

COUNCIL ACTION FORM

SUBJECT: **PROPOSED DOWNTOWN REINVESTMENT DISTRICT URBAN RENEWAL AREA AND PLAN**

BACKGROUND:

At its February 23, 2021 meeting, City Council voted to proceed with the process to create an Urban Renewal Area that would have the same boundaries as the area included in the Iowa Reinvestment District Program Application. Urban Renewal Areas (URA) allow for a city to use a variety of powers and authorities to remove slum and blight and support economic development within an URA, as defined by Chapter 403 of the Code of Iowa. An Urban Renewal Plan for an Urban Renewal Area may also establish Tax Increment Financing (TIF) districts to financially support the objectives and projects of the Urban Renewal Plan.

The proposed URA comprises approximately 75 acres of land in and near downtown Ames (Attachment 1). The proposed boundaries overlap with the Downtown area as well as the Lincoln Way Corridor Plan. Downtown is highlighted within the City's Land Use Policy Plan as an Urban Core and point of emphasis for supporting amenities and high levels of commercial. The Lincoln Way Corridor Plan, along with the Downtown Gateway Commercial (DGC) zoning district, were created and adopted with the intent to foster redevelopment within this general area and to support reinvestment in Downtown.

The proposed Urban Renewal Plan (URP) is intended to improve blighted areas and promote economic development for the City of Ames within this urban core area of the City. (Attachment 2) This will be done through a combination of public and private activities over the life of the Plan. The URP identifies potential projects that include private redevelopment, construction of new public facilities, land acquisition, and new or replaced public infrastructure.

The proposed URP contemplates use of General Obligation Bonds and Tax Increment Financing (TIF) as tools to assist in the construction of public facilities and public infrastructure such as, but not limited to, an indoor aquatics center, parking, plazas, water, sewer, stormwater, streets, and pedestrian and bicycle facilities. TIF may also be approved to support private redevelopment projects as developer property tax rebates, notably the Lincoln Way Mixed Use project between Clark Avenue and Kellogg Avenue.

It is important to emphasize that approval of the proposed Downtown Reinvestment District Urban Renewal Plan does not directly commit the City to any of the projects described in the plan as they will be subsequently and individually approved by the City Council on a case-by-case basis.

URBAN RENEWAL PLAN:

City Council adopted a resolution of necessity for the URA at its July 27 meeting in order to initiate the approval process. There are three steps that needed to occur upon initiation in order to approve the Urban Renewal Plan. These steps include consultation with tax entities, a Planning and Zoning Commission review for a recommendation of consistency with the Land Use Policy Plan, and to hold a public hearing prior to adoption of the Plan.

The Planning and Zoning Commission reviewed the proposed URA at its August 4 meeting. The Commission discussed the boundaries of the URA, purpose of the district for removal of blight as well as support economic development, and the types of projects and activities contemplated within the Plan. The Commission voted 3-1 to recommend that the proposed Plan is consistent with the City's Land Use Policy Plan. Dissenting discussion focused on the concern for potential impacts to existing businesses and property owners that could result from future redevelopment in the area.

City staff held a consultation meeting on August 5 to allow for input from affected taxing entities. No one participated in the meeting and no written comments were received within 7 days of the meeting.

The public hearing notification was published in the Ames Tribune on August 13, 2021, for the August 24 meeting.

The proposed Plan includes the necessary components described by the Code of Iowa. The URP identifies its purpose to remove blight within the area and support economic development. It describes the projects and its objectives. The URP identifies those components of the Land Use Policy Plan that support the proposed URA. No changes to the Plan have been made since the draft was reviewed on July 27.

The Urban Renewal Plan must reflect if, and how, TIF funds will be used. The identified amount of TIF funds is a cap on the amount of TIF that can be collected in support of Urban Renewal Projects. Additional projects, or any increase in TIF that exceeds what is authorized in the Plan, would require an amendment to the Plan. The Plan identifies up to \$30 million dollars for use in facilitating private development. The Reinvestment District Application identified \$25 million for the Lincoln Way Mixed Use Development and \$3.5 million for the future Kellogg Hotel. Based upon escalated costs, staff has increased the potential amount of TIF that could be applied to private development projects. The Plan also includes \$2 million dollars for property acquisition to either remediate blight or for economic development purposes. The total amount of potential TIF is \$32 million.

The Plan itself does not define the specific parameters of TIF; subsequent TIF ordinances will define the location where TIF will be generated and how it will be used. TIF funds can be generated from a smaller area than the entire URA. As noted in the Plan, individual evaluation of a proposed redevelopment project and

negotiations would occur prior to authorization of any TIF for a redevelopment project.

