

COUNCIL ACTION FORM

SUBJECT: 2021 URBAN REVITALIZATION TAX ABATEMENT REQUESTS

BACKGROUND:

The City Council established Urban Revitalization Areas (URAs) which allow for the granting of tax exemption for the increased valuation of a property for projects that meet the criteria of each URA's Urban Revitalization Plan. In most cases, these criteria set certain standards for physical improvements that provide public benefits. When property within one of these URAs is developed, redeveloped, rehabilitated, or remodeled, the property owner is eligible for abatement of property taxes on the incremental increase in property value after the improvements are completed. This abatement can extend for three, five, or ten years, depending on the Urban Revitalization Plan for each URA.

Every year, owners who have made improvements to property within the City's URAs during the previous year may apply for tax exemption on the incremental added value of their properties. The City must determine if the completed improvements meet the criteria in the Urban Revitalization Plan for the URA in which the property is located. **If the City Council finds that the criteria are met, this approval is forwarded to the City Assessor, who then reviews each request and determines the amount of the exemption based on the increase in incremental valuation.**

The City received five requests for property tax exemptions on the increase in valuations based on the 2021 assessments. These sites include **the Crawford School Condominiums at 415 Stanton Avenue, the Acacia Fraternity at 138 Gray Avenue, the Farm House Fraternity at 311 Ash Avenue, and a SpringHill Suites hotel at 1810 SE 16th Street.** A table showing project addresses, Urban Revitalization Areas, project costs and requested tax abatement schedules is included in Attachment 1. Attachments 2 through 5 contain the specific eligibility criteria for the designated Areas, a brief description of the individual projects in those areas, and staff's determination of eligibility.

The property owners have reported construction values totaling \$15,908,870. The applicant estimates are self-reported construction and soft cost values and may not be the same as the added property value. The actual increase in valuation from the improvements will be determined by the City Assessor and that valuation will be the basis of the partial property tax exemptions.

Each of the URAs have unique criteria that must be met to approve tax abatement as requested by the property owners. Staff found the requests are consistent with the criteria, with the exception of the SpringHill Suites request along SE 16th. A unique requirement within the URA relates to addressing flooding impacts of development in the area, one of which is certification of finished floor elevation of the building in conjunction with other

flood mitigation improvements that were previously completed with development of the Deery auto dealership site. **At this time, the applicant has not presented to staff certification of the finished floor elevation meeting the prescribed height of the 887 feet NADV29 as described in Criterion #2 of the URA.** Upon receipt of this certification, staff believes the project conforms to the remaining criteria and development agreement requirements. Staff anticipates the applicant providing this information prior to the February 23rd City Council meeting.

ALTERNATIVES:

1. The City Council can approve the requests for tax exemptions as outlined in Attachment 1 by finding that they meet the criteria of their respective Urban Revitalization Areas and forward the findings to the City Assessor. ***Note that this recommendation is dependent upon receiving the flood certification information related to the SpringHill Suites site prior to City Council action.***
2. The City Council can deny some or all of these requests for approval of the tax exemptions if the Council finds the improvements do not comply with the respective Urban Revitalization Area criteria.

CITY MANAGER'S RECOMMENDED ACTION:

Staff has examined the applications submitted as of February 1, 2021 and finds that the requests for the completed projects substantially conform to criteria of their respective Urban Revitalization Plans approved by the City Council. The selected abatement schedules are a mix of 3, 5, and 10 years based upon the preference of each property owner.

