclusions of the planning for this area.)

In the several years immediately prior to this sub-area planning effort, two large residential projects were built. These are the Cyclone Plaza at 200 Stanton and the Legacy Tower at 119 Stanton. Both of these buildings are seven stories tall, which was the maximum permitted height at the time; but through use of mezzanine levels, the Legacy Tower is 114 feet tall. Each project provides more residential units at higher densities than had ever been developed previously. **Public input throughout the sub-area planning revealed that many people believe that these tall buildings significantly altered the physical character of the area. Furthermore, if this pattern of development continued, it was feared that a "canyon effect" could result. In addition, experience from these new structures showed that people in the living units adjacent to the streets could throw objects onto pedestrians.**

Public and stakeholders who provided input to the sub-area plan included neighborhood associations, ISU staff, Campustown business and property owners, students and the general public. Viewpoints from this input included the following perspectives:

- Support for the larger buildings,
- Concern that the capacity for new residential use in the area may have been reached due to traffic, parking and intensity concerns,
- Concern that tall buildings may change sun/shade and wind conditions, affecting the quality of the pedestrian environment,
- Concern that further height restrictions could reduce the feasibility of residential buildings, due to the relatively shallow depth from the street of some lots, and
- Some who feel the larger buildings are out of place.

In response, the sub-area plan states the following:

*Along Lincoln Way between Stanton and Hayward Avenue and along Welch Avenue between Lincoln Way and Chamberlain Street, as building height increases to the maximum, the building face should step back from any street right-of-way line.*

Since this standard would reduce the buildable volume available for each property, the Plan also stated that the maximum building height would be increased from seven stories to nine stories, approximately 115 feet.

In October 2005, a Staff Advisory Committee developed proposals for the specific zoning standards. This eight-person committee included business owners, property owners, a developer, a student, an ISU representative, a resident, an architect and a neighborhood representative. Among the Committee's findings was the following:

Purpose of Design Standards is, in an area that has traditionally contained mostly one and two-story buildings, to reduce the visual impact of new, taller buildings from the street.