The Iowa Code also requires that the Plan contain a summary of the City's current debt obligations, the City's limits on issuing debt, and an estimate of the amount of TIF debt that would be incurred. Any projects that are funded without TIF funds, such as the indoor aquatics facility, are not part of the cap on funding described with TIF.

The Plan does identify use of G.O. Bond funds for other public facilities and infrastructure. Specifically, the Plan identifies total costs for the Indoor Aquatic Center at \$31.2 million. This reflects the estimated full cost of the project with a 15% cost escalation. This figure does not account for other funding sources, such as the Reinvestment District funding or private fundraising.

ALTERNATIVES:

1. Adopt a resolution approving the proposed Downtown Reinvestment District Urban Renewal Plan and Area per Attachment 2.
2. Conduct a public hearing on the proposed Urban Renewal Plan and direct staff to make changes prior to adopting the Plan.
3. Decline to approve the Urban Renewal Plan and direct staff to not proceed with the Reinvestment District Application due February 25, 2022.

CITY MANAGER'S RECOMMENDED ACTION:

This is a unique endeavor for Ames with the State Reinvestment District requirement for an Urban Renewal Area in order to receive the State's 10-million-dollar incentive in support of the indoor aquatics facility. The URP is consistent with the City's LUPP goals supporting Downtown and with goals for reinvestment along the Lincoln Way Corridor.

The proposed Plan includes a diverse set of activities that may be needed to support remediation of blight and economic development goals for the area. The Plan also authorizes future use of Tax Increment Financing (TIF) that will be decided on case-by-case evaluation of funding needs for redevelopment projects and property acquisition.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.

ATTACHMENT 1: PROPOSED DOWNTOWN URBAN RENEWAL AREA



Downtown Reinvestment District Urban Renewal Area

DOWNTOWN REINVESTMENT DISTRICT URBAN RENEWAL AREA

City of Ames, Iowa

July 27, 2021

I. INTRODUCTION

Chapter 403 of the Code of Iowa authorizes cities to establish areas within their boundaries known as "urban renewal areas," and to exercise special powers within these areas. The City of Ames (the "City") recently applied to the state for a Reinvestment District designation for which the state program requires an Urban Renewal Area as a prerequisite for awarding funding to the City. The purposes of Reinvestment District overlaps with the intent of Urban Renewal Areas in support of city actions for removal of slum and blight and for economic development purposes.

The process by which an urban renewal area may be created begins with the preparation of an urban renewal plan for a proposed geographic area. Due to regulations of the Reinvestment District program, the proposed URA matches the boundaries of the proposed Reinvestment District and is approximately 75 acres in size. In addition to defining an area, Iowa Code requires preparation of a Plan identifying the purpose of the URA and the types of projects and activities that will occur within the URA. A City's Planning and Zoning Commission must review the draft plan and inform the City Council if it is consistent with the City's general plan, for Ames this is the Land Use Policy Plan (LUPP). Additionally, all affected taxing entities, such as counties and school districts, must be notified and given an opportunity to comment on the proposed plan. The City Council must hold a public hearing on the urban renewal plan, following which, the Council may approve the plan and designate an area.

This document is intended to serve as the Urban Renewal Plan for an urban renewal area to be known as the Downtown Reinvestment District Urban Renewal Area (the "Urban Renewal Area"). It is intended that this Urban Renewal Plan will guide the City in promoting economic development and the for the construction of public improvements and facilities. This document is an Urban Renewal Plan within the meaning of Chapter 403 of the Code of Iowa, and it sets out proposed projects to be undertaken within the Urban Renewal Area.

II. DESCRIPTION OF URBAN RENEWAL AREA

The Downtown Urban Renewal Area would include approximately 75 acres of land located in the downtown area of Ames and parts of Lincoln Way as depicted in Attachment A. A legal description of the property is attached hereto as Exhibit B.

III. AREA DESIGNATION

The Urban Renewal Area is being designated with a mixed designation. The URA is designated as both an economic development area appropriate for the promotion of commercial development

and as an area in which blighted conditions exist and is suitable for remediation activities.

Appropriateness for commercial development is based upon the City's Land Use Policy Plan and zoning designations that support commercial and mixed-use development.

