ITEM # <u>39</u> DATE: 9/8/2015

COUNCIL ACTION FORM

SUBJECT: REVISION TO CAMPUSTOWN URBAN REVITALIZATION CRITERIA

BACKGROUND:

City Council reviewed a <u>staff report</u> on changes to the Campustown Urban Revitalization Criteria on June 9, 2015. The staff report reviewed options for including criteria for Non-Formula Retail businesses and separately an item to allow for adaptive reuse of any building greater than 50 years in age, rather than it being built prior to 1941. Council directed staff to makes changes to the criteria regarding the 50 year old building standard and to draft changes and to do a public outreach meeting for standards requiring Non-Formula Retail space within redevelopment projects. This report discusses Council direction for creating a Formula Retail limitation criterion and identifies additional issues with tax abatement criteria that have arisen since June 9th.

Council's direction for public comment included the following components:

- 1. Define Formula Retail in manner that includes businesses providing the same services and have the same appearance as other operating businesses, this would include individual franchises and not just company owned stores.
- 2. Formula Retail definition to include a minimum threshold of more 10 or more businesses in operation at the time of the initial request for tax abatement approval.
- 3. A minimum of 30% of a project's commercial space must be leased to a Non-Formula Business and occupied at the time of the initial request for tax abatement.
- 4. Consider exceptions to the 30% requirement for large restaurants, entertainment venues, or grocery stores.
- 5. The restrictions on Formula Retail would be a mandatory prerequisite for all projects that are new construction or additions to existing buildings.

Staff held an outreach meeting on August 13th with notice of the meeting to property owners and to the Campustown Action Association (CAA). Two property owners and three members of the CAA were present for the meeting. Staff explained the concept of Formula Retail and the Council direction for amending the criteria. CAA members described their interest in the standards. Mr. Scott Randall noted that he built a project on Chamberlain that received no tax abatement and was still a high quality project with a small business tenant. The discussion in general focused on the loss of commercial space overall with the redevelopment of Campustown and why tax abatement was needed since it was an incentive to displace affordable commercial areas. No strong

opinion was expressed about the thresholds of 10 businesses or 30% leased space to Non-Formula Retail requirement.

Staff also reached out to discuss the changes with two current redevelopment project developers of the Foundry by Opus and "23twenty" by Gilbane. Opus recently constructed The Foundry with approximately 7,400 square feet of commercial on the ground floor with 2,000 square feet lease to Starbucks and 3,500 square feet leased to Barefoot Campus Outfitters. At this time there is 1,900 square feet available for lease. This does not include space used for the residential lobby, leasing office, or service areas. The two occupied commercial spaces would count as Formula Retail and they occupy 74% of the available commercial space. However, any changes to the Campustown matrix would not affect The Foundry as they received their tax abatement approval on August 25, 2015.

Gilbane developed the "23twenty" project with 5,300 square feet of commercial space, exclusive of residential leasing and lobby space. Approximately, 3,100 square feet have been leased to a collegiate clothier (Campustown Spirit). This equals approximately 58% of the total commercial space. The remaining 42% is area subject to a letter of intent to lease to an undisclosed tenant. Gilbane has not yet received Council tax abatement approval for the project and if the changes to the criteria were made prior to Council approval, the changes may apply to the project.

<u>Tax Abatement Criteria Changes (Existing Criteria is Attachment A):</u>

Formula Retail Definition:

The general definition would be based upon providing a standard array of sales activities or services with elements of the business that have the appearance of other businesses establishment. Council must decide if the Formula Retail definition is meant to apply to all types of commercial uses or specific types of uses. For example, is it intended to apply to office uses as well as retail and restaurant uses? The general language of the definition would be the same, the only differences in its approach would be to specify uses rather than broadly apply to all commercial uses. References would be made to Article 5 of the Zoning Ordinance for defining uses.

Council could apply the definition to only trade uses (retail and personal services), restaurants, and entertainment uses and exclude offices such as insurance and financial establishments.

Staff recommends keeping the definition broad to capture all types of commercial uses as Formula Retail if the percentage limitation is 30% of less. If the percentage limitation was greater, then it would be appropriate to narrow the definition to have a wider range of allowances for more uses to fill the space. Staff believes defining a broad range of uses as Formula Retail approach would have the greatest effect on creating space available for Non-Formula Retail. Allowing for uses such as banks to be exempt from the definition would not necessarily promote diversification of businesses types in the area as it would lead to an incentive to fill the reserved space with other corporate businesses. Staff's recommended definition is on the next page.

