

Staff Report

REVISION TO CAMPUSTOWN URBAN REVITALIZATION CRITERIA

June 9, 2015

BACKGROUND:

City Council has requested information concerning potential amendments to the Campustown Urban Revitalization Criteria. **Campustown Action Association (CAA) requested Council consider making an incentive in the Tax Abatement Criteria encouraging owners to lease commercial space in Campustown to non-formula retail businesses and to allow for Adaptive Reuse for buildings greater than 50 years in age.** (Attachment A) The request to incentivize non-formula retail would require the City to define a formula retail business for the purpose of deciding eligibility for property tax abatement in the Campustown area. The request to change the Adaptive Reuse criteria would change the current eligibility threshold from a building constructed prior to 1941 to a standard of any building 50 years or older.

Formula Retail

The CAA letter states that their proposal will encourage a mix of retail and restaurants in Campustown that includes both local small-scale businesses and regional/national businesses. This business mix supports CAA's goal of maintaining the district's distinctive character and complements its strategy of broadening the diversity of businesses in the district. While current redevelopment is increasing and improving the available retail space on Lincoln Way facing the Iowa State University campus, CAA's letter also supports providing opportunities for starting new small businesses.

Formula-retail is generally described as a business with a certain number of stores that have a standardized array of services and goods, employee uniforms, architectural décor and façade appearance, trademarks, or other similar features that makes a business substantially identical to others. Staff has identified 12 businesses that exist or are planned for Campustown that might meet the definition of a formula-retail business, if the established minimum threshold is two or more establishments. This would include Jimmy Johns, Copyworks, Subway, CVS, Starbucks, US Bank, Swift Stop, First National Bank, Dunkin' Donuts, Domino's, Insomnia Cookies, and Kum N Go.

Formula-retail businesses have been regulated through zoning standards in dozens of cities across the country. Zoning regulations may address the size, location, types of use, and the approval process. The most common reason for regulating formula-retail is to promote or protect "local character," commonly targeted to historic areas or areas with significant tourism. Zoning standards have withstood legal challenge when crafted in manner that does not conflict with the "Dormant Commerce Clause Doctrine" of U.S. Constitution that protects interstate commerce. **Therefore, it appears that since other cities have used a regulatory approach to manage formula-retail that creating an**

incentive program for non-formula-retail businesses would also be legally acceptable.

COMMERCIAL TAX ABATEMENT IN CAMPUSTOWN:

When designating Campustown as an Urban Revitalization Area and an Urban Renewal Area in 2001, the City Council found that economic development in Campustown is necessary and in the public interest of the residents of the City. It established tax abatement for certain types of improvements that increase the value of real estate by more than 5%. The area designated for tax abatement can be found as the shaded area in Attachment B.

The criteria for tax abatement eligibility are shown below. The criteria focus on enhancing the physical appearance of buildings for commercial and mixed use and include mandatory public safety enhancements for buildings with residential uses.

In order for a project to be eligible for tax abatement, two criteria from the matrix must be met: one from the three columns within the box on the left side and one from the two columns within the box on the right side.