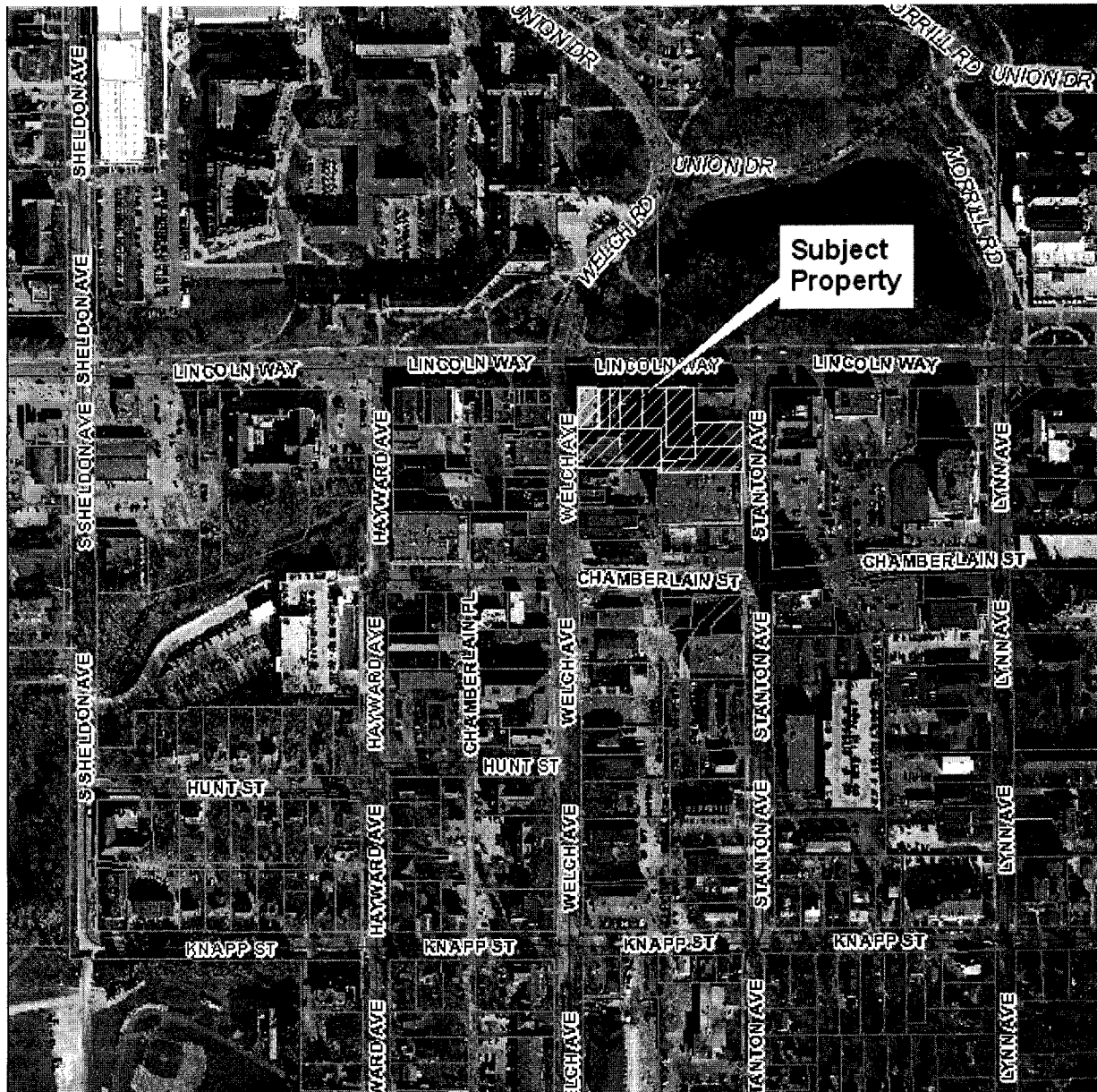
Committee Recommended Guideline as to Height is to require any portion of a building over 50 feet in height to step back 25 feet from the street right-of-way line. After discussion about structural issues, retail space requirements, and a possible prohibition on outside uses of the roof space on the lower, front part of the building, most of the Committee agreed on 25 feet for the step-back. One of the developers felt that any number is too arbitrary without knowing the situation of each lot and building. The University representative believed that two stories is about the right maximum height at the street.

The Committee considered an alternative to the step-back height requirement that allowed the use of materials; building form; placement of windows and doors; and details in the bottom two or three stories to create interest at the street level and

pedestrian scale. The Committee agreed that, if such architectural standards were to be required, an architectural review committee would be needed to respond to the variety of localized conditions in the area. Some of the issues involved in implementing an architectural review committee include its membership, authority, and scope of review. Specific guidelines would need to be established in advance to express the intent and objectives for its review. There would also be a significant cost in staff time for administering such a Committee. The time and cost of the applicant would likely be even more than for the City staff review.

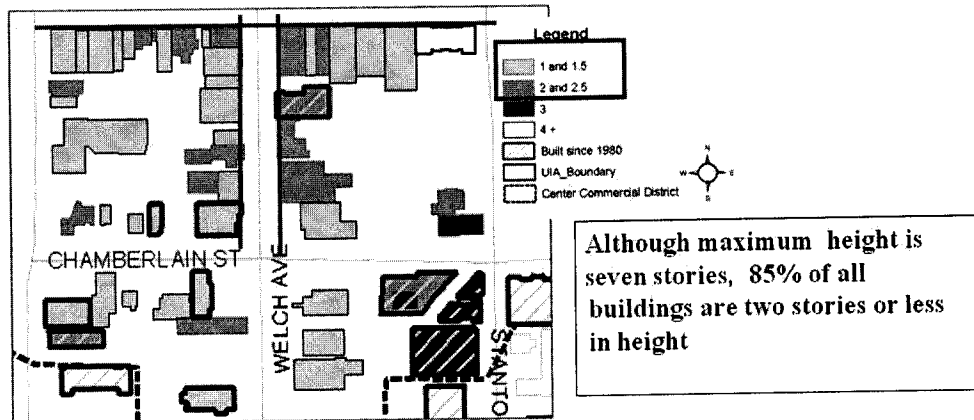
**Based upon this input, in March of 2006 the City Council approved the current zoning development standards for the Campustown Service Center that require a step-back of 15 feet for a building to be taller than 30 feet, or two stories, and a maximum height of 115 feet.**