Blight conditions apply to a subset of properties within the overall area that meet the Code of Iowa definition of blight. Properties located between Oak Street and Grand Avenue and Lincoln Way and the railroad tracks consist of outdated, deteriorated, and nonconforming buildings and site improvements. Properties between Clark Avenue and Kellogg Avenue north of Lincoln Way and south of the railroad tracks that are primarily vacant land and include lot layouts that are not conducive on their own to development allowed by zoning. Properties between Kellogg Avenue and Commerce Avenue are a mix of outdated, deteriorated, and nonconforming buildings and site improvements as well as properties with limited street access or substandard alley access for purposes permitted in the zoning district.

IV. BASE VALUE

If the Urban Renewal Area is legally established, and a Tax Increment Financing (TIF) ordinance is adopted, then the "base value" of the Area will be the assessed value of the taxable property within the TIF Ordinance area as of January 1 of the calendar year preceding the calendar year in which the City first certifies the amount of any debt of the Area pursuant to Iowa Code Section 403.19.

V. URBAN RENEWAL OBJECTIVES

The primary objectives for development within the Urban Renewal Area are:

1. To protect the health, safety, and general welfare of City residents through the removal or elimination of substandard conditions that exist in the Area.
2. To contribute to a diversified, well-balanced local economy by retaining and creating job opportunities and strengthening the property tax base, sales tax base, and hotel/motel tax base.
3. To stimulate private investment in Downtown and the Lincoln Way Corridor through public action and potential use of various incentives.
4. To help finance the cost of constructing public facilities and infrastructure and improvements in support of commercial development.
5. To provide tax increment financing incentives in the form of economic development payments or other methods authorized by state law.
6. To improve recreational, tourism, and cultural opportunities.
7. To promote development utilizing any other objectives allowed by Chapter 403 of the *Code of Iowa*.

VI. RENEWAL PROJECTS AND ACTIVITIES

The purpose of this Urban Renewal Plan is to facilitate and complement redevelopment in the Urban Core of Ames related to the Iowa Reinvestment District Grant application and other future redevelopment and infill projects consistent with City plans and zoning. To this end the City may engage in planning and design studies, acquire property, provide private development incentives, apply or implement building and property maintenance programs for remediation of or prevention of blight, and finance and construct improvements. Nothing in this section should be construed as limiting the range or types of activities or powers granted to the City under Chapter 403 or any other provisions of the Code of Iowa in furtherance of the Urban Renewal Plan.

Within the Urban Renewal Area, the Plan includes a publicly owned indoor aquatics center; improvements to public gathering space and a downtown plaza; construction or replacement of public parking, public infrastructure improvements for pedestrians and bicyclists; construction of or replacement of facilities for water, sewer, stormwater, streetscapes, and roads; Lincoln Way Mixed Use Development, removal of or enhancement of blighted building conditions, and other possible future private redevelopment projects.

The City's Land Use Policy Plan identifies the Urban Core, of which Downtown is a part of, as an area where unique development, community facilities and design, among other things, should be prioritized. (Page 36). The LUPP includes several Urban Core policy options that support the proposed Urban Renewal Plan that will support redevelopment that is in alignment with the vision proposed in the LUPP. It envisions a mix of uses that creates a downtown that is a 24-hour commercial center, a public space that provides the opportunity for organized activities and informal, organic gatherings, and a Downtown Gateway Focus Area. All of which was presented in the City's application to the Iowa Economic Development Authority for the Reinvestment District.

Additionally, the LUPP includes ten goals in broad categories, as well as a number of objectives to meet those goals. Two that more greatly influence the development of the Downtown area are quoted below.

Goal No. 4. It is the goal of Ames to create a greater sense of place and connectivity, physically and psychologically, in building a neighborhood and overall community identity and spirit. It is the further goal of the community to assure a more healthy, safe, and attractive environment.

Goal No. 8. It is the goal of Ames to enhance the role of Downtown as a community focal point.

To support these goals and objectives the City land use policy calls to create a strong central place in Downtown that will become a 24-hour center with a mix of uses that includes commercial uses, cultural amenities, dining and entertainment, and a public space. Within the Urban Core are smaller sub-areas identified as areas for change (i.e., public space, Downtown Gateway Focus Area).

The Downtown Gateway Focus Area is part of the 2018 Lincoln Way Corridor Plan and the

primary area planned for new development, including the Lincoln Way Mixed Use Development project. This area is intended to foster redevelopment with a commercial focus that may include residential development. It has been identified as a priority redevelopment area. The Corridor Plan also identifies the area between Oak Avenue and Grand Avenue, the planned location of the Indoor Aquatics Center as focus area for encouraging redevelopment.