CAMPUSTOWN URBAN REVITALIZATION CRITERIA MATRIX

PROJECT MUST MEET CRITERIA OF ONE OF THESE COLUMNS			<u>AND</u>	PROJECT MUST MEET CRITERIA OF ONE OF THESE COLUMNS	
<p><i>Slum and Blighted</i></p> <p>Properties where a majority of the assessed valuation of the properties has been determined to be substantially unsafe or to have an unsafe use by the City Council.</p>	<p><i>Parking</i></p> <p>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.</p> <p>AND</p> <p><i>Mixed Use</i></p> <p>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.</p>	<p><i>Adaptive Reuse</i></p> <p>The building on the site was originally built before 1941.</p> <p>AND</p> <p>70% of the area of existing exterior walls of the structure will remain</p> <p>AND</p> <p>Historic materials and designs are preserved and/or restored.</p>	<p><i>Underrepresented</i></p> <p>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).</p>	<p><i>Design Standards</i></p> <p>Retail and office uses on the first floor adjacent to a public sidewalk must have direct access to the public sidewalk.</p> <p>AND</p> <p><i>Signage</i></p> <p>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.</p> <p>AND</p>	<div style="border: 1px solid black; padding: 2px; text-align: center; width: fit-content; margin: 0 auto;">OR</div> <p><i>Brick Material</i></p> <p>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.</p> <p><i>Alternative Siding Material</i></p> <p>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.</p>
ALL RESIDENTIAL USES SHALL ALSO MEET THE FOLLOWING CRITERIA OR EQUIVALENT AS APPROVED BY THE CITY COUNCIL					
<ol style="list-style-type: none"> 1. Limit commercial space in the same building to the ground floor 2. Provide separate entrances for commercial and residential uses 3. Locate all residential entrances to be visible from the street and provide secure access control at each 4. Prevent access from the exterior to the interior through doors that serve only as fire exits 5. Prohibit public access to structured parking, using overhead door and secure access control 6. Provide transparent glass windows into all stairwells 7. Provide camera monitoring of all pedestrian and vehicle entrances and areas 			<ol style="list-style-type: none"> 8. Minimum widths of all exit routes: 48" for halls, 42" for doors, 60" between rails for stairs 9. No balconies are permitted 10. Provide for natural daylight requirements of applicable codes with exterior windows 11. On facades facing any street use only fixed windows 12. Design of all other windows to prevent passing of sphere larger than 4" diameter 13. Prevent by physical means access to all roofs 14. Where access is not required, provide security fencing controlling access to all areas between new or existing buildings 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 		

In addition, any residential uses included within a building must comply with the criteria in the third box located below the other two boxes.

Most of the projects that have received tax abatement in Campustown have met the criteria from the middle column in the box on the left side: "Parking and Mixed Use," and the criteria from the right column within the box on the right side: "Design Standards, Signs and Brick Material." The third box, at the bottom, was added in 2009 and all of the projects that have received tax abatement since then have met these criteria. The current criteria have served their purpose well in promoting redevelopment and improving the architectural character of buildings through design requirements compared to prior investments made in the area before the current standards were adopted.

OPTIONS:

Option 1 – Add criterion to left side (Slum Blight/Mixed Use/Adaptive Reuse)

Leasing space to non-formula retail businesses could be added as a criterion in the box on the left side of the table. **If added here, it would no longer be necessary for a project to either redevelop property that is slum and blighted, to develop a mixed use project with structured parking, or make adaptive reuse of a building constructed before 1941.**

Instead tax abatement could be provided for constructing a new building or making improvements to an existing building and then leasing space in that building to non-formula retail businesses. The remaining criteria would still apply for design standards or underrepresented businesses. It should be emphasized that in order to qualify for tax abatement a project could not just lease space to a local business but would also have to increase the assessed value of the property by more than 5%.

Past tax abatement projects have been large, mixed-use projects, partly because of the cost of structured parking. While this would allow for large mixed use projects to continue, **this new option might provide a means for a smaller project to receive tax abatement, either new construction or renovation with non-formula retail on the ground floor and offices or a few residential units above.** Design requirements would still apply and residential use would still need to comply with criteria in the third box below.

Option 2 – Add criterion to right side (Brick Material and Design Standards, Underrepresented business)

Leasing to non-formula retail businesses could be added as a criterion in the box on the right side of the table. **If added here, it would no longer be necessary for a project to comply with design and material standards that go beyond the zoning requirements. In addition, it would not be necessary to lease to a business use that is underrepresented in the district** (although no one has ever applied under this criterion). Qualifying projects would still need to redevelop property that is slum and blighted, to develop a mixed use project with structured parking, or make adaptive reuse

of a building constructed before 1941. Residential use would still need to comply with criteria in the third box below.

Under this option, the recent type of large, mixed use project could qualify for tax abatement by providing new retail space to local non-formula retail businesses. The project would only need to meet the brick requirement in the zoning code, more brick on the exterior than any other material, and not the mandatory brick requirements on the first four floors.

Option 3 - Add new criterion as a fourth box (Mandatory Limit on Formula-Retail)

This option would create a new box that it would make it mandatory to have some pre-determined amount of non-formula-retail in order to qualify for tax abatement. Neither of the first two options results in a mandatory requirement to make space available for independent non-formula businesses. **If Council is interested in ensuring space for non-formula businesses it would need to make it a prerequisite as is the case for residential development to include enhanced public safety standards.** This could apply to all or some of the commercial space in a project. This option would preserve the existing criteria for exterior finish and for mixed use with structured parking.

