

ITEM #: 43  
DATE: 09-26-23  
DEPT: P&H

**COUNCIL ACTION FORM**

**SUBJECT: DOWNTOWN URBAN REVITALIZATION AREA ELIGIBILITY CRITERIA  
- PROPOSED AMENDMENTS**

**BACKGROUND:**

At the City Council meeting on August 22, 2023, the City Council reviewed stakeholder and public input regarding a wide range of issues related to Downtown investment and redevelopment. In response to this input, the City Council directed staff to draft amendments to the Downtown Urban Revitalization Area eligibility criteria (see Current Criteria in Attachment A) to expand opportunities for property tax abatement related to new improvements.

City Council made the following motions pertaining to the Downtown URA:

1. Allow for 3-, 5-, and 10-year tax abatement schedule options,
2. Limit any property that has been identified as a contributing resource within a Local or National Historic District as ineligible for tax abatement if demolished,
3. Request that staff report back with language that expands the opportunity for tax abatement to interior and/or exterior projects with limiting principles as recommended by staff,
4. Request that staff craft a proposal regarding how to integrate energy efficiency as an additional component to the tax abatement eligibility requirement, and
5. Add "Residential" to the list of eligible uses.

**Additional motions were made by City Council at the same time for information and discussion for other aspects of Downtown development, separate from the tax abatement program. These other referrals are not addressed in this report and will be presented to the Council at a later date.**

**DOWNTOWN URA TAX ABATEMENT PROGRAM:**

The Downtown tax abatement program has historically been tied to making exterior façade improvements consistent with the adopted Downtown Design Guidelines. These guidelines address both traditional, historic commercial façade design and the design of façades outside of that tradition.

If a project within the Downtown URA makes exterior improvements—with or without a City façade grant—it is eligible for partial tax abatement of all improvements made to the building. **However, it is important to note that not all improvements to buildings, including façade work, increase the assessed value of the building. Remodeling, adding equipment, and maintenance types of work that do not create new usable space often do not directly increase assessed value.**

**The Downtown URA is focused primarily on supporting trade, restaurant, and entertainment uses as the primary use at street level.** The URA does not target office use and other non-trade uses for this incentive on the ground floor unless the business was already existing at the time of the building improvements. Other uses are allowed in the rear of buildings and on upper floors. **Focusing on trade uses and not office uses at the ground level is consistent with stakeholder input and City policy for support of Downtown. The proposed Downtown URA criteria maintain this priority for partial property tax abatement eligibility.**

**The Council’s direction in August charged staff to develop specific language to address City Council’s interests of increasing eligibility for tax abatement without necessarily requiring exterior façade improvements. At the same time, City Council wanted to ensure other priorities for maintaining the valuable character of Downtown were not diminished if a property receives tax abatement.**

Balancing these two issues without mandatory standards in zoning or the URA criteria is difficult. **Some concerns that materialized for staff while addressing the proposed changes relate to:**

- 1) Whether nonconforming uses should be incentivized to stay and reinvest, and
- 2) Whether building types that are wholly inconsistent with traditional Downtown character should also be eligible for incentives based upon interior work only (buildings at the west end of Downtown fall into this category).

**In response to these issues, the revised criteria prepared by staff declare nonconforming uses to be ineligible. However, all building types would be eligible, with limited exceptions outlined in the criteria. Staff believes that the specific language proposed on Attachment B is consistent with the general direction from August 22.**

#### **SUMMARY OF PROPOSED CHANGES:**

The major changes prepared by staff in response to the Council direction are highlighted below:

1. Adding 5- and 10-year sliding scale schedule as an option for applicants (see Attachment C for breakdown schedules),

2. Clarifying that only building improvements are eligible, not site improvements, such as parking lots,
3. Clarifying that all allowable uses in the Downtown Service Center Zoning District (DSC) are eligible, but nonconforming uses are ineligible,
4. Prohibiting properties with recently demolished or altered historic buildings ( See Attachment E) from being eligible for 10 years,
5. Design requirements will apply the current Downtown Design Guidelines to construction of a new building. For existing buildings, the front façade can either be compliant with Downtown Design Guidelines or the new improvements do not negatively impact the front façade window and door openings and transparency, i.e. block or fill in openings.
6. No façade work is required to be eligible for abatement.
7. Adding Residential as an eligible use.