The character and vision of Downtown Gateway area should be complimentary to the existing downtown character. The Downtown Gateway Area includes opportunity for collective parking, reduced parking, increased design scrutiny in order to create appealing massing and height through building materials, architectural features, etc., minimizing automotive service-oriented uses, wide sidewalks and improved streetscape along Lincoln Way. This would include uses like, but not limited to, boutique hotel, entertainment and retail, outdoor open space for events and commercial uses, office and employment. Kellogg Avenue is to be the focal point providing a strong connection to the heart of Downtown at Main Street.

The combination of projects and consistency with the City's Comprehensive Plan will address the objectives and purposes of the URA and Plan. The objectives and proposed projects outlined in this Urban Renewal Plan are consistent with the above goals and policies identified and adopted as part of the City's planning process and identified below:

Public Improvement Projects:

Project	Estimated Costs* (<i>does not include financing costs</i>)	Rationale
Two-story Indoor Aquatics Center with other recreational amenities	\$31.2 million, note that the financing of the project anticipates multiple sources of funding, including Reinvestment District funds from the state. Costs may vary based upon final design and timing.	The Indoor Aquatics center is a recreational amenity and attraction that is a foundational project for the state's Reinvestment District program funding. The facility will attract users from not just Ames but the surrounding area in support of making the area an attractive area for visitors and commercial activities.

Reconstruction or construction of roadways and public parking, including adjacent landscaping and public sidewalks.	Undetermined Costs may vary based upon final design and timing.	The City is anticipating the need to improve the access and function of roadways for vehicular traffic routes with reconfiguration of intersections, on-street parking, and streetscapes throughout the Area. This includes improvements to public parking lots located both to the south of the railroad tracks and north of the railroad tracks.
Downtown Plazas – Construct new 1-acre plaza located at 5th Street and Clark Avenue, and other smaller plazas or public spaces within the Area.	Undetermined Costs may vary based upon final design and timing.	Public space downtown was contemplated in the LUPP to attract users to Downtown. Spaces are for organized multi-purpose public activities geared toward pedestrian traffic. A main plaza is proposed to be in the heart of downtown with water features and ice skating to attract visitors. Other smaller plaza spaces, i.e. Tom Evans, may be expanded and improved over the life of the plan as future redevelopment occurs.
Pedestrian and bicycle facility enhancements	Undetermined Costs may vary based upon final design and timing.	Improved connectivity is needed for the area and it is goal of the City to support enhanced multi-modal transportation options. Improved connections will facilitate commerce between retailers. These improvements may be built in conjunction with a development project or as a standalone project.

Other Projects and Development Agreements:

Project	Estimated Incentive	Rationale
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<p>The City expects to enter a Development Agreement(s) for private redevelopment projects. Notably the site between Clark and Kellogg on Lincoln is planned to have a Master Developer, which the City would provide economic development support using tax increment financing for up to 20 years. The Lincoln Way Mixed Use project will consist of offices, retail, restaurants, apartments, hotel, and conference space. This development is expected to start construction in FY 22-23 and is a financial generator of Reinvestment District funding for the City.</p>	<p>Incentives will be negotiated on an individual basis with a developer based upon a financial need analysis and consistency with development goals for the area. The actual amount is unknown at this time as the specific project has not been proposed, for planning purposes the amount of TIF could be up to \$30,000,000 depending on the size and scale of a final proposal.</p>	<p>A full service hotel and conference space is desirable to promote tourism and visitors downtown and to meet existing needs of the business community. Office and mixed use development are needed to provide a urban live and work opportunity not presently in Ames to retain workforce. Additional office space is needed for new and existing businesses to grow or relocate.</p>
<p>Property Acquisition</p>	<p>The City may acquire property to address conditions of blight. The City may also acquire property for economic development purposes. Specific properties and costs are unknown, but not to exceed \$2,000,000.</p>	<p>To spur property improvements and remove blight, the City may need to acquire properties. The City in some cases may acquire facilitate land assemblage for economic development purposes.</p>

The City may also determine to use tax increment financing to provide other incentives such as tax rebates to developers in connection with blight remediation and/or commercial development or other urban renewal projects. The City may determine to use tax increment financing to reimburse the City for any obligation or advances.

Nothing herein shall be construed as a limitation on the power of the city to exercise any lawful power granted to the City under Chapter 403.