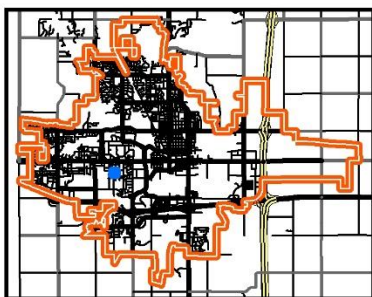
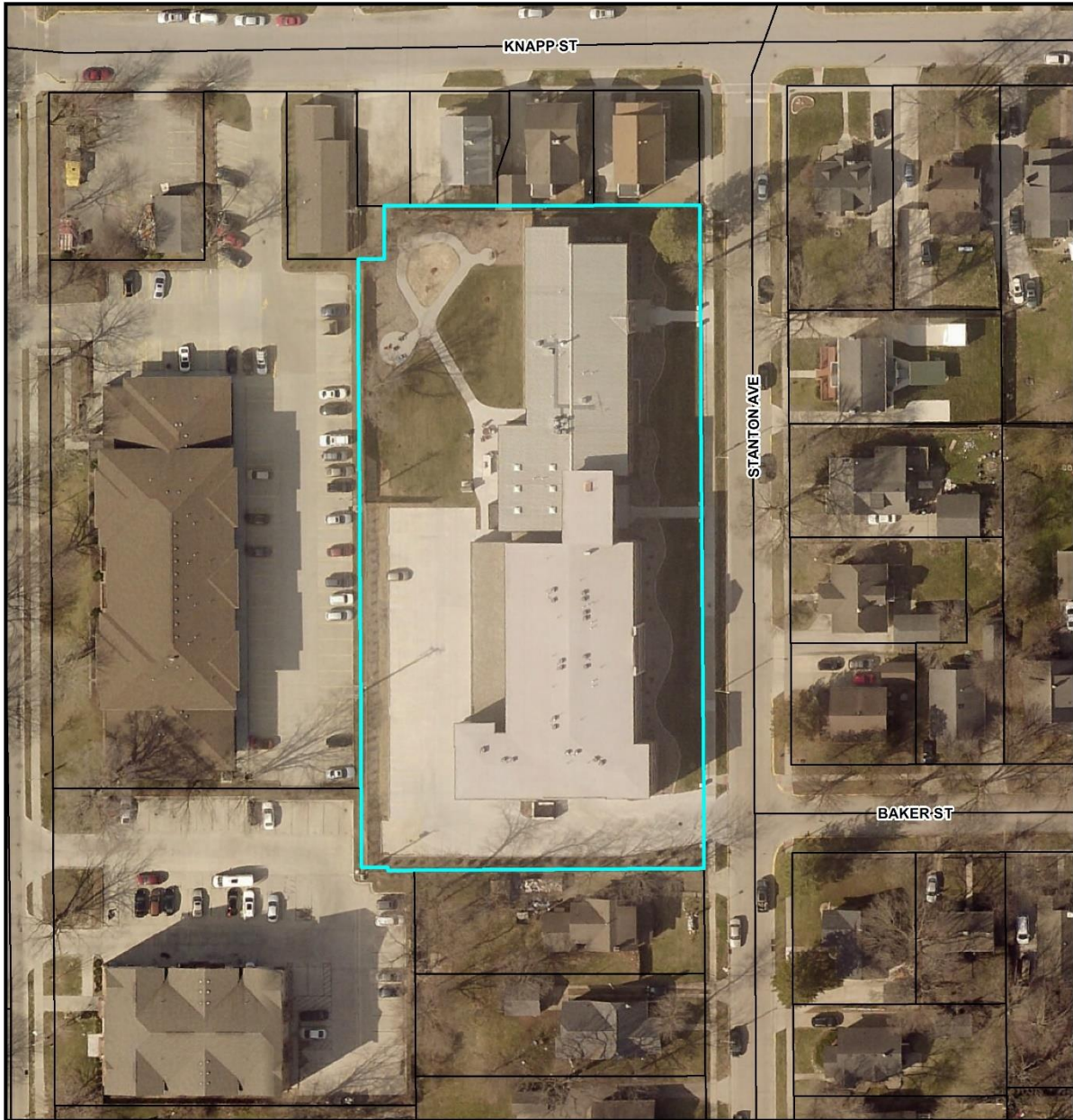
The SpringHill Suites site requires additional documentation to verify consistency with the URA criteria. Staff believes the applicant can provide that documentation prior City Council action. In the event we do not receive the certification, City Council could not approve the request this year and the property owner could refile next year with the complete documentation.

Therefore, it is the recommendation of the City Manager that the City Council accept Alternative #1, thereby approving both of the requests for tax exemption as meeting the criteria for their respective Urban Revitalization Areas. This action will allow the qualifying requests for tax exemption to be processed by the City Assessor, who will determine the actual value of the respective tax exemptions.

