

ITEM #: 33
DATE: 10-24-23
DEPT: P&H

COUNCIL ACTION FORM

SUBJECT: ORDINANCE REVISING DOWNTOWN URBAN REVITALIZATION AREA (URA) BOUNDARY AND RESOLUTION AMENDING CRITERIA FOR DOWNTOWN URBAN REVITALIZATION AREA

BACKGROUND:

At the 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.

At the meeting on September 26, 2023, the City Council reviewed the proposed criteria and amended map and made the follow motions:

1. To add an additional URA criteria for existing buildings requiring that they undergo an energy audit, complete with assessment and recommendations, and supply the audit to the City for information purposes only.
2. To direct staff to investigate and report on information regarding energy code compliance reports for new construction.
3. Set October 10, 2023, as the date for the public hearing to amend the URA map.

Staff discussed the energy audit criteria with Electric Services staff and reviewed recent examples of audits. Electric Services offers energy audits for businesses in its service territory and contracts with a third party for the audits. Electric staff reinforced that the audit only has value before a project is initiated. While the business requesting the audit is not charged for the service, the audit with the report costs between \$500 and \$2,000 depending on the facility. The process takes 3-4 weeks in total to schedule and complete. Electric Services budgets funds for 5-10 commercial audits across the entire city in a year.

The proposed URA criteria require completion of an energy audit prior to making improvements. **This requirement will only apply to projects that are undertaken starting after July 1, 2024.** This allows projects that were completed recently to still be eligible for abatement even without the energy audit. Staff has some concern that applicants may not be aware of the requirement before starting the project since typically no Planning and Zoning permits apply to these projects (now that a façade grant is no longer required). Staff will implement a courtesy notice for Downtown Business permits in an effort to try to educate property owners interested in the abatement program. (Attachment B, new Section #9).

The energy code compliance investigation and report will be forthcoming from the Inspections Division of the Fire Department and is not included with the URA criteria.

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 D) 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.
8. Requiring a commercial energy audit from Ames Electric.

AMENDMENT TO BOUNDARIES:

While not a URA criteria amendment, the proposed changes also include removing the properties on both sides of Kellogg Avenue south of the Union Pacific Railroad tracks from the eligible URA area map. This area is now zoned Downtown Gateway Commercial and goal for redevelopment in this area do not align with the goals of the Downtown URA.

ALTERNATIVES:

1. Approve the amended Downtown Urban Revitalization Area boundary map as shown in Attachment E and described in Attachment F, and approve the amended URA criteria as written in Attachment B.
2. Approve an alternate amended Downtown Urban Revitalization Area boundary map as shown in Attachment E and described in Attachment F, and approve the amended URA criteria as written in Attachment B with additional revisions.
3. Deny the amended Downtown Urban Revitalization Area boundary map and deny the amended URA criteria.
4. Refer the item back to City staff for additional information.

CITY MANAGER'S RECOMMENDED ACTION:

The Downtown URA was adopted over 20 years ago to support 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. **The proposed changes included some safeguards to ensure the broadened eligibility criteria still support the City's primary goals for maintaining Downtown character and do not inadvertently incent improvements that are counter to this goal. Therefore, the City Manager recommended 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
with Modifications as Directed by Council on September 26, 2023

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 D)

- * “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 along the street(s) 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.

9. Energy Audit Prior to Commencing Project

If an existing building is proposed to undergo improvements to qualify for tax abatement, the applicant must complete a building energy audit prior to commencing the project. The energy audit reviews current energy use and makes recommendations for energy efficiency improvements. An audit conducted by Ames Electric complies with this requirement, as does an independent audit completed to the ASHRAE Level 1 standard with recommendations on energy efficiency improvements.

The energy audit requirement applies for any project improvements that require a building, fire, or trade permit issued after July 1, 2024. The audit must be completed within the two years preceding the initiating the project improvements qualifying for property tax abatement.

The applicant and building are not required to apply any of the suggestions in the audit, but the audit must be submitted to the City as a part of the URA application for final approval.