Number of Establishments:

The threshold of exceeding 10 businesses in operation or permits/approvals to operate appears to be a reasonable approach to separate small and regional businesses from larger chains. Staff has not identified any other standards that would be more appropriate than this threshold. Staff has included 11 or more as the language within the draft definition stated below.

Formula-Retail is defined as a use that is an Office or Trade Use described in Article V of Chapter 29 Zoning Ordinance of the City of Ames Municipal Code that provides a standardized array of services or goods or contractually branded good or services that make is substantially similar to 11 or more other businesses located in the United States of America, regardless of ownership or operation, with at least one of the following additional traits of standard employee uniforms, architectural décor, façade appearance, trademarks, signage, menu, or similar standardized features so as make it nearly identical to another business. Real estate or leasing offices of any type are included as Formula Retail regardless of the number of locations.

The intent is to apply this threshold and definition to a project at the time of approval of tax abatement or pre-approval of tax abatement if a tenant is named. The example of Barefoot Outfitters provides an instance of how this could be complicated from the property owners leasing perspective. Barefoot is small growing company with approximately 13 outlets. At the time the developer signed the lease the business in Ames may have been the 10th outlet and meet the Non-Formula threshold, whereas by waiting 6 months to apply for tax abatement it may exceed the threshold. This is likely a unique circumstance, but could happen with small chains that are rapidly expanding.

Exceptions for Targeted Uses:

Campustown has looked to diversify the mix of uses and acknowledges the desire for this as one of the optional criteria for tax abatement for underrepresented businesses. CAA asked that Council consider exemptions for large scale restaurants, entertainment uses, or grocery establishments (CAA Letter Attachment B). Tax abatement criteria must be based upon objective standards if it affects a sub-set of assessment classifications. If Council desires to include an exemption it would need to either state a size of space for the use or be specific in the exemption for the type of use and have easily distinguished from similar uses. For example, a large restaurant could be defined as 5,000 square feet of space, an entertainment use as theater with a minimum of two auditorium and screens of a certain size, or a concert venue with a stage and a fixed seating area. Defining a Grocery Store is probably a more difficult exercise to the variety of products and services than are often offered at grocery stores. Alternatively, Council could consider language that to exempt underrepresented uses approved by Council from the Formula Retail definition. This would be much like the underrepresented category of the design criteria. Staff recommends not creating an exemption at this time and would prefer to see if there is a need or demand for this that could trigger a future change to the criteria based on an individual circumstance.

Non-Formula Retail Percentage:

The draft standard is for 30% of the commercial space to be reserve for Non-Formula Retail and to have the space occupied by a Non-Formula Retail tenant at the time of approval of tax abatement.

The 30% standard appears to ensure that one tenant space (approximately 1,200 to 1,500 square feet) would be available in each redevelopment project and if there is more commercial space built then potentially two normal sized small tenant spaces. If it was a large redevelopment project of a whole block, similar to Kingland, then there would be space for three to four small tenants or some combination of medium and large tenants. The 30% as a hard rule does have the potential to make awkward divisions of space internally for a building to meet the allocation requirement. It might also deter someone from maximizing commercial space out of concern of filling the 30% requirement and having the space occupied.

Alternative choices could be to establish either a percentage of the frontage as Nonformula Retail or have a tiered system that guarantees a minimum size expectation regardless of overall size of commercial. A standard based on frontage may generate more overall storefronts than a total area requirement due to the depth of the commercial space. An example of tiered system could be as follows:

- Development of the 0 to 5,000 square feet of commercial must have a minimum of 1,200 square feet of Non-Formula Retail.
- Development of 5,000 to 10,000 square feet must have a minimum of 2,200 square feet of Non-Formula Retail.
- Development of 10,000 to 15,000 square feet must have a minimum of 3,700 square feet.
- Development of 15,000 to 25,000 square feet must have a minimum of 6,000 square feet of Non-Formula Retail.
- Development with more than 25,000 square feet of commercial space must provide 7,500 square feet of Non-Formula Retail space.