Attachment A - Location Map



## Attachment B – Summary of Building Height and Step-back Standards

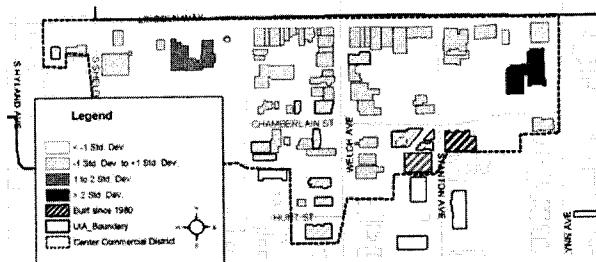
### Building Height in Center Commercial District



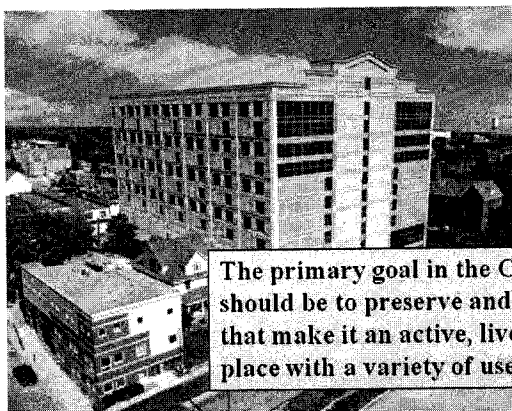
These buildings, placed at the street rights-of-way create a distinctly pedestrian scale at the center of this district.



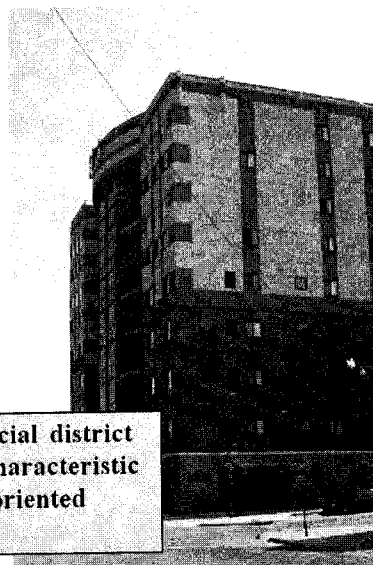
Center Commercial District  
Distribution of Building Volume