#### **ENERGY EFFICIENCY COMPONENT:**

**Council directed staff on August 22 to provide information about criteria related to sustainability features. The revised criteria attached do not include a specific requirement related to sustainability features.** As written, most improvements that increase building value by 5% or more are eligible regardless of purpose, which would include sustainability features, fire sprinklers, or access improvements, etc. State law, however, exempts items such as solar panels from a property's assessed value; as such, their installation cannot increase assessed value. **Per the City Assessor's Office, installing energy efficient windows, replacing the insulation, and installing efficient HVAC systems are considered maintenance and do not contribute to an increase in the value of a building.**

**If the Council insists that sustainability be included as part of the mandatory criteria, staff will need further information to understand how to proceed. Specifically, is the Council's intent to require sustainability improvements with a building renovation, or only with new construction? Is the sustainability improvement meant to be an energy usage reduction from before the renovation (relying upon an energy audit) or is there a specific performance standard that will apply to all projects?**

**Additionally, if the Council's intent in modifying the tax abatement program was to broaden the range of eligible projects by reducing the eligibility criteria, introducing a mandatory sustainability criterion could prove to have the opposite impact. This could discourage certain reinvestment projects unless such improvements were already being considered by the property owner.**

**Council direction, therefore, is needed. If the intent of the Council’s motion is to include a mandatory criterion for energy efficiency, more time will be needed to address this issue.**

**URA BOUNDARY FOR THE 100 BLOCK OF KELLOGG AVENUE:**

Although not discussed on August 22, staff believes removing the 100 Block of Kellogg Avenue (between Lincoln Way and the railroad) from the URA may be appropriate (Attachment D). The intersection of Kellogg Avenue and Lincoln Way has historically been considered one of the entryways into Downtown and was added to the façade program and URA in 2011.

Since then, however, the City Council has established different goals for the Downtown Gateway area that promote intensification and redevelopment over preservation and incremental change. With the upcoming Linc project on the west side of the Kellogg, all but one of those properties will be integrated into the new development. All the properties on the east side of the street are owned by one entity that intends to redevelop them in the future.

Maintaining the Downtown URA in this area with no requirement to obtain a façade grant may inadvertently create a tax abatement incentive that is not consistent with the Downtown Gateway vision. Therefore, staff is proposing to adjust the Downtown URA boundary northward to the railroad (Attachment D).

**ALTERNATIVES:**

1. Set October 10, 2023, as the date of public hearing to approve the amended criteria for the Downtown Urban Revitalization Area as presented in Attachment B and modify the URA map to remove the properties along Kellogg Avenue between the railroad tracks and Lincoln Way.
2. Set October 10, 2023, as the date of public hearing to approve the amended criteria for the Downtown Urban Revitalization Area with modifications to Attachment B and modify the URA map to remove the properties along Kellogg Avenue between the railroad tracks and Lincoln Way.
3. Direct staff to provide additional information and do not set a date of public hearing.

**CITY MANAGER’S RECOMMENDED ACTION:**

The Downtown URA was adopted over 20 years ago to achieve reinvestment Downtown and was amended in 2008 and 2011. The City Council provided specific directives to staff on August 22 to amend the tax abatement program to expand eligibility. In response, staff has proposed changes to the eligibility criteria that attempt to balance redevelopment with the maintenance or improvement of Downtown’s character. Staff finds that the proposed

language is the most reasonable and broadest eligibility criteria that could accommodate the multiple interests for Downtown.

**Staff does have some concern that these broad criteria will support reinvestment in buildings that do not have traditional commercial façades that would have previously been ineligible because they did not meet design standards. Staff has included some safeguards in the criteria, but if City Council finds that the proposed criteria listed in Attachment B do not adequately address these concerns, the language would need to be modified. Therefore, presuming the City Council finds the draft standards are consistent with the August 22 direction, it is the recommendation of the City Manager that the City Council adopt Alternative #1, as described above.**

**Attachment A**  
**Current Downtown Urban Revitalization Area Eligibility Criteria**

1. Properties must be located within the designated Downtown Urban Revitalization Area.

AND

2. Improvements must be made to one or more of the facades of a building on the property that follow the current Downtown Design Guidelines for façade improvements as approved by City Council.

