

**COUNCIL ACTION FORM**

**SUBJECT: 2015 URBAN REVITALIZATION TAX ABATEMENT REQUESTS**

**BACKGROUND:**

In accordance with Chapter 404 of the *Code of Iowa*, the City Council has established Urban Revitalization Areas (URAs) with Plans specifying standards for types and elements of physical improvements that provide public benefits. When property within one of these URAs is developed, redeveloped, rehabilitated, or remodeled, the property owner is eligible for abatement of property taxes on the incremental increase in property value after the improvements are completed. This abatement can extend for three, five or ten years, based on the individual Urban Revitalization Plan approved by Council.

Every year, property owners who have improved property within the City's URAs during the previous year may apply for tax exemption on the incremental added value of their properties. **The City must determine if the completed improvements meet the standards in the Urban Revitalization Plan for the URA in which the property is located.**

**Property owners of the following projects are requesting tax exemptions for the 2015 assessment year, which refers to improvements made in 2014:**

Roosevelt School URA. City Council created this URA in 2012 for the historic former school. Renovation completed very recently has provided 20 dwelling units.

Southeast 16<sup>th</sup> Street First URA. City Council created this URA in 2012 for commercial development in the Southeast Gateway. The new Deery car dealership has been developed on one of the lots in the URA (See Attachment B). Two other lots are available for commercial development and may receive tax abatements in the future as development occurs.

Downtown URA

This program has supported many façade improvement projects in the downtown. The latest is the renovation of a 100-ft long, two-story "Town Center" building with many retail tenants.

The attached listing contains estimated values for these projects totaling \$9,576,400 (See Attachment A). The estimates are based on construction cost or sales price provided by property owners and may not be the same as the added property value upon which the abatement is based.

**ALTERNATIVES:**

1. The City Council can approve all of the requests for tax exemption if it finds that all substantially conform to the respective Urban Revitalization Plans.
2. The City Council can deny any of these requests for approval of the tax exemptions if Council finds the improvements to not be in conformance with the respective Urban Revitalization Plans.

**MANAGER'S RECOMMENDED ACTION:**

**Staff has examined these projects as of February 1, 2015, and finds that the work completed conforms to the respective Urban Revitalization Plans approved by the City Council.**

Therefore, it is the recommendation of the City Manager that the City Council accept Alternative #1, thereby approving these requests for tax exemption as conforming to the respective Urban Revitalization Plans.

This action will allow the qualifying requests for tax exemption to be processed by the City Assessor, who will determine the value of the respective tax exemptions.

**Attachment A**

**2015 Tax Abatement Eligible Properties**

Estimates of Incremental Values

**Roosevelt School Urban Revitalization Area**

Various (12 individual unit owners + 8 units owned by RES Development)  
921 9<sup>th</sup> Street  
Renovation of historic former public school  
3, 5 and 10 years \$5,304,800

**Southeast 16th Street First Urban Revitalization Area**

Deery, Deery and Deery  
1700 S.E. 16<sup>th</sup> Street  
Commercial Development  
3 Years \$4,161,600

**Downtown Urban Revitalization Area**

Russell Schoenauer, Sr.  
328-330 Main Street (Town Centre)  
Façade Reconstruction  
3 Years \$ 110,000

## Attachment B

### **Deery Brothers (1700 SE 16th Street) Conformance with Development Agreement and Urban Revitalization Criteria**

The City Council approved a Development Agreement and the creation of an Urban Revitalization Area for Deery Brothers at 1700 SE 16<sup>th</sup> Street (and two adjacent vacant lots) on October 23, 2012. This approval occurred only after the City Council adopted a set of criteria for the designation (see Attachment B-1).

On October 14, 2014, the City Council approved an amendment to the Development Agreement reflecting the changes to the grading (depth of the borrow pit), site (smaller building, storage areas), and landscaping (inclusion of forested mitigation along the channel). **On December 16, 2014, the City Council amended the Urban Revitalization Plan to reflect those same changes to the site plan.**

In order to be eligible for the abatement, Deery needs to retain compliance with the Urban Revitalization Policy. These criteria were operationalized in the Development Agreement.

Below are the Urban Revitalization Policy criteria, followed by City staff comments.

**1. The properties have frontage on Southeast 16<sup>th</sup> Street between South Duff Avenue and South Dayton Avenue.**

Staff Comments. The four properties associated with the site all have frontage on Southeast 16<sup>th</sup> Street between S. Duff Avenue and S. Dayton Avenue.

**2. Fill or other flood proofing will be placed on the site up to an elevation of, at least, 887 feet (NGVD 29), when an engineer registered in Iowa provides written certification that raising the land would result in “no rise” to the Base Flood Elevation (100 year flood levels).**

Staff Comments. The development agreement and approved plan indicates that the finished floor elevation of the Deery Brothers building will be at 888 (NGVD 29). An Elevation Certificate has been presented showing the lowest floor of the finished building as meeting that elevation.

The engineer for the project has provided a letter, dated January 6, 2015, indicating that the proposed improvements (the fill being placed on the site, the excavation within the Floodway, and channel straightening) will result in “no-rise” to the Base Flood Elevation.

**3. The cost incurred after making the request for tax abatement for the placement of fill for flood proofing up to an elevation of 887 feet or above and/or channel improvements (See Criterion 6), if applicable, is expected to be equal to or greater than the value of the City’s portion of the tax abatement.**

Staff Comments. This criterion requires the project to expend as much or more for the placement of fill and/or channel improvements than for the benefits received by the exemption (specifically, the value of the City's portion of the exemption). The Development Agreement specifies that the final costs of fill will need to be greater than the final value of the exemption or the "claw back" provisions will be initiated. Deery has submitted a letter of credit in the amount of \$300,000 and dated October 7, 2014 to allow the city to claw back the city's value of the abatement if Deery fails to meet this criterion.