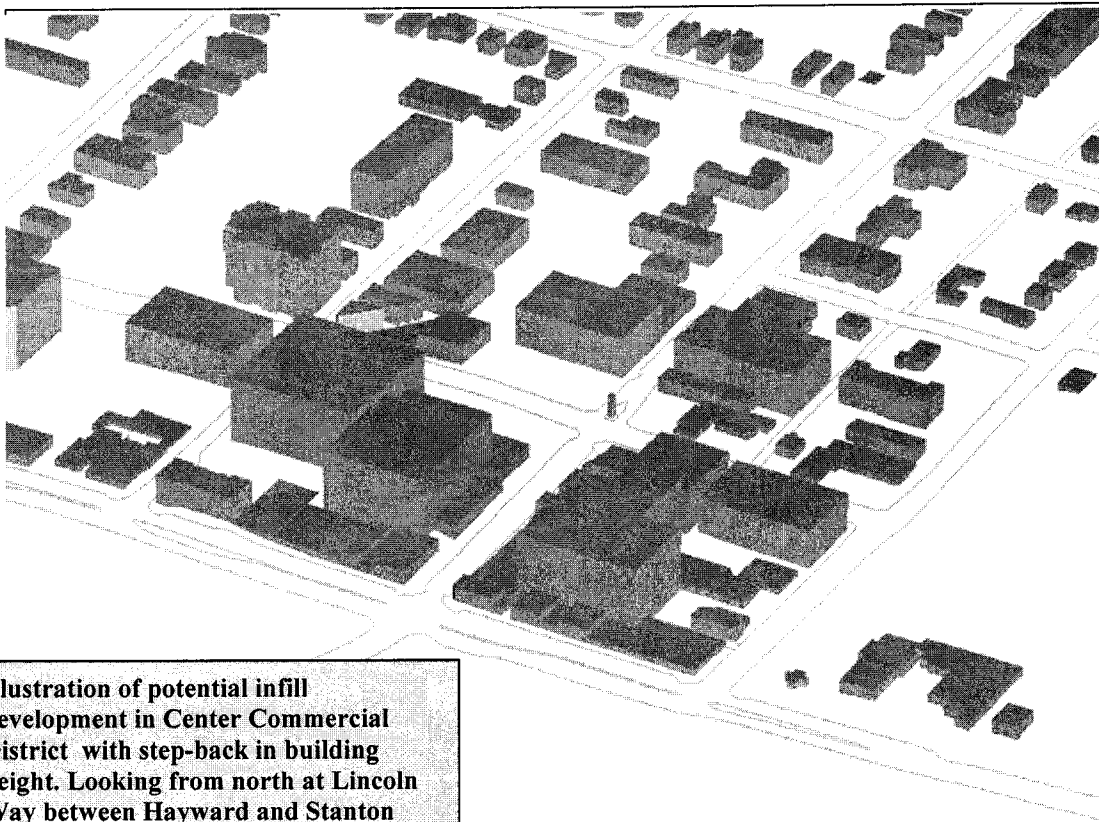
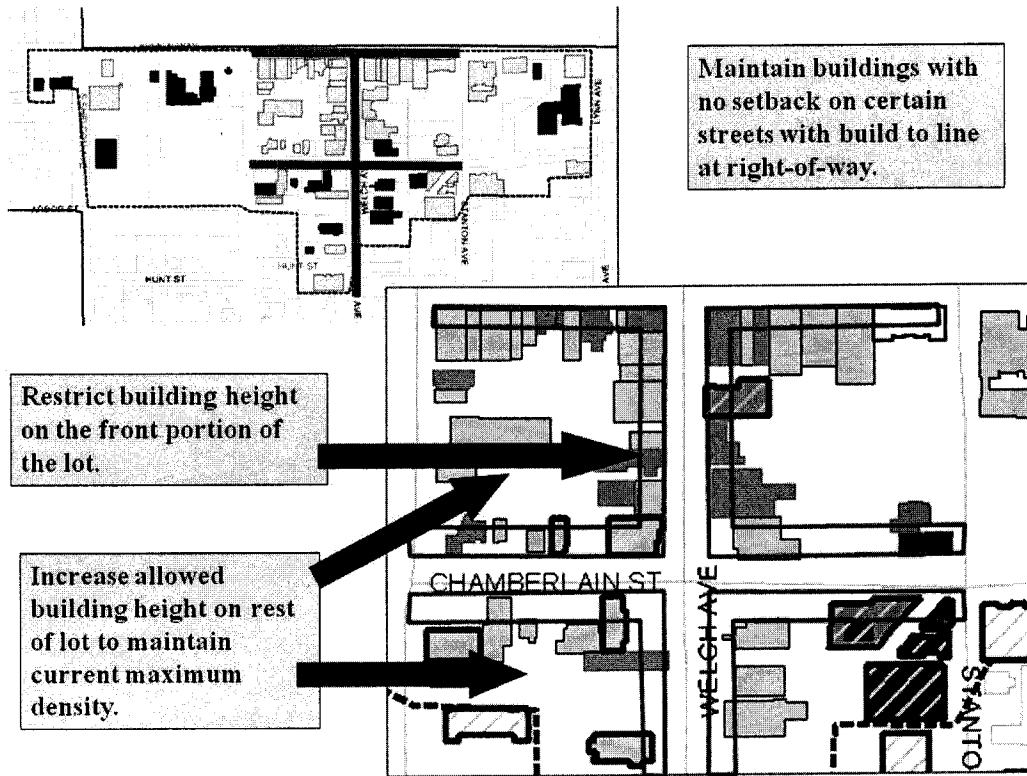
Recent and future development consistent with the city's land use and zoning policy will continue to significantly alter the physical character of the district.



