

ITEM #: 25
DATE: 10/28/08

COUNCIL ACTION FORM

SUBJECT: PRIOR APPROVAL OF URBAN REVITALIZATION TAX EXEMPTION FOR PROPERTY LOCATED AT 328 & 330 MAIN STREET

BACKGROUND:

Each year property owners who have developed, redeveloped, rehabilitated, or remodeled property within the Urban Revitalization Areas of the city claim tax exemption for work that has been done, as provided for in Chapter 404 of the Code of Iowa. The developer who has recently proposed renovation of 326-330 Main Street as the downtown "catalyst" project is requesting prior approval for a 3-year, 100% tax exemption on increased value with respect to work yet to be done. The expected construction cost for the project is approximately \$3 million, with the exact increase in taxable property value not known at this time.

Four properties have received tax abatement in the downtown Urban Revitalization Area. All of these properties first received City Council approval of a Façade Improvement Grant. Since the criteria for Façade Improvement Grants are the same as for tax abatement, the property owners could be confident that the City Council would approve tax abatement for their projects. This occurred after the work was completed, an application was filed, and the City Council approved the annual list of tax abatements, usually a consent item on the agenda for the first City Council meeting in February.

There is no requirement that a project must apply for and receive a façade grant in order to qualify for tax abatement. A property owner can review the Downtown Design Guidelines, make façade improvements that he believes are consistent with those Guidelines, and then apply for tax abatement for the complete project. However, for a large project, the property owner would be taking substantial risk that the City Council would not agree that the improvements meet the Downtown Design Guidelines. That is a large risk for any large project that is relying on tax abatement to be successful. Therefore, Chapter 404.4 of the Code of Iowa provides for prior approval of eligibility, by resolution approved by the City Council.

The City Council is being asked to give prior approval that the renovation project proposed for the two buildings at 328-330 Main is eligible for tax abatement in order to provide the developer some assurance that the work will receive the tax abatement if done as shown. The developer is also seeking some assurance that the standards that he must follow to obtain tax abatement will not change after he has begun to invest in the project based upon the proposed plan.

Kingland Systems followed a similar process when it renovated the Ames Theater building at 2420 Lincoln Way in the Campustown Urban Revitalization Area. The City Council gave prior approval for tax abatement on April 14, 2004, and then Kingland made an investment of approximately \$1 million dollars in that building.

Based on currently available documents, City staff has reviewed the proposed project with respect to the current Downtown Urban Revitalization Plan, as listed in the current Downtown Criteria Matrix (attached). This review (also attached) indicates a number of revisions and additional information needed in order for the proposal to meet the criteria. The developer intends to provide revised drawings incorporating these revisions and information, before the City Council meeting of October 28.

With the listed revisions and additional information, staff concludes that the project proposal meets the minimum criteria of the Downtown Urban Revitalization Plan, which include the Downtown Design Guidelines. The proposed project also meets the revisions that the City Council recently made to the Downtown Design Guidelines.

Even with prior approval of eligibility for tax abatement under the current Downtown Urban Revitalization Plan, a future City Council could modify the Plan and change the criteria. The developer seeks assurance that the project as currently designed would still be eligible for tax abatement. Staff believes that the City Council can specify this "grandfathering" of the current design in its prior approval of eligibility. Staff also believes that the community and the City Council expect a significant project completely renovating both buildings, as has been presented. The City Council can also require this scope of the project as a condition of any prior approval.

It also important to understand that the developer, like any property owner downtown, in the future can propose a different project, a different design, a smaller scope of renovation, and seek tax abatement for those improvements. That different project is not subject to any prior approval of eligibility given at this time. It would be reviewed based on the program criteria in place at the time the project application is made, just like any other downtown project. However, at that time the City Council could determine that a much smaller project is not significant in the context of the overall plan and, therefore, deny tax abatement for the smaller project.

ALTERNATIVES:

1. The City Council can give prior approval of eligibility for urban revitalization tax abatement for property located at 328 & 330 Main Street under the following conditions:
 - a. before any tax abatement is approved, the entire project shall be completed in conformity to plans provided by October 28, 2008, which shall include all revisions specified on the attached review of the proposed project;
 - b. the project includes the improvements shown for all facades of the buildings;
and

- c. approval is valid for improvements completed by January 1, 2013, and any revisions to the criteria for tax abatement under the Downtown Urban Revitalization Plan will not be required for this project as presented.
2. The City Council can give prior approval of eligibility for urban revitalization tax abatement for property located at 328 & 330 Main Street with modified conditions.
3. The City Council can deny the request for prior approval of eligibility for urban revitalization tax abatement for property located at 328 & 330 Main Street.
4. The City Council can refer the request to staff for further information.