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%

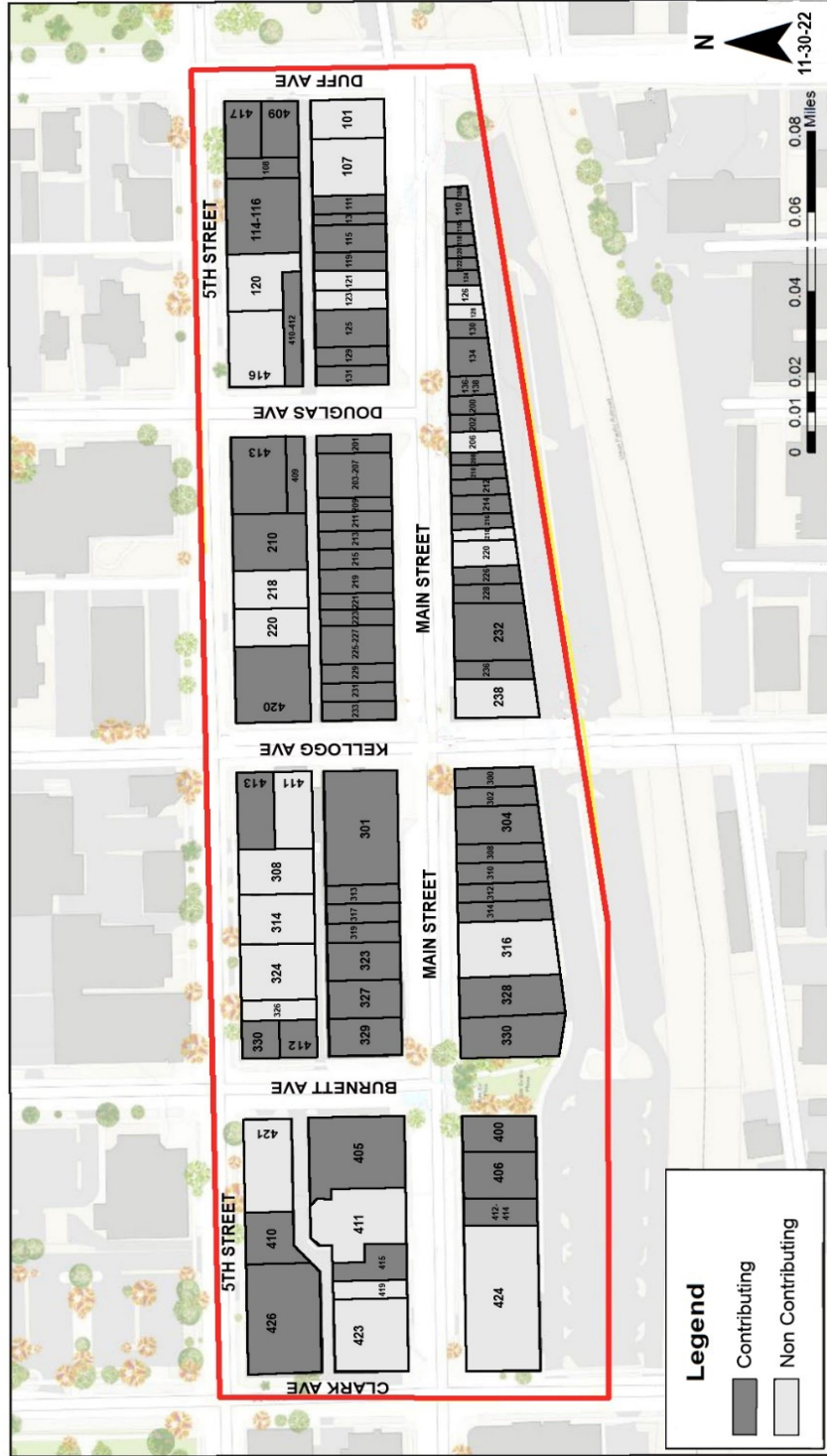
The exemption period for five (5) years.

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.