VII. TYPES OF RENEWAL ACTIVITIES

A. Tax Increment Financing

Under the Iowa Urban Renewal Law, in order to assist in the development of new private enterprises, the City may be requested to provide a property tax incentive in the form of an agreement that returns certain incremental property tax revenues to a developer as economic development payments. As part of the establishment of an urban renewal area, the City may adopt an ordinance to create a tax increment district (the "TIF District"), within which the property taxes eventually paid by new private development will be used to pay costs of urban renewal projects, including economic development agreements. The use of these tax revenues in this manner is known as tax increment financing ("TIF").

Depending on the date on which a TIF District is legally established and the date on which debt is initially certified within a TIF District, an original taxable valuation is established for the property within a TIF District, which is known as the "base valuation." The "base valuation" is the assessed value of the taxable property in a TIF District as of January 1 of the calendar year preceding the calendar year in which a City first certifies the amount of any obligations payable from TIF revenues to be generated within that TIF District. When the value of the property inside a TIF District increases by virtue of new construction or any other reason, the difference between the base valuation and the new property value is the "tax increment" or "incremental value."

Procedurally, after tax increment debt has been incurred within a TIF District, property taxes levied by the city, the county, the school district and the area college against the incremental value, with the exception of taxes levied to repay debt incurred by those jurisdictions and the school district physical plant and equipment and instructional support levies, are allocated by state law to the City's tax increment fund rather than to each jurisdiction. These new tax dollars are then used to repay any tax increment obligations incurred in the Urban Renewal Area.

Review of the proposed projects by City has resulted in a determination that financial assistance is likely required in order to make the projects financially viable through the use of Tax Increment Financing outlined in Chapter 403 of the Code of Iowa for public improvements and private development.

The City intends to enter into a Tax Increment Financing (TIF) rebate agreement with private developers for projects that meet the objectives of the plan. This may include a rebate of up to 100 percent of eligible incremental property taxes for a period of 20 years or an amount not to exceed \$32,000,000, whichever comes first. A TIF agreement will be structured such that the amount of the TIF rebate will not be included as debt subject to the state mandated debt limitation.

B. General Obligation Bonds

The Iowa Urban Renewal Law also allows a municipality the authority to issue and sell general obligation bonds for specified essential and general corporate purposes, including the acquisition and construction of certain public improvements and facilities within the Area, including but not limited to the indoor aquatics facility.

VIII. PROPERTY ACQUISITION/DISPOSITION

The City may acquire property within the area for purposes and objectives consistent with this Plan, which may include the use of eminent domain, as allowed under Chapter 403 and 6A. The City will follow any applicable requirements for the acquisition and disposition of property within the Urban Renewal Area.

IX. EFFECTIVE PERIOD

This Urban Renewal Plan will become effective upon its adoption by the City Council and will remain in effect until it is repealed by the City Council. State law allows the collection of incremental property taxes generated within the Urban Renewal Area to continue with no statutory sunset when an Urban Renewal Area's purpose is to address slum and blighted areas along with promoting economic development for commercial development. Each project or activity to which incremental property tax revenues will be devoted will be subject to such restrictions as may be deemed necessary and appropriate by the City Council.

X. PLAN AMENDMENTS

This Urban Renewal Plan may be amended in accordance with the procedures set forth in Chapter 403 of the Code of Iowa in order to carry out any purposes consistent with state law.

XI. CITY DEBT INFORMATION

Chapter 403 of the Code of Iowa requires that any urban renewal plan include certain information with respect to City general obligation debt, ability to incur additional debt and the amount of proposed tax increment debt to be incurred.:

1.	FY 2021-22 Constitutional Debt Limit	\$184,211,468*
2.	Current Outstanding General Obligation Debt:	\$74,585,000

3.	<p>Proposed amount of indebtedness to be incurred: A specific amount of debt to be incurred for all of the Eligible Urban Renewal Projects has not yet been determined. This document is merely for planning purposes. The estimated project costs in this Plan are estimates only and will be incurred and spent over a number of years. In no event will the City's constitutional debt limit be exceeded. The City Council will consider each project proposal on a case-by-case basis to determine if it is in the City's best interest to participate before approving an urban renewal project or expense. It is further expected that such indebtedness, including interest on the same, may be financed in whole or in part with tax increment revenues from the Urban Renewal Area or the issuance of General Obligation Bonds through referendum. Subject to the foregoing, it is estimated that the cost of the Eligible Urban Renewal Projects as described above will be approximately \$32,000,000 of TIF. (This total does not include financing costs related to debt issuance, which will be incurred over the life of the Area).</p>	
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*Preliminary; subject to change