ATTACHMENT 1: 2021 URBAN REVITALIZATION APPLICATIONS

ADDRESS / UNIT #		URA	COSTS	YEARS
415 Stanton Avenue (The Crawford)	211	415 Stanton Avenue	\$264,600	3
	316		\$264,000	3
138 Gray Avenue (Acacia Frat.)		University Impacted - East	\$4,791,282	10
311 Ash Avenue (Farm House Frat.)		University Impacted - East	\$2,970,000	10
1810 S.E. 16 th Street (SpringHill)		Southeast 16 th Street	\$7,618,988	3

ATTACHMENT 2: 415 STANTON AVENUE URA CRITERIA AND APPLICATION SUMMARY



**Location Map
415 Stanton Avenue**

0 50 100 200 Feet

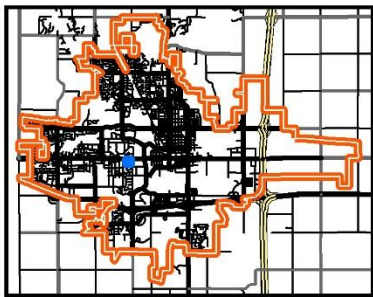
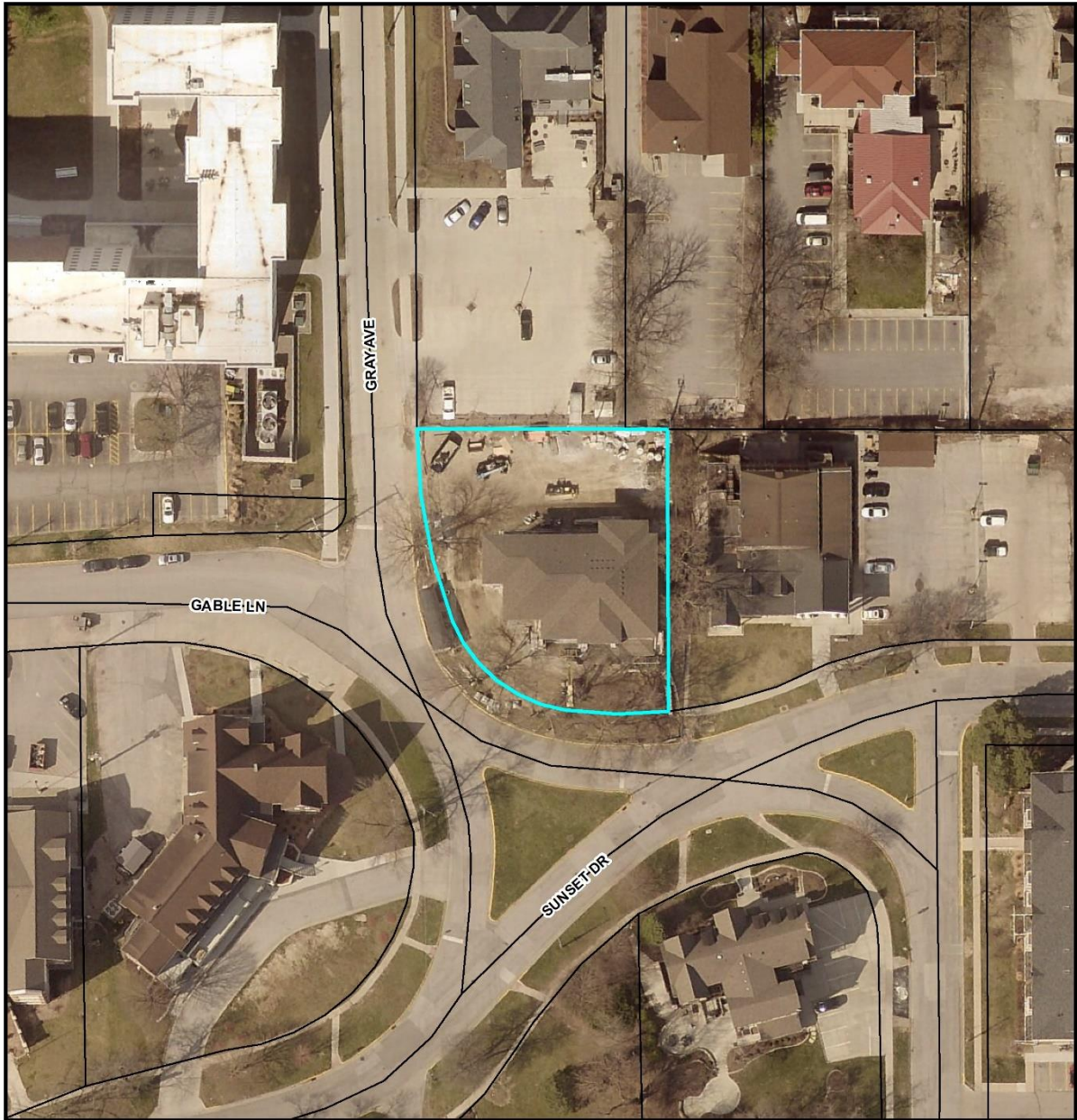