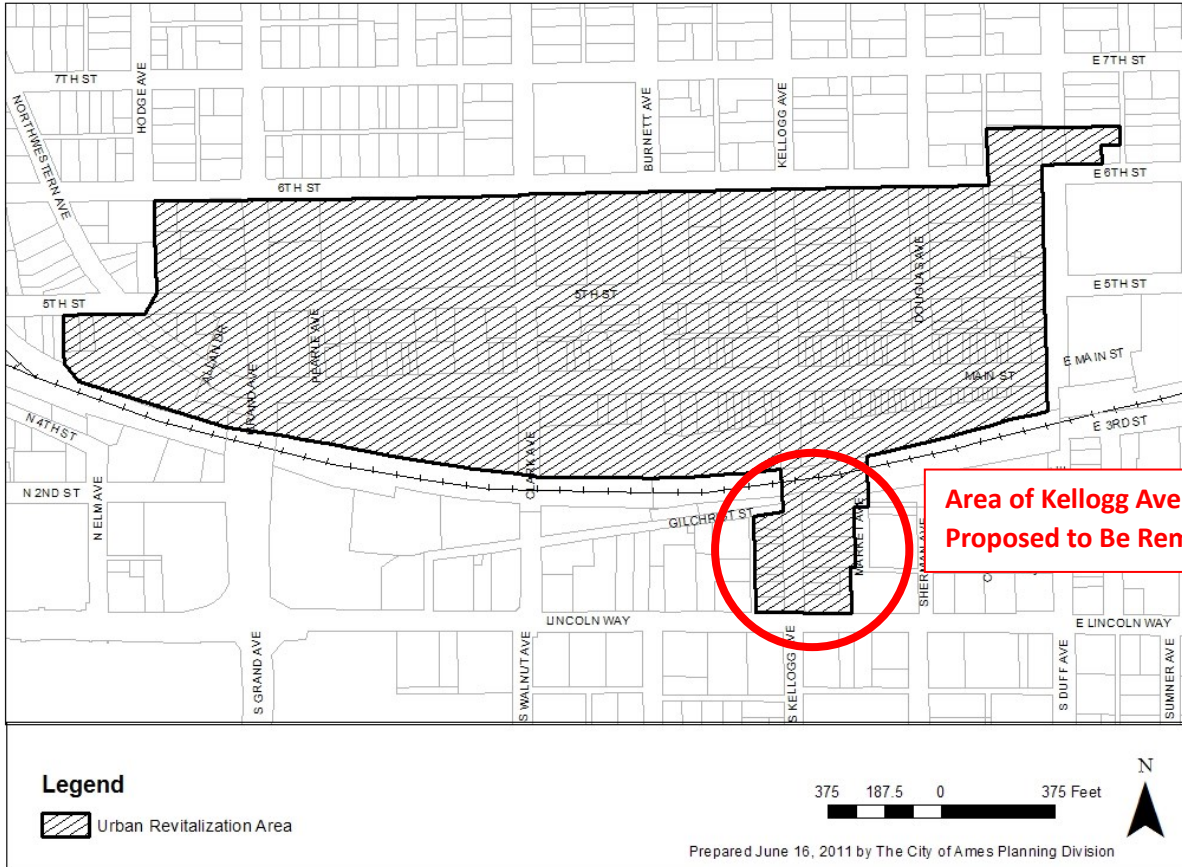
Attachment D National Register Historic District