Staff recommends the tiered approach that approximates a 30% expectation as it ensures that at least a usable Non-Formula Retail tenant space is created no matter the size of the project and it likely promotes more commercial use overall in Campustown.

Non-Formula Retail Occupancy:

The discussion on June 9th considered many issues about filling the Non-Formula Retail space and included options concerning just reserving the space, proof of leasing, or actual occupancy of an operating business. Based on the recent experience of the two projects this summer, occupied space may be a challenge as the commercial space has not been occupied at the same rate as the residential components. Based on the typical construction schedule of a student apartment project needing to be complete by August 15th to meet residential demands, it would mean that a property owner would have approximately five months from completing the shell of building to the deadline of February 1st of the next year to get its Non-Formula space occupied. If they did not meet this requirement they would be delayed by one year in seeking tax abatement. They would not necessarily lose a year of eligibility for tax abatement.

If Council finds that the occupied standard is burdensome, it could alternatively require that only one tenant be in business rather than the whole amount of square footage, proof of a lease with occupancy required within six months, require that interior space is "finished" rather than a shell regardless of its status as leased, or choose to not have a standard on occupancy. One detail on the occupancy that needs direction is whether the space can be occupied by any use that is not a Formula Retail Business or must it be actually occupied by a Non-Formula Retail Business. This is important distinction if it is okay to allow for use of the space by any user, such as an exhibit by a non-profit, versus the actual operation of business to meet the occupancy requirement.

Staff believes this is a complicate issue in terms of leasing and tenant improvement timing. Staff recommends language that requires occupancy or an agreed upon schedule for occupancy by the City Council, similar to the equivalence language of the public safety standards, in order to qualify for tax abatement.

Additional Design Issues:

Staff has worked through applying the criteria with three projects this summer and believes that some additional changes may be beneficial to help clarify expectations. However, it must be emphasized that these issues were not reviewed at the outreach meeting as site inspections has not been completed that lead to these concerns.

Signage:

The current signage standard is not clear on expectations for how to manage signage to be compatible with the building per the criteria in the matrix. Staff believes that at a minimum the language should be changed to require a sign program to be developed by the property owner and approved by staff that identifies the location of signs on the building and styles of signs to be used. Other suggestions would be to limit signs to locations at the base of the building rather than at the upper levels of the buildings, include references to the Campustown Idea Book for signage concepts and to promote projecting or blade signs, and finally specific signage details on lighting and attachment to a building could be included.

Architectural Design:

The building design requirements are based on the use of high quality materials of brick and there are no additional specifications for architectural details. The CSC zoning also does not include architectural details as part its standards. The two recent buildings from Opus and Gilbane along Lincoln Way illustrate different approaches to design of large residential buildings with the smaller Opus building creating a recessed façade along Lincoln Way and the larger Gilbane building have a flat appearance along Lincoln Way as their courtyard area is to the rear of the site. The contrast of these two building is desirable and helps to break down the monotony of the large scale buildings along this block, but this was unintentional in how the design regulations. Some basic building architectural standards could be added to ensure that some variety is added to the architecture either in the design language of the tax abatement or even into the CSC zoning standards. Examples of details could be to look at a building as having a base, middle, and top for architectural treatments; require façade modulation if the building is over a certain length, and to specify certain details for cornices, windows,

or parapets. Staff recommends taking this opportunity to add architectural standards to the tax abatement criteria such as those elements described above.

Parking Garage Access and Driveways:

Another detail that has affected the street level appearance of projects is the parking garage access and driveways. Staff believes limiting access no more than one driveway is appropriate, and even then if no other access is available. Driveways along Lincoln Way and Welch should be prohibited if any other access is available. Additionally, restricting drive through uses would also be beneficial to the streetscape and sidewalk appearance by reducing the demand for driveways. An additional benefit of limiting access points is that it creates more opportunity for commercial space at the ground level. Each driveway entrance reduces commercial uses by approximately 800 to 1,200 square feet. Each driveway also displaces at least one on street parking space or disrupts opportunities for sidewalk dining.

Windows:

The final change would be to under the public safety requirements. Based upon recent experience, we can further clarify the meaning of "fixed windows" by stating modified operable windows do not meet this standard. Staff recommends making this change.