ADDITIONAL QUALIFYING CRITERIA

1. The building is no longer occupied as a public school, and has not been converted to another use prior to designation as an Urban Revitalization Area; and,
2. Structured parking (enclosed garage parking) is provided on site with at least one covered stall per unit; and,
3. The character of the existing building on the south and east elevations is maintained and preserved. The proposed addition matches the architectural style of the existing building.
4. The original school structure will remain, and historic materials will be preserved or adaptively reused when possible. This includes a requirement that 100% of the exterior walls of the south and east façade of the existing building remains brick.
5. The site and building substantially conforms to the site and architectural plans approved by the City Council as part of the URA Plan.

415 Stanton Avenue

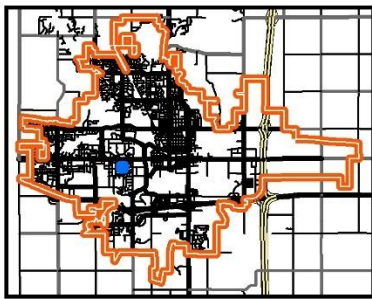
The minor site development plan for this project was approved on April 16, 2018. The building was a former elementary school that later served as Ames Community School District offices. The two-story building was remodeled along with the construction of a three-story addition to create a total of 30 condominium units: 6 one-bedroom units and 24 two-bedroom units (2 applications were received this year, 28 were received last year). The building and site contain 57 parking spaces.



Location Map 138 Gray Avenue

0 50 100 200 Feet





Location Map 311 Ash Avenue

0 50 100 200
Feet



ADDITIONAL QUALIFYING CRITERIA

Existing or former residence recognized by Iowa State University as part of the Greek Residence system.

AND

Seventy percent (70%) of the area of the existing exterior walls of the structure will remain.

NOTE: Sprinkler retrofit projects within this area qualify if all improvements add 5% or more to the actual value of the property.