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



**Attachment E
Downtown Urban Revitalization Area Eligibility Map**

Downtown Urban Revitalization Area



Properties to Be Removed from Downtown URA

Property Address	Property Owner	Owner Address	Parcel ID	Legal Description	Full Land Value	Full Building Value	Full Total Value	Assessed Land Value	Assessed Building Value	Assessed Total Value
119 KELLOGG AVE	AMES, CITY OF	PO BOX 811	50010-0811	0902358020	LEE & MUNN'S SD LOT:11	\$0	\$0	\$0	\$0	\$0
105 KELLOGG AVE	AWAY TEAM LLC	105 S 16TH ST	50010	0902358070	LEE & MUNN'S SD LOTS 3 & 4	\$105,800	\$122,600	\$228,400	\$105,800	\$122,600
113 KELLOGG AVE	AWAY TEAM LLC	105 S 16TH ST	50010	0902358040	LEE & MUNN'S SD LOTS 7 8 & 9	\$158,400	\$0	\$158,400	\$158,400	\$0
303 LINCOLN WAY	AWAY TEAM LLC	105 S 16TH ST	50010	0902358080	LEE & MUNN'S SD LOTS 1 & 2	\$162,000	\$108,100	\$270,100	\$162,000	\$108,100
109 KELLOGG AVE	AWAY TEAM LLC	105 S 16TH ST	50010	0902358060	LEE & MUNN'S SD LOT:5	\$52,900	\$0	\$52,900	\$52,900	\$0
111 KELLOGG AVE	AWAY TEAM LLC	105 S 16TH ST	50010	0902358050	LEE & MUNN'S SD LOT:6	\$48,000	\$0	\$48,000	\$48,000	\$0
213 LINCOLN WAY	SALACL LLC	7575 NE 56TH ST	50035-1157	0902382165	SECTION:02 TOWNSHIP:83 RANGE:24 SE SW BEG SW COR LOCKWOOD ADD W120 N60 E120 S60 EX TRI SW CR & W35.5 L13 LOCKWOODS ADD AMES	\$314,400	\$224,000	\$538,400	\$314,400	\$224,000
110 KELLOGG AVE	SALACL LLC	7575 NE 56TH ST	50035-1157	0902382190	SECTION:02 TOWNSHIP:83 RANGE:24 BEG NW COR LOCKWOODS ADD S35' W120' N35'	\$92,400	\$76,800	\$169,200	\$92,400	\$76,800
120 KELLOGG AVE	SALACL LLC	7575 NE 56TH ST	50035-1157	0902382220	E120' TO BEG SE SW AMES GRAIN & COAL CO 1ST ADD LOTS 13-15 BLK 2	\$267,400	\$384,900	\$652,300	\$267,400	\$384,900
124 KELLOGG AVE	SALACL LLC	7575 NE 56TH ST	50035-1157	0902382235	AMES GRAIN & COAL CO 1ST ADD PARCEL "A" LOT 16 BLK 2 & AMES GRAIN & COAL CO 2ND ADD LOT 11 & RR CFN 13-84	\$101,900	\$25,700	\$127,600	\$101,900	\$25,700
104 KELLOGG AVE	SALACL LLC	7575 NE 56TH ST	50035-1157	0902382180	SECTION:02 TOWNSHIP:83 RANGE:24 BEG 35'S NW COR LOCKWODD ADD S40' W120' N40' E120' TO BEG SE SW SEC 2 AMES	\$91,500	\$126,700	\$218,200	\$91,500	\$126,700
114 KELLOGG AVE	SALACL LLC	7575 NE 56TH ST	50035-1157	0902382200	AMES GRAIN & COAL CO 1ST ADD LOTS 9 & 10 BLK 2	\$187,200	\$202,400	\$389,600	\$187,200	\$202,400
118 KELLOGG AVE STE 101	SALACL LLC	7575 NE 56TH ST	50035	0902382210	AMES GRAIN & COAL CO 1ST ADD LOTS 11 & 12 BLK 2	\$170,100	\$277,200	\$447,300	\$170,100	\$277,200
121 KELLOGG AVE	WEDELSTEDT, EDWARD J	4655 COLORADO BLVD	80216-3217	0902358010	LEE & MUNN'S SD LOTS 12 & 13	\$86,300	\$4,900	\$91,200	\$86,300	\$4,900
117 KELLOGG AVE	WEDELSTEDT, EDWARD J	8547 E ARAPAHOE RD STE J-338	80112	0902358030	GREENWOOD VILLAGE LEE & MUNN'S SD LOT:10	\$52,900	\$146,100	\$199,000	\$52,900	\$146,100

Attachment F
Legal Description for New Boundary
(Removing Kellogg Avenue South of the Union Pacific Railroad Tracks)

Beginning at the northeast corner of Lot 5, Block 7, Original Town of Ames, Story County, Iowa; thence south a distance of 508.15 feet along the west ROW of Duff Avenue to the north ROW line of the Union Pacific Railroad; thence westerly along said ROW to the southwest corner of Lot 4, College Park Second Addition; thence northwesterly along the west line of said Lot 4 to the southeast corner of Lot 5, College Park Second Addition; thence north along the east line of said Lot 5 a distance of 158.1 feet to the south ROW line of Fifth Street; thence east along said ROW line to the northwest corner of Lot 1, Triangle Addition, which is also a point on the south ROW line of Fifth Street; thence north across said ROW to the southwest corner of Lot 5, College Park First Addition; thence north along the west line of said Lot 5 a distance of 203 feet more or less to the southwest corner of Lot 4, College Park First Addition; thence north along the west line of said Lot 4 a distance of 100.4 feet to the south ROW line of Sixth Street; thence east along said ROW a distance of 2489 feet, more or less, to the northwest corner of Lot 1, Block 7, Original Town of Ames; thence north across said ROW to the east line of the alley of Block 6, Original Town of Ames; thence north along the east line of said alley a distance of 120 feet more or less to the northwest corner of Lot 4, Block 6, Original Town of Ames; thence east along the north line of said Lot 4 a distance of 180 feet to the west ROW of Duff Avenue; thence east a distance of 80 feet more or less across said ROW to the northwest corner of Lot 7 of Blair's 2nd Addition; thence east along the north line of said Lot 7 a distance of 180 feet to the northeast corner of said Lot 7; then south along the east line of said Lot 7 a distance of 60 feet to the southeast corner of said Lot 7; thence west along the south line of said Lot 7 a distance of 60 feet; thence south a distance of 60 feet to the north ROW of East Sixth Street; thence west along said north ROW a distance of 120 feet more or less to the east ROW of Duff Avenue; thence west across said ROW a distance of 80 feet more or less to the west ROW of Duff Avenue; thence south along said ROW a distance of 306 feet more or less to the Point of Beginning.