ISSUES FOR FURTHER ANALYSIS:

Issue 1 Define Formula Retail

- Which characteristics define formula-retail (like merchandise, uniforms, signage, color scheme trademark, facade design, or other similar standardized features)?
- What types of businesses are subject to the definition (retail, restaurant, personal services, other)?
- What is the minimum number of similar establishments that establish the threshold for determining formula-retail?

Issue 2 Determine The Minimum Leased Area That Would Qualify As Non-formula Retail

- Should some or all of the commercial space be devoted to non-formula retail?
- Should compliance be measured by determining a minimum percentage of the total commercial space or by a minimum amount of commercial space?
- Should vacant, leased, or occupied commercial space qualify as non-formula retail?

Issue 3. Duration Of Non-formula Requirement

Under the current Campustown Urban Revitalization Plan the property owner may establish tax abatement for a period of three, five or ten years, after which taxes are paid on the full property value. After the tax abatement has expired, the requirement to rent to non-formula business cannot be enforced. **This means, that in many cases, the restriction may only be in effect for 3 years. Council could consider changing the abatement schedule to ensure it is in effect for a longer period of time than three years.** This would change some of the economics of a project as initial developers are more likely to take the short 3-year schedule versus a long-term holder of the development may take the longer abatement.

ADAPTIVE REUSE:

CAA requests a change to the option in the right column of the left box in the abatement criteria. The Adaptive Reuse option is one of three choices to qualify for tax abatement. The other two are removal of slum and blight or to build a mixed use development with structured parking. The standard for Adaptive Reuse was added to the matrix in 2006. It requires a building to be built prior to 1941, preserve 70% of the external walls, and to incorporate historic design elements. To date, no project has taken advantage of this option. **The proposed change to a continuous 50 year standard is modeled after national standards of the minimum threshold to evaluate properties for historic significance.**

The current requirement for a building to be built prior to 1941 reflects the City's understanding of the historic context for the area. When the City established a sub-area plan for the area south of campus it included a historical assessment. The period of significance for the historical assessment drew a line at 1941 in recognition of a break in the timeline of substantial development in Campustown. Attachment B identifies the structures that were built prior to 1941. There has been no historical assessment of mid-century buildings for Campustown.

There were only a limited number of buildings that met that definition in 2006, and there are fewer now as some building have been demolished to redevelop into more intense uses. Based upon a review of the Ames Assessor records, there are 21 commercial buildings built before 1941 and an additional 11 buildings built between 1942 and 1975. The most concentrated group of pre-1941 buildings are the 2500 block of Lincoln Way. Some representative examples of 1960s buildings would be 111 Lynn (Lynn Tower), 206 Welch (TJ Galaxy) and 210 Welch (Post Office).

NEXT STEPS:

If Council desires to consider a formal amendment to the tax abatement eligibility criteria it must provide direction to staff on how to proceed with a preferred option. Once an amendment is drafted with precise language, a public hearing with the City Council must be held prior to amending the current Campustown Revitalization Plan.

It should be noted that projects that have already been determined to be consistent with the current tax abatement criteria will be unaffected by this amendment. Additionally, the two projects -The Foundry (Opus) and 2320 Lincoln Way (Gilbane)- that plan to apply for tax abatement have the option of seeking pre-approval prior to the effectiveness of the change. If they are pre-approved under the current criteria, the change would not affect those projects as well.

STAFF COMMENTS:

With Options 1 and 2 there is no mandatory requirement to choose to rent to non-formula businesses. **Therefore, the same types of projects that have qualified in the past can continue to go forward without considering a change in leasing strategies.** However, if someone chooses to rent to non-formula businesses it would alter the types of projects that would be eligible and not necessarily result in a project meeting the other interests of redevelopment and design that exist today. **Staff believes that Option 2 of substituting leasing to non-formula businesses for reduction of the brick design requirements is an unequal tradeoff, especially if the business limitation is only for three years.**

Option 3 is a different approach that would require some amount of square footage of a commercial project to be available for non-formula businesses. The current initial development requirement choices would still apply. This means that the development pattern of mixed use and greater amounts of brick that may recently been built in Campustown would likely still continue.