Alternatively, some of the issues discussed above may be more appropriately changed in the Zoning Ordinance than as tax abatement criteria. This would be the case when the changes are appropriate for most properties and are more of a community expectation than an issue viewed as an incentive supported by tax abatement. Additionally, a text amendment to zoning would not affect previously approved projects that are under construction and only affect new development proposals. COUNCIL Believes these are broader issues they could be done as text amendments rather than tax abatement criteria

Effect on Current Projects:

Staff's understanding from June was that Council did not intend for any changes regarding leasing to apply to projects that were nearly complete at that time, the Opus Foundry Project and Gilbane 2320 Lincoln Way project. The Opus project was granted tax abatement approval on August 25th and would not be subject to changes in the criteria. However, Gilbane has not completed its project and has sought pre-approval for its project in an effort to vest the current requirements. Legal staff is in the process of reviewing the pre-approval language of the lowa statute and the current thinking is that pre-approval only approves a building design as meeting established criteria; however, it does not guarantee tax abatement and vest the criteria. Only upon completion of a project and receiving final approval does the criteria vest.

Gilbane has commented that changes to the leasing requirements while they have made leasing commitments to tenants would be a hardship for them because of existing contracts and the loss of the expected tax abatement as result of the changes. They believe that planning for their future redevelopment projects knowing the Non-Formula Retail rule could feasibly be accommodated and not deter their redevelopment efforts.

If Council wants to ensure that any changes to the criteria do not affect a project that is nearly complete, it may want to delay changing any criteria until after 2320 Lincoln Way has received tax abatement final approval. Staff would finalize the amendments and notice a public hearing date for later this year after Council has made a determination of conformance with the tax abatement criteria for the 2320 Lincoln Way project. In the event that the Legal Department determines that the pre-approval process vests tax abatement criteria then this would become a moot issue as the applicant can apply for pre-approval. Staff would then bring forward the amendments for Council consideration as early as October 13th.

Alternatives:

- 1. City Council may direct staff to prepare an amendment to the Campustown Urban Revitalization Plan to create a mandatory prerequisite for including Non-Formula Retail space as itemized below:
 - a) Define a Formula Retail Business as a use that is an Office or Trade Use described in Article V of Chapter 29 Zoning Ordinance of the City of Ames Municipal Code that provides a standardized array of services or goods or contractually branded good or services that make is substantially similar to 11 or more other businesses located in the United States of America, regardless of ownership or operation, with at least one of the following additional traits of standard employee uniforms, architectural décor, façade appearance, trademarks, signage, menu, or similar standardized features so as make it nearly identical to another business. Real estate or leasing offices of any type are included as Formula Retail regardless of the number of locations.
 - b) The minimum amount of Non-Formula Retail space required for a project:
 - Development of zero to 5,000 square feet of commercial must have a minimum of 1,200 square feet of Non-Formula Retail.
 - Development of 5,000 to 10,000 square feet must have a minimum of 2,200 square feet of Non-Formula Retail.
 - Development of 10,000 to 15,000 square feet must have a minimum of 3,700 square feet.
 - Development of 15,000 to 25,000 square feet must have a minimum of 6,000 square feet of Non-Formula Retail.
 - Development with more than 25,000 square feet of commercial space must provide 7,500 square feet of Non-Formula Retail space.
 - c) No exception for targeted uses.
 - d) Require occupancy of the Non-Formula Retail space by a business prior to approval of tax abatement or to receive Council approval of an alternative schedule for occupancy.

Additionally, Council can direct staff to prepared amendments to the design standards:

- a) Change the signage requirements for a sign program; and
- b) Add architectural design details; and
- c) Add driveway limitations; and

- d) Restate the fixed window standard to not allow for modified operable windows.
- 2. City Council may direct staff to make different changes to the Urban Revitalization Plan with modified criteria or to initiate text amendments to design standards for CSC Zoning.

Council would choose this option to address the criteria in a different manner than proposed by staff in Alternative 1 or address the architectural standards or driveway standards as zoning text amendments.

3. Direct staff on the timing of the proposed changes to be noticed for a public hearing after the approval of tax abatement for the 2320 Lincoln Way project, but no later than February 1, 2016.

Council would choose this timing option in combination with Alternative 1 or 2 to ensure the 2320 Lincoln Way project may seek tax abatement under the existing criteria and not be encumbered by new standards. This issue of timing could be moot if it is determined that prior approval vests the project under the existing criteria. In that case, staff would return to Council as soon as it is feasible.