AND

3. The scope of the work must follow the current Downtown Design Guidelines for façade improvements as approved by City Council.

AND

4. If first floor is vacant before the façade improvements are made, then the front half of the first floor is required to have a retail use after the improvements are completed. If the first floor is not vacant before the façade improvements are made, and has a permitted use, then it is eligible. No residential structures are eligible.

AND

5. The improvements must be maintained for the three years.

**Attachment B**  
**Proposed Downtown Urban Revitalization Area Tax Exemption Criteria**

Established under Urban Revitalization Tax Exemption standards of Iowa Code 404.

1. The property must be located within the Downtown URA boundary.
2. Building improvements must be completed, and the building must have a certificate of occupancy from Ames Inspections Division.
3. The minimum value of a building improvement must increase the actual value by 5% or more. Site improvements, e.g. parking lots, landscaping, etc. are not eligible for tax abatement as a building improvement is required.

*Note – A commercial use is required to have a minimum assessment agreement approved by the City Assessor and the City prior to receiving tax abatement per state law.*

4. A property owner may choose either a 3-, 5-, or 10-year sliding schedule of tax abatement. (See Attachment C)

*Note – Residential properties may have partial tax abatement rates different from commercial uses per requirements of state law.*

5. The improvement must be maintained for the life of the tax abatement.
6. Use Eligibility
  - a. *Existing Occupied Building* – All permitted uses within the DSC zoning district are eligible, including residential. All buildings that include nonconforming uses are ineligible.
  - b. *Existing Vacant Building* – The ground floor must have a Retail Trade, Restaurant/Entertainment use, or small production facility (e.g. taproom, brewery, distillery, etc.) for the front half of the building. The remaining ground floor area and upper floors may have any of the following uses: retail trade, restaurant, entertainment, household living, or office.
  - c. *Building New Construction or Addition (with or without a Parking Structure)* – Structure Parking improvements are eligible as an accessory use of a site when the primary building also includes commercial uses on the ground floor as defined for Existing Vacant Building or with City Council preapproval of layout plan for the location and size of commercial space at the ground floor.

- d. Ineligible uses include nonconforming uses to DSC zoning, institutional, group living, transportation, communication, utility, and miscellaneous uses defined within DSC zoning.

## 7. Ineligible Properties

- a. Government-owned properties.
- b. Properties identified as 1) a local or national historic resource/landmark or 2) properties having a contributing historic resource to a local or national district, where the building (or buildings) has been demolished within the past 10 years or otherwise modified\* so that the building(s) are no longer eligible for listing as a historic resource. (Attachment E)

\* “Otherwise modified” includes alterations to character-defining features that negatively impact the historic integrity of the resource as identified at the time of the approval (either local or the National Register of Historic Places). A building damaged or destroyed by an accidental fire or weather may be pre-approved by City Council as eligible for tax abatement prior to making improvements to a site.

## 8. Design Requirements

At the time of filing of a complete tax abatement application for City approval, the new improvements must be in compliance with the following design requirements as determined by the City:

- a. Existing Buildings:
  - i. All front façades of an existing building are consistent with the Downtown Façade Design Guidelines.
  - OR-
  - ii. If there are no façade improvements:
    - 1. No changes are required to the front façade for the improvements,
    - 2. The building must have a front customer entry from the street at ground level, and
    - 3. The improvements to the building have not substantially reduced the ground floor transparency of windows and doors by reducing openings, obscuring the windows or doors with other materials, or replacing the glass with reflective, opaque,



translucent, spandrel or other types of glass, tinting or films that reduce transparency.

- b. New construction, including additions, shall conform to the Downtown Design Guidelines for facades.

**Attachment C**  
**URA Tax Exemption Schedule for 3, 5, and 10 Years**

All qualified real estate located in the designated Urban Revitalization Area is eligible to receive a partial exemption from taxation on the Actual Value added by the improvements as specified by the schedules below. Any qualified real estate may elect one of the three schedules.