The primary goal in the Center Commercial district should be to preserve and extend those characteristic that make it an active, lively pedestrian-oriented place with a variety of uses and spaces.



## **Attachment B – Summary of Building Height and Step-back Standards**



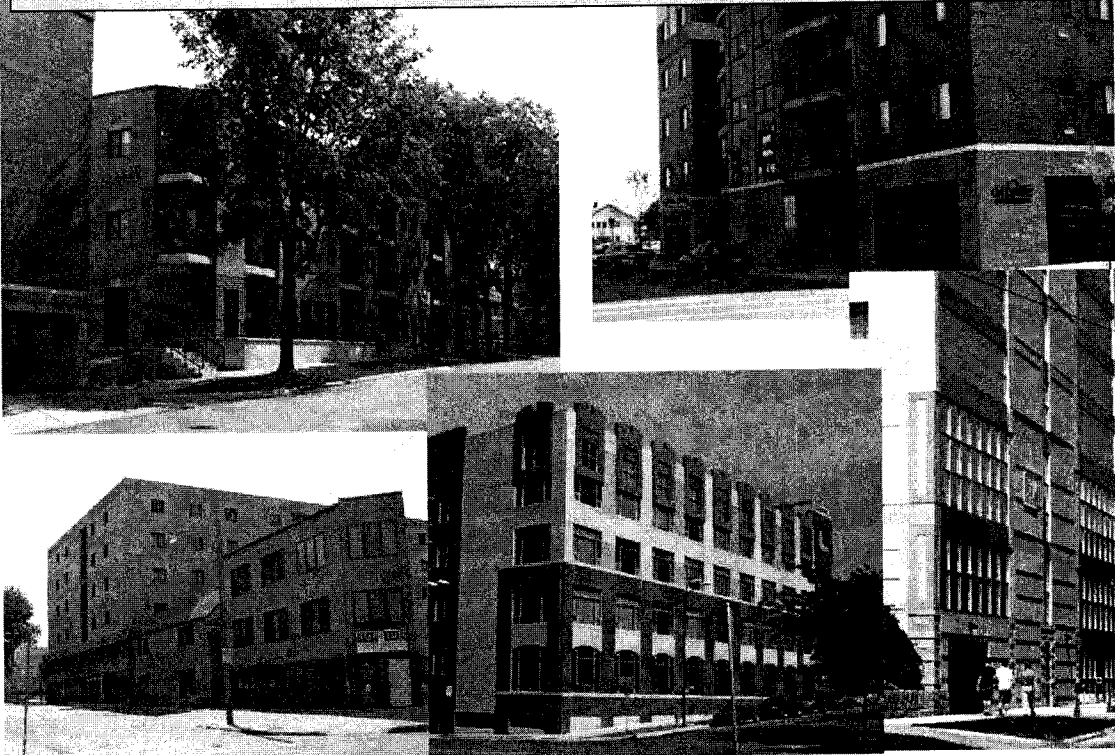


## Attachment B – Summary of Building Height and Step-back Standards



Example of building with step-back in height in Champaign, Illinois

Alternative: Use of materials, building form, windows, doors, and details in the bottom two or three stories should create pedestrian scale and encourage activity.