MANAGER'S RECOMMENDED ACTION:

The proposed complete renovation of the two buildings at 328-330 Main Street is a much larger project than any façade grant or tax abatement project that has been completed downtown. It is hoped that it will have a much greater impact, a very positive impact, on further development downtown. Of course, such a project carries with it greater risk for the developer. It is understandable that the developer would want some assurance that the assumptions and commitments made when the project proceeds will not change. The proposed prior approval of eligibility will accomplish that. At the same time it is understandable that if the City makes commitments for some time into the future, that the project that is expected will in fact be built.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, which approves eligibility for urban revitalization tax abatement for property located at 328 & 330 Main Street under the following conditions:

- a. **before any tax abatement is approved, the entire project shall be completed in conformity to plans provided by October 28, 2008, which shall include all revisions specified on the attached review of the proposed project;**
- b. **the project includes the improvements shown for all facades of the buildings; and**
- c. **approval is valid for improvements completed by January 1, 2013, and any revisions to the criteria for tax abatement under the Downtown Urban Revitalization Plan will not be required for this project as presented.**

The Council should understand that this request for tax abatement represents a change in the Developer's strategy for renovating 328-330 Main Street. In lieu of seeking a "shell grant" for destination tenants and utilizing TIF to pay a portion of a parking structure (if the Council decides to proceed with the deck), the Developer is now requesting tax abatement under our existing Downtown Urban Revitalization Program. The issues of a two-year bridge loan, an encroachment permit into Tom Evans Plaza, and Public Restrooms will need to be discussed at a future time.

The McKel Group

119 Stanton, Suite 201 • Ames, IA 50014-2531 • Phone: 515-598-9100 • Fax: 515-598-9101

October 24, 2008

Honorable Mayor and
Honorable Members of the Ames City Council
City of Ames
Room 238, City Hall
515 Clark Ave.
Ames, IA 50014

Re: Downtown Catalyst Project

Dear Mayor and Council Members:

Our contingency for the purchase of the 328-330 Main St. property was extended through October 2008. Through our due diligence with Steve Schaninker we learned that the City of Ames cannot guarantee parking that satisfies the area needs before our contingency expires. Furthermore, we learned that defining a destination tenant and supporting that concept through a "shell grant" and TIF plan is not the path to follow at this time. We have come up with a new strategy to address the current issues.

From our previous council meetings we believe that there is a desire to provide at least 150 more parking stalls on lot X and/or Y. This is an essential part to Main St. Ames growing into the hotspot we all want it to be. We also believe there is support for something vibrant in the redevelopment of this building.

We do not want to acquire the building if we do not believe a feasible, better future exists for the building beyond its current state. With the current tax abatement program in place and the fact that the building can "hobble" along as-is indefinitely, we are willing to bear the risk of the worst case scenario -- that the City will not come through with parking to support the area.

The current façade grant and tax abatement is critical in our decision to acquire the building, we need to know that it will be available to us in the unlikely event parking does not suit our needs. We are asking for the City to grant prior approval of eligibility for tax abatement under the current program. We have submitted plans like any other applicant and have worked with staff to meet the new guidelines recently adopted.

The advantage to the City of granting prior approval is that a developer with a track record of historic renovation will be in control of the property. Secondly, an acceptable façade will be known by all if the tax abatement is used.

Right now, we are not asking for anything except “prior approval”. However, we are still expecting to negotiate a public-private relationship to address our need for a bridge loan and egress access to the west side lower level. We will resume those discussions once the parking situation is known.

That is it. We kindly request that you render a decision at the next meeting on this matter due to our time constraint with the seller. Thank you for your consideration.

Sincerely,

Russ K. McCullough, Ph.D. David A. Keller, CPA

DESIGN REVIEW OF 328—330 MAIN STREET

Project design includes all facades and is based on documents as follows (attached):

- Preliminary Main Street View, Revised 8/12/08

The following review is based on the Downtown Urban Revitalization Plan as approved by the Ames City Council by Resolution 01-156 on April 14, 2001, as expressed in the attached criteria matrix, and on the Downtown Design Guidelines as approved by City Council by Resolution 01-090 on March 6, 2001.

Project meets the requirement to be located within the **Downtown Urban Revitalization Area**.