**The exemption period for ten (10) years.** The amount of the partial exemption is equal to a percent of the Actual Value added by the improvements, determined as follows:

For the first year	80%
Second	70%
Third	60%
Fourth	50%
Fifth	40%
Sixth	40%
Seventh	30%
Eighth	30%
Ninth	20%
Tenth	20%

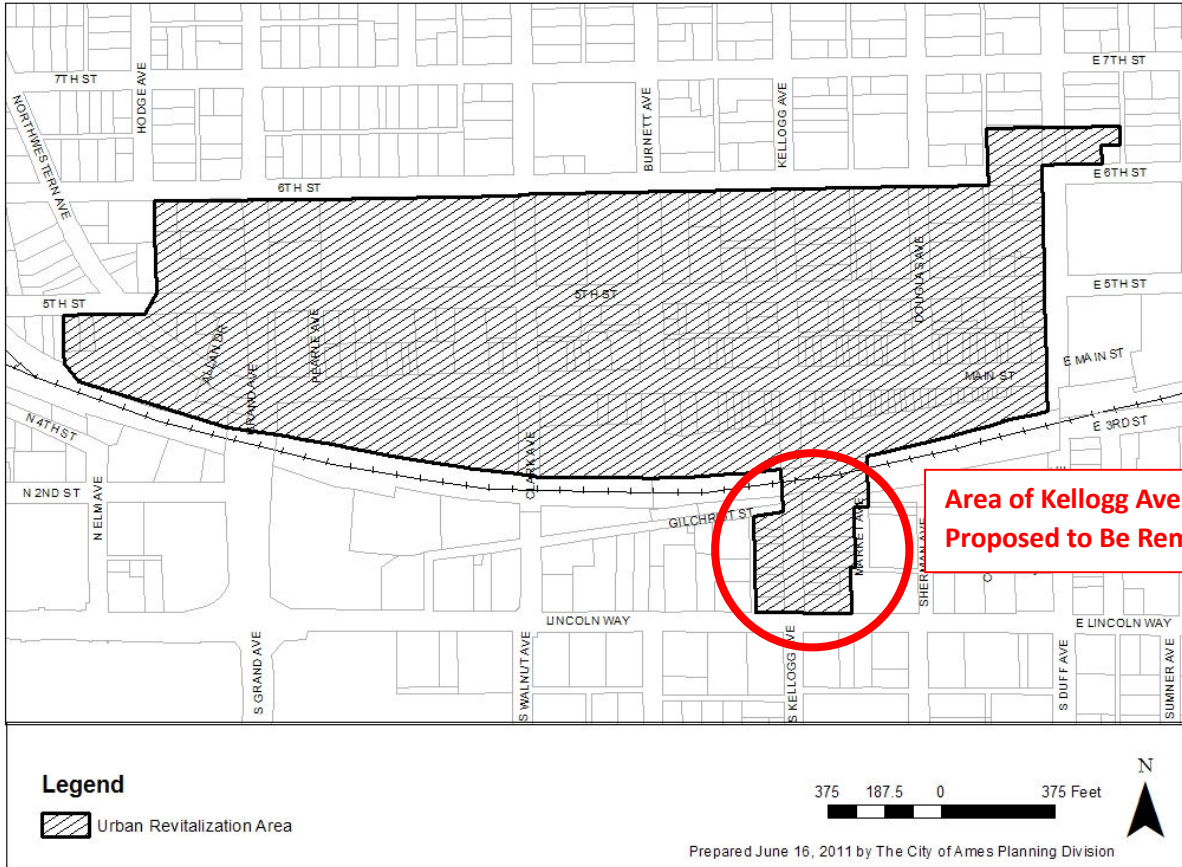
**The exemption period for five (5) years.**

For the first year	100%
Second	80%
Third	60%
Fourth	40%
Fifth	20%

**The exemption period for three (3) years.** All qualified real estate is eligible to receive a 100% exemption on the Actual Value added by the improvements for each of the three years.

**Attachment D**  
**Current Downtown Urban Revitalization Area Eligibility Map**

**Downtown Urban Revitalization Area**



# Attachment E National Register Historic District

## Classification of Properties in Ames Main Street Historic District National Register of Historic Places