The Finance Director has reviewed the invoices and proofs of payment submitted by Deery. Deery expended \$961,277.13 for fill improvements and channel straightening, as defined in the Development Agreement. Only one third of the total costs of Fill Improvements can be applied to the Deery lot. The other two lots in the Urban Revitalization Area are each credited with a third of the costs. So Deery can claim **\$320,425.71 as costs for Fill Improvements.**

Based on an assessment of the improvements by the City Assessor of \$4,161,600 and a 90% rollback, the value of the city's portion of a single year abatement (based on the city levy of \$10.85538 for taxes payable July 1, 2014 to June 30, 2015) is \$40,658.17. **The entire abatement for the three years of the abatement is estimated at \$121,974.51.** Therefore, it appears that one third of the costs of the Fill Improvements exceed the total value of the city's portion of the abatement, thus satisfying this criteria.

The value of the abatement is estimated and will change yearly depending on any changes to the assessed valuation, the state-mandated rollback, and the city's levy. The letter of credit has an expiration date of June 30, 2019 so the City will have the ability to claw back its portion, if needed.

**4. A public sidewalk is to be constructed along the south side of the Southeast 16<sup>th</sup> Street adjacent to the property.**

Staff Comments. The sidewalk is installed adjacent to Deery. Sidewalks adjacent to the other lots will be installed in the usual manner—prior to the occupancy of any buildings on the lot as allowed by the Agreement for Sidewalks and Street Trees included as part of the final plat documents.

The City Council approved a covenant in 2012 that defers the placement of the sidewalk adjacent to Outlot A until such time as the City builds a shared use path on the south side of the SE 16<sup>th</sup> Street bridge. This covenant waives the owner's rights to protest an assessment for the sidewalk when the time comes for the sidewalk to be installed.

**5. The property will be used for uses permitted in the applicable zoning district except for the following as further defined and described in the Ames Zoning Ordinance:**

- a. Wholesale trade
- b. Mini-storage warehouse facilities
- c. Transportation, communications, and utility uses
- d. Institutional uses
- e. Adult entertainment businesses
- f. Detention facilities
- g. Agricultural or industrial equipment sales
- h. Agricultural and farm related activities

Staff Comments. The development agreement restricts these uses in order to receive property tax exemption. These restrictions will remain after the term of the exemption.

**6. Owners of property abutting a river must perform channel improvements (widening, straightening, clearing, etc.) and provide certification from an engineer registered in Iowa that the improvements will mitigate flooding. These improvements must be approved by the DNR, Army Corps of Engineers, and the City of Ames.**

Staff Comments The applicant obtained the necessary approvals from the Army Corps of Engineers, Iowa Department of Natural Resources, and the City and has completed the straightening of the east bank of the Skunk River adjacent to their property. In 2012, the engineer for Deery stated in his certification letter that the “project will mitigate flooding by providing an improved and stabilized channel in addition to the no-rise condition.” Calculations submitted with that no-rise certificate indicate that although there would be up to 0.08’ increase in the 100 year flood water surface elevation (WSEL) resulting from the fill alone, the river channel realignment will result in a 0.05’ decrease in the WSEL. Deery’s engineer recertified the mitigation impacts in a letter dated January 8, 2015.

## Attachment B-1

### URBAN REVITALIZATION POLICY

#### Southeast 16<sup>th</sup> Street

The City Council will consider establishing Urban Revitalization Areas and Plans for properties that meet all of the following qualifying criteria:

1. The properties have frontage on Southeast 16<sup>th</sup> Street between South Duff Avenue and South Dayton Avenue.
2. Fill or other flood proofing will be placed on the site up to an elevation of, at least, 887 feet (NGVD29), when an engineer registered in Iowa provides written certification that raising the land would result in “no rise” to the Base Flood Elevation (100 year flood level).
3. The cost incurred after making the request for tax abatement for the placement of fill for flood proofing up to an elevation of 887 feet or above and/or channel improvements (See Criterion 6), if applicable, is expected to be equal to or greater than the value of the City’s portion of the tax abatement.
4. A public sidewalk is to be constructed along the south side of the Southeast 16th Street adjacent to the property.
5. The property will be used for uses permitted in the applicable zoning district except for the following as further defined and described in the Ames Zoning Ordinance:
  - a. Wholesale trade
  - b. Mini-storage warehouse facilities
  - c. Transportation, communications, and utility uses
  - d. Institutional uses
  - e. Adult entertainment businesses
  - f. Detention facilities
  - g. Agricultural or industrial equipment sales
  - h. Agricultural and farm related activities
6. Owners of property abutting a river must perform channel improvements (widening, straightening, clearing, etc.) and provide certification from an engineer registered in Iowa that the improvements will mitigate flooding. These improvements must be approved by the DNR, Army Corps of Engineers, and the City of Ames.

Since satisfaction of criterion 3, 5, and 6 cannot be guaranteed at the time of approving the tax abatement incentive, a developer agreement prior to the approval of the Urban Revitalization Plan will be required to assure that the City will repaid an amount equal to the tax abatement received for any criterion not met. In addition, the developer agreement should require that the conditions that allowed the determination of “no rise” be maintained by the property owner.

(Approved by Ames City Council on June 12, 2012)