Elements of the proposed project consistent with Downtown Design Guidelines

Streetscape:

- Building setback abuts sidewalk
- Building height of 2 to 4 stories
- Zero lot line (building abuts street right-of-way and buildings on either side)
- Building elevation parallels street

NOTE: Roof lines are to reinforce horizontal/linear aspect of the current downtown streetscape, with parapets used to disguise any slope roof visible from the street. An exception to this requirement is allowed because the peak roof with crenulated gable is a defining element of this building and because the scale of this building is one of the largest on Main Street

Upper Façade:

- Uses modular brick masonry
- Retains historic brick detailing
- Cover-up materials removed

New Upper Windows (and all windows on west façade):

- Completely fill original window cavity (except arch) with window
- Retains simplicity of design characteristic of the district

Storefront:

- Retains the two individual buildings at the street level (east-328 Main; west-330 Main)
- Retains the simplicity of design characteristic of the district
- Predominately glass, (75%)
- Maintains a regular pattern or rhythm with other facades along the street

Transom:

- Uncovering transoms/removing cladding materials and installing new transom, if required, with simple transom design

Display Windows:

- Large expanse of glass, 75% +/- of the storefront

Entrances of 328 Main:

- Retains historic entry configuration
- Entrances recessed from the sidewalk with doors parallel to the street/sidewalk
- Recess areas incorporated into the display windows

Elements needing revision or conditions to be consistent with Downtown Design Guidelines

Need design for south façade that meets these criteria.

Remove the representation of excavation in the City property that opens the basement of the west façade. Any prior approval given should not be construed as to constitute any form of approval of this use of City property.

Upper Façade:

- Clean brick facades as needed, using the gentlest means possible
- Tuck point decayed mortar joints according to historic preservation specifications
- Repair brick walls rather than strip and replace
- Note modular masonry materials to be used for 328 Main

New Upper Windows:

- Must be wood or aluminum
- Design must be compatible with district's period of significance

Transom:

- Material to be glass

Display Windows

- All display windows to be clear glass
- Raise display windows above sidewalk 18 inches +/- with kick plate

Kick plates:

- To be of clay brick, 4-inch tile or monolithic panels of stone, marble or granite

Entrances:

- Use the same general materials as the storefront display windows on the entrance system
- Entrance doors shall have large open window
- Entrance doors shall be of simple design
- 328-330 Building: Recess entrances from the sidewalk, but keep the door parallel to the street and sidewalk

Any awnings added shall:

- be either fixed or roll-up
- have traditional "wedge" shape
- made of fabric, not vinyl or rigid fit the opening they cover
- not be back-lit

The project has utilized the services of the local architectural firm of Roseland Mackey Harris Architects, hereby approved by City staff.

With the above conditions, 100% of the façade improvement project will meet the Downtown Design Guidelines. The project includes more than one element of these Guidelines.

To be eligible for tax abatement, the front half of the first floor must be occupied by use permitted by the Ames Municipal Code provisions for the Downtown Services Center Zoning District.

On March 14, 2008, the City Council approved changes to the Downtown Design Guidelines, which now apply to the Façade Grant Program. The City is currently in the process of modifying the Downtown Urban Revitalization Plan to incorporate these new guidelines. For this project, the guidelines are substantially the same. The proposed project meets one additional element of the new guidelines: **Includes substantial removal of elements inconsistent with the Downtown Design Guidelines and replacement with elements consistent with the Downtown Design Guidelines.**

S:\PLAN_SHR\Urban Revite\URA Plans\Downtown\Livery Bldg\Design review - 328-330 Main.doc

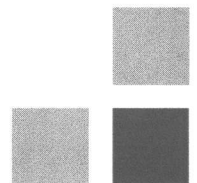
Roseland
Mackey
Harris
ARCHITECTS PC

Main Street Livery Restoration (Revised Views)

PRELIMINARY VIEWS – PAGE 3: REVISED 8/12/08



PRELIMINARY MAIN STREET VIEW



**URBAN REVITALIZATION
DOWNTOWN
CRITERIA MATRIX**

REQUIRED

Downtown District

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

Utilizing the Design Guidelines for Façade Improvements approved by Council Resolution #01-090 on March 6, 2001

- Properties must follow the Downtown Design Guidelines for façade improvements;

AND

- Utilizing the services of a designer approved by City staff, implement a façade improvement project that meets 100% of the façade improvements that are called for by the Design Guidelines for Façade Improvements. That façade improvement project shall include one or more of the following treatments from the Design Guidelines for Façade Improvements:

- Streetscape
- Upper façades
- Upper windows
- Storefronts
- Transoms
- Display windows
- Kickplates
- Entrances
- Signs
- Awnings and canopies
- New Construction

If 1st floor is vacant, then the front half of the 1st floor is required to have a retail use. If the 1st floor is not vacant, and has a permitted use, then it is eligible. Furthermore, no residential structures are eligible.

The improvements must be maintained for the life of the tax abatement schedule applied for.