4. Direct staff on the timing of the proposed changes to be promptly returned to Council with a notice of a public hearing for October 13, 2015.

Council would choose this option if it wanted to immediately change the criteria due to the 2320 Lincoln Way project receiving pre-approval that vests the current criteria or if Council wanted to ensure the criteria would apply immediately to projects that have not yet received tax abatement approval regardless of their construction status.

5. Direct staff to return with more information before providing direction on how to proceed.

MANAGER'S RECOMMENDATION:

Staff has identified a reasonable range of options for implementing the interest for reserving space for Non-Formula Retail in new projects in Campustown. Staff's approach defines Formula Retail broadly to be any type of Office or Trade use as defined in the Zoning Ordinance and provides no exceptions for particular uses. The tiered square footage system is more predictable than the 30% rule and meets the intent of reserving 30% of the commercial space. Staff believes that the occupancy standard may be a hard standard to achieve. It could be viewed as a deterrent to redevelopment as it is a significant unknown in the redevelopment process to predict tenanting two years in advance of initiating a project. However, the occupancy standard most directly aligns with the specific interest of ensuring Non-Formula Retail space is occupied by a business for a property receiving the incentive of tax abatement.

Staff also found that additional clarity to sign requirements, enhanced architectural standards, limitations on driveways, and fixed windows would be appropriate at this time.

In regards to timing, staff believes the intent from June 9th was to allow for projects nearing completion to be finished under the existing criteria. We had assumed at that time that the pre-approval process would guarantee those projects the ability to apply for tax abatement consistent with the existing standards. However, it has been determined that may not be the case and is under review by the Legal Department.

Therefore, the City Manager recommends Alternative 1 and 3 to modify the criteria as stated above and to delay the public hearing until the tax abatement eligibility for 2320 Lincoln Way is resolved.

ATTACHMENT A

CAMPUSTOWN URBAN REVITALIZATION CRITERIA MATRIX

PROJECT MUST MEET CRITERIA PROJECT MUST MEET CRITERIA AND OF ONE OF THESE COLUMNS OF ONE OF THESE COLUMNS Slum and **Parking** Adaptive Reuse Underrepresented Design Standards Blighted The building on the Retail and office uses on the first floor adjacent to a public sidewalk A minimum of 70% of the total Properties that are to site was originally must have direct access to the public sidewalk. required parking is provided in include a business Properties where a built before 1941. a structure. If utilizing a use where that actual majority of the parking deck, the restrictions in sales of the business assessed valuation of Chapter 29.406 12 of the AND use is below the the properties has Municipal Code must be expected sales for the been determined to 70% of the area of adhered to. The signage design, scale, materials, and colors shall be in proportion to be substantially business use as existing exterior and consistent with the architecture of the building and support the determined by the unsafe or to have an walls of the AND business identity. City Council to be of unsafe use by the structure will remain benefit to the City City Council. Mixed Use AND (should be supported The first floor must be used for AND by a retail leakage OR permitted commercial and retail study). Alternative Siding **Brick Material** uses as shown in Table Historic materials Material 100% of the front and 80% of 29.803(2) of the Municipal and designs are the three remaining sides of Code. The second floor must If historically significant preserved and/or the structure shall be faced be used for either commercial use and repair of historically restored. with clay brick for the first appropriate siding material or retail uses as shown in the four stories. On stories five Table 29.803(2) or for is permitted and must be through seven any other household living. All floors maintained for the term of building materials except above the second floor must be the selected tax abatement vinyl will be allowed. used for household living. schedule.

ALL RESIDENTIAL USES SHALL ALSO MEET THE FOLLOWING CRITERIA OR EQUIVALENT AS APPROVED BY THE CITY COUNCIL

- 1. Limit commercial space in the same building to the ground floor
- 2. Provide separate entrances for commercial and residential uses
- 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
- 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
- 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

ATTACHMENT B: LETTER FROM CAMPUSTOWN ACTION ASSOCIATION



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 nonformula 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 Al 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.



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 Richard Reynolds Kim Hanna Business Improvement Chair Board President Director

Arcadia Café ISU Memorial Union Campustown Action Association

ATTACHMENT C: CAMPUSTOWN URBAN REVITALIZATION AREA