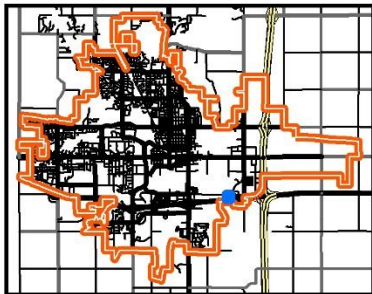
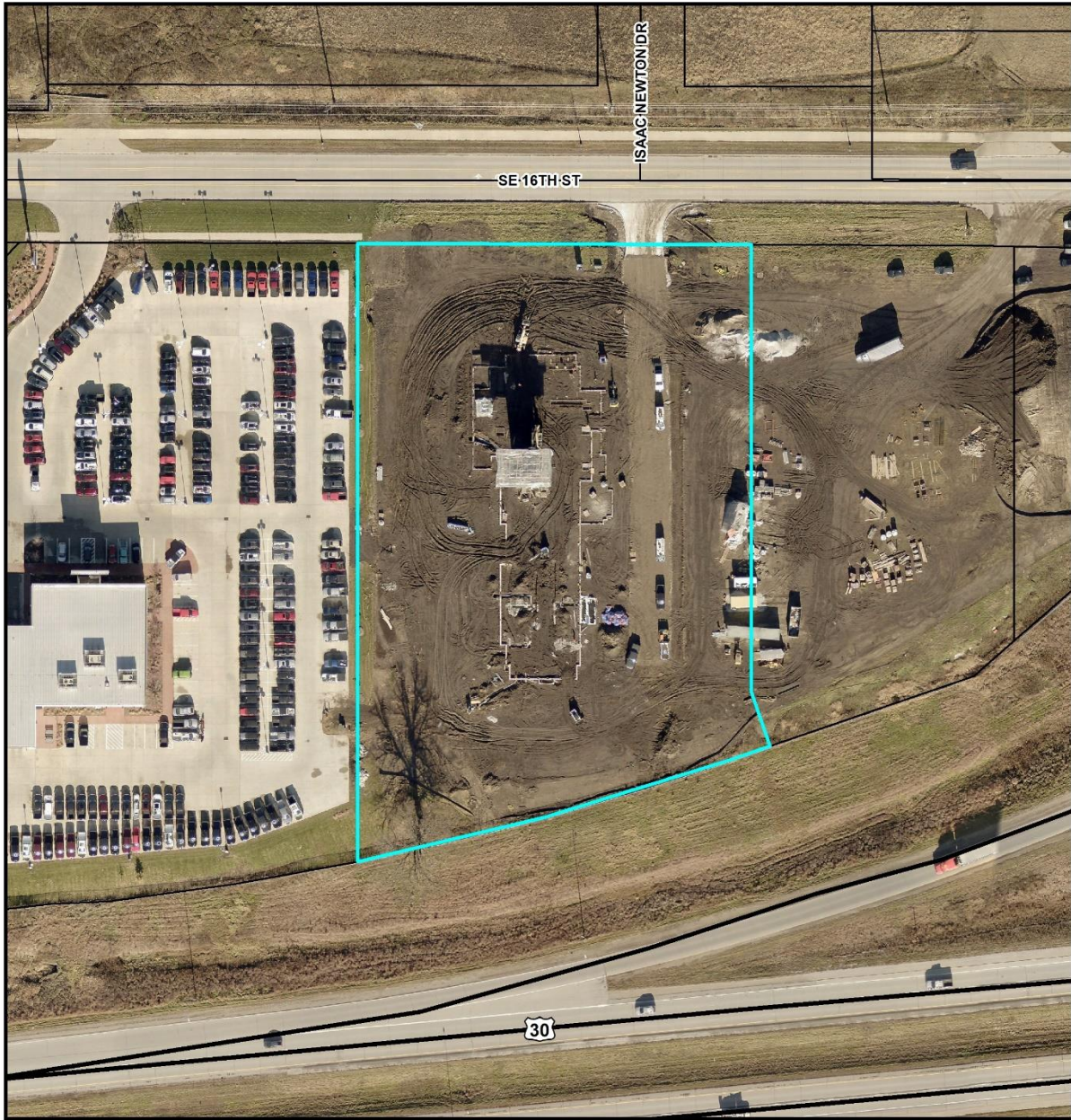
138 Gray Avenue – Acacia Fraternity

The Minor Site Development Plan was approved for this project on February 3, 2017 then extended and revised numerous times in the following years. The project demolished the previously building and built a new 13,290 square-foot fraternity.

311 Ash Avenue – FarmHouse Fraternity

The Minor Site Development Plan was approved for this project on February 5, 2015. The project renovated the structure and added a 10,708 square-feet to the existing fraternity building. The addition created new meeting space, living space, and study areas. State law stipulates that tax abatement must be requested within 2 assessment years of the completion to be eligible for the full exemption. Applicants may petition the local government for exemption after that 2-year period. Work finished in 2016 and Council granted permission for the fraternity to apply in December of 2020.

ATTACHMENT 4: SOUTHEAST 16TH STREET URA CRITERIA AND APPLICATION SUMMARY



**Location Map
1810 S.E. 16th Street**

0 50 100 200
Feet



ADDITIONAL QUALIFYING CRITERIA

1. The properties have frontage on Southeast 16th Street between South Duff Avenue and South Dayton Avenue.
2. Fill or other flood proofing will be placed on the site up to an elevation of, at least, 887 feet (NGVD 29), when an engineer registered in Iowa provides written certification that raising the land would result in “no rise” to the Base Flood Elevation (100 year flood levels).
3. The cost incurred after making the request for tax abatement for the placement of fill for flood proofing up to an elevation of 887 feet or above and/or channel improvements (See Criterion 6), if applicable, is expected to be equal to or greater than the value of the City’s portion of the tax abatement.
4. A public sidewalk is to be constructed along the south side of the Southeast 16th Street adjacent to the property.
5. The property will be used for uses permitted in the applicable zoning district except for the following as further defined and described in the Ames Zoning Ordinance:
 - a. Wholesale trade
 - b. Mini-storage warehouse facilities
 - c. Transportation, communications, and utility uses
 - d. Institutional uses
 - e. Adult entertainment businesses
 - f. Detention facilities
 - g. Agricultural or industrial equipment sales
 - h. Agricultural and farm related activities
6. Owners of property abutting a river must perform channel improvements (widening, straightening, clearing, etc.) and provide certification from an engineer registered in Iowa that the improvