

## COUNCIL ACTION FORM

**SUBJECT: COMMERCIAL CRITERIA FOR TAX ABATEMENT IN URBAN REVITALIZATION AREAS**

### **BACKGROUND:**

On May 11, 2010, City Council reviewed a final draft of proposed criteria for tax abatement in urban revitalization areas within the HOC District. The Council identified some final changes it wanted made before moving forward with final action on the proposal. Those changes included the following:

1. Eliminate criterion I(1) pertaining to property improvement value versus land value.
2. Make criterion I(2) pertaining to vacant land the only criteria under the Economic Development category, and specify a period of 7 (seven) years vacancy as the qualifying threshold.
3. Eliminate criterion II(1) pertaining to nonconforming uses in the HOC district, leaving criterion II(2) pertaining to "public nuisance" as the only criterion under the Non-conforming Uses or Blight category.
4. Eliminate in criterion III(1) the words "real or perceived" from the statement pertaining to environmental contaminations in brown fields.
5. Add language to criterion III(2), which pertains to properties within 1,000 feet of a well head, that requires the developer to demonstrate that project cannot be configured in a manner to avoid the extra cost of developing near a well head.
6. Add agriculture sales and industrial equipment sales to the list of non-qualifying uses.
7. Specify that compliance with only one criterion is sufficient to be eligible for tax abatement.

Because the above changes resulted in only one criterion being listed under some of the broader categories, and because eligibility requires compliance under only one criterion with no reference to the broad categories, staff eliminated all references to the broad categories. The criteria reflecting the above changes are attached for City Council action (Attachment A). Therefore, a property (or multiple properties) within a Highway Oriented Commercial zoning district that meets one of these criteria could qualify for the tax abatement incentive.

State law provides a broad basis for the City to apply this incentive for development. These criteria fit within those state standards. State law also sets the process for properties to be approved under this program. Attachment B describes the City's process for considering an Urban Revitalization Area under the Commercial Criteria, consistent with state law.

### **ALTERNATIVES:**

1. The City Council can approve the Commercial Criteria for Tax Abatement Within Urban Revitalization Areas as reflected in Attachment A.
2. The City Council can deny the Commercial Criteria for Tax Abatement Within Urban Revitalization Areas as proposed in Attachment A.
3. The City Council can defer action on this request and refer it back to City staff for modification to the proposed Commercial Criteria for Tax Abatement Within Urban Revitalization Areas.

**MANAGER'S RECOMMENDED ACTION:**

Although property taxes have been abated for some properties with commercial uses in the Somerset, Downtown, and Campustown zoning districts in associated Urban Revitalization Areas, no new commercial Urban Revitalization Areas have been created in some time. The proposed criteria can provide a new incentive for commercial redevelopment within Highway Oriented Commercial zoning districts, consistent with City Council's goal to promote economic development. The proposed criteria reflect the changes directed by the City Council. Therefore, it is the recommendation of the City Manager that the City Council act in accordance with Alternative #1, which is to approve the Commercial Criteria for Tax Abatement Within Urban Revitalization Areas as reflected in Attachment A.

## Attachment A

### URBAN REVITALIZATION HIGHWAY ORIENTED COMMERCIAL (HOC) REDEVELOPMENT CRITERIA

Properties eligible for tax abatement must be within the Highway-Oriented Commercial zoning district, and also fit within one or more criteria.

1. Properties from which the principal building has been removed and the property has been vacant for at least seven years.
2. Properties with a principal building that has been determined by the Building Official as meeting the definition of “Public Nuisance” in the Ames *Municipal Code*, Chapter 5, “Building, Electrical, Mechanical and Plumbing Code” (Currently Section 5.401(7)).
3. Development or redevelopment of Brown Fields. Brown Fields include abandoned or underused industrial and commercial facilities or sites available for re-use or redevelopment. Expansion or redevelopment of such a facility or site is complicated by environmental contaminations.
4. Properties with at least 20% of the property area being within 1,000 feet of a City of Ames water well and within the Floodway-Fringe Overlay zoning district. The Developer must demonstrate that the proposed project cannot be configured in a manner to avoid extra costs associated with building near a well head.

**Non-qualifying uses.** Notwithstanding compliance under the above categories, tax abatement shall not be granted for properties developed for or otherwise used for the following uses:

1. Mini-storage warehouse facilities or other industrial uses.
2. Transportation, communications, and utility uses.
3. Institutional uses.
4. Automotive, boat, and/or RV sales.
5. Adult entertainment business.
6. Detention facilities.
7. Agricultural or industrial equipment sales.

## **Attachment B**

### **PROCEDURE FOR URBAN REVITALIZATION AREA DESIGNATION**

1. Minor Site Development Plan approved by the City of Ames, Planning & Housing Staff (P&H).
2. Application for designation as an URA received by P&H .
3. City Council action on
  - a. Motion approving/denying that proposed project will meet criteria
  - b. Motion directing staff to prepare Urban Revitalization Plan
  - c. Resolution setting date of public hearing

#### **IF CITY COUNCIL DECIDES THE PROJECTS MEETS CRITERIA FOR TAX ABATEMENT:**

4. P&H prepares Urban Revitalization Plan and sends to City Clerk to be available for public review.
5. Clerk publishes Notice of Hearing in Tribune at least 34 days prior to the hearing date.
6. Clerk sends Public Notice to owners and residents of subject property at least 30 days prior to the hearing date.
7. City Council hearing on Urban Revitalization Plan and action on
  - a. Resolution approving the Plan
  - b. First passage of ordinance establishing the Urban Revitalization Area
8. City Council action on second passage of ordinance establishing the Urban Revitalization Area.
9. City Council action on third passage of ordinance establishing the Urban Revitalization Area.
10. City Clerk publishes ordinance.
11. P&H sends letter to applicant informing them of approval and reminding them to apply for tax abatement before January 31 of any and every year in which improvements will be first assessed.