

Staff Report

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

July 13, 2010

On June 8, 2010, the City Council reviewed a final draft of proposed criteria for tax abatement in urban revitalization areas within the Highway-Oriented Commercial (HOC) District. The Council identified one additional change it wanted made before moving forward with final action on the proposal. The change pertained to proposed Criteria #4.

The concern expressed at the meeting was how much extra costs associated with development within 1,000 feet of a City well head should warrant tax abatement. The Council discussed various costs as a percentage of the actual abatement, including 7% and 50%. At this meeting, the Council directed staff to develop alternatives to address this cost/benefit issue.

In accordance with this directive, Attachment A includes five different alternatives for Criteria #4 for the Council's consideration.

Alternative 1 is the language originally presented to the City Council.

Alternative 2 adds the word "significant" to the cost issue, but does not provide any guidance on what would be considered significant. This would leave it to the Council's discretion to determine if the estimated costs are significant enough to warrant tax abatement.

Alternative 3 focuses on the negative impact on a proposed project that might result because of its proximity to a City well head. This negative impact might be associated with the extra costs or a diminished project.

Alternative 4 defines significant as the extra costs being at least 50% of the expected value of the tax abatement. (Of course, the Council could substitute any other percentage that it feels is warranted.)

Alternative 5 indicates that tax abatement is warranted only if the entire property is located within the 1,000 foot radius (and therefore fully subject to stormwater quality measures). If this is the case, the staff believes there would be significant enough costs associated with the entire site to warrant tax abatement.

It should be pointed out that in Alternatives 1 through 4 the developer must demonstrate to the City that the project cannot be redesigned to avoid extra costs. The engineering staff believes it will be difficult for them to verify the cost estimates that are presented to them. Therefore, the Council will have to rely on the estimates presented by the developer to justify the extra costs. Alternative 5 is the easiest to administer because no review of cost estimates will be required.

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. *Alternative 1.*
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.

Alternative 2.

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 or designed in a manner to avoid significant extra costs associated with building near a well head.

Alternative 3.

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 or designed in a manner to avoid significant extra impact to the project because of its location near a City well head.

Alternative 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 or designed in a manner to avoid significant extra costs associated with building near a well head. To be considered significant, extra costs must be at least 50% of the projected value of the tax abatement.

Alternative. 5.

Properties that are fully contained within 1,000 feet of a City of Ames water well *and* within the Floodway-Fringe Overlay zoning district.

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 businesses.
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 PROJECT 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.