A non-formula businesses restriction may indirectly affect rent costs by limiting the market of potential tenants. Often times chain businesses are willing and able to pay higher rents than other businesses making it more difficult for property owners to fill spaces at higher rent levels with a limited pool of smaller unproven businesses. While commercial spaces in recent mixed use projects have been a small percentage of the overall development, some redevelopments count on market rate rents to finance and develop the mixed use projects. **If commercial spaces could not be filled at market rent levels it could inhibit the viability of some redevelopment projects that intend to rely upon the commercial income as part of the development plan.**

The Adaptive Reuse standard is meant to provide some incentive to properties with historic buildings to maintain and update the structures without having to tear down and redevelop a site to get tax abatement. With the current language directed to buildings built prior to 1941, there is an historic context that acknowledges and supports these few building as likely to have historical significance. **By changing to the 50 year continuous standard, there are no criteria in place to discern if the building has historical significance or is just an older building.** Adopting the language may incentive smaller rehabilitation projects of mid-century buildings even if they are not truly historic. At some point there could begin to be conflict in policy of tax abatement between trying to protect a class of older buildings regardless of historic significance and other goals of intensifying and redeveloping property in Campustown for future needs.

**ATTACHMENT A:
LETTER FROM CAMPUSTOWN ACTION ASSOCIATION**



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December 3, 2014

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

RE: Changes to the Campustown Urban Revitalization Criteria Matrix

Dear Honorable Mayor Campbell and City Council,

As the Campustown Business District continues to evolve and change with redevelopment and new business, the Campustown Action Association (CAA) is working to ensure that the district maintains our distinctive character. Along with the Campustown Façade Grant Program to improve the appearance of our business district, CAA is working to safeguard that the character and feel of the business district retains its uniqueness with small-scale local businesses mixed in with regional and national retail and restaurants. **CAA is requesting that the Ames City Council consider amending the Campustown Urban Revitalization Criteria Matrix for tax abatement and adding a requirement to incentivize developers and property owners to lease to non-formula retail businesses.** A formula retail business, as defined by the City of Sonoma, California City Ordinance, has “standardized array of services and/or merchandise, employee uniforms, decor, facade design, signage, color scheme, trademark or service mark, name, or similar standardized features, which causes it to be substantially identical to ten or more other businesses in the U.S. at the time of application.”

Representatives of CAA have met individually with each City Council member as well as representatives of The Opus Group and Gilbane, Inc, the two developers currently working in Campustown that will be utilizing the Campustown Tax Abatement in their projects, to discuss the concept of incentivizing non-formula business. CAA wants to encourage new business in the District, and would ask for an exemption for new businesses that provide a missing service such as a grocery, large restaurant, or entertainment venue. The Campustown business district prides itself as a district that incubates small business; seven of our current or past businesses have expanded to a second location or service based on their Campustown operations, including Mayhem Comics and Games, Copyworks, The Fighting Burrito, and Kingland Systems. Campustown has also been the home to several businesses begun by ISU students either during their coursework or soon after graduation, including Portobello Road and AI Supplements. Part of the uniqueness of our district is the ethnic diversity in our business owners and the goods and services they provide. Current rental rates create a district with low barriers to start a business. Campustown Action Association is very excited and energized by the current and future development happening in the district, but feel that it is also very important to not force out current businesses or eliminate the ability to start new small businesses due to higher rents.



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Lastly, we also ask Council to consider amending the Adaptive Reuse criteria to state “The building on the site was originally built 50 years or more from the current date”, which is the standard for being deemed historically significant by the Secretary of the Interior’s Standards for Rehabilitation. One of the unique aspects of Campustown is the varied ages of our properties, and incentivizing the rehabilitation of more recent past properties would help encourage more façade and interior improvements to our district. The different ages of our properties highlights the unique building stock in our district. Preserving more “recent” construction helps enhance the entire history of the Campustown area and the thousands of university students and Ames residents who spent and spend time here.

Thank you for your consideration of these requests and continued support of Campustown.

Sincerely,

Ryan Jeffrey
Business Improvement Chair
Arcadia Café

Richard Reynolds
Board President
ISU Memorial Union

Kim Hanna
Director
Campustown Action Association

**ATTACHMENT B:
CAMPUSTOWN URBAN REVITALIZATION AREA**