Effective Date: March 25, 2013

# CAMPUSTOWN URBAN REVITALIZATION CRITERIA MATRIX

| PROJECT MUST MEET CRITERIA<br>OF ONE OF THESE COLUMNS   |  | AND | PROJECT MUST MEET CRITERIA<br>OF ONE OF THESE COLUMNS  |  |
|---|--|-----|--|--|
| <b>Slum and Blighted</b><br>Properties where a majority of the assessed valuation of the properties has been determined to be <b>substantially</b> unsafe or to have an unsafe use by the City Council.   | <b>Parking</b><br>A minimum of 70% of the total required parking is provided in a structure. If utilizing a parking deck, the restrictions in Chapter 29.406 12 of the Municipal Code must be adhered to.<br><b>AND</b><br><b>Mixed Use</b><br>The first floor must be used for permitted commercial and retail uses as shown in Table 29.803(2) of the Municipal Code. The second floor must be used for either commercial or retail uses as shown in the Table 29.803(2) or for household living. All floors above the second floor must be used for household living. |     | <b>Adaptive Reuse</b><br>The building on the site was originally built before 1941.<br><b>AND</b><br>70% of the area of existing exterior walls of the structure will remain   | <b>Underrepresented</b><br>Properties that are to include a business use where that actual sales of the business use is below the expected sales for the business use as determined by the City Council to be of benefit to the City (should be supported by a retail leakage study).  |
|   |  |     | <b>Design Standards</b><br>Retail and office uses on the first floor adjacent to a public sidewalk must have direct access to the public sidewalk.<br><b>AND</b><br><b>Signage</b><br>The signage design, scale, materials, and colors shall be in proportion to and consistent with the architecture of the building and support the business identity.<br><b>AND</b>   | <div style="border: 1px solid black; padding: 5px; display: inline-block;">OR</div> <b>Brick Material</b><br>100% of the front and 80% of the three remaining sides of the structure shall be faced with clay brick for the first four stories. On stories five through seven any other building materials except vinyl will be allowed. |
|   |  |     |  | <b>Alternative Siding Material</b><br>If historically significant - use and repair of historically appropriate siding material is permitted and must be maintained for the term of the selected tax abatement schedule.  |
| <b>ALL RESIDENTIAL USES SHALL ALSO MEET THE FOLLOWING CRITERIA OR EQUIVALENT AS APPROVED BY THE CITY COUNCIL</b>  |  |     |  |  |
| 1. Limit commercial space in the same building to the ground floor<br>2. Provide separate entrances for commercial and residential uses<br>3. Locate all residential entrances to be visible from the street and provide secure access control at each<br>4. Prevent access from the exterior to the interior through doors that serve only as fire exits<br>5. Prohibit public access to structured parking, using overhead door and secure access control<br>6. Provide transparent glass windows into all stairwells<br>7. Provide camera monitoring of all pedestrian and vehicle entrances and areas |  |     | 8. Minimum widths of all exit routes: 48" for halls, 42" for doors, 60" between rails for stairs<br>9. No balconies are permitted<br>10. Provide for natural daylight requirements of applicable codes with exterior windows<br>11. On facades facing any street use only fixed windows<br>12. Design of all other windows to prevent passing of sphere larger than 4" diameter<br>13. Prevent by physical means access to all roofs<br>14. Where access is not required, provide security fencing controlling access to all areas between new or existing buildings<br>15. Provide a minimum of four 100 w. metal halide light fixtures on each building façade: two at elevation between first and second floors and two at elevation between third and fourth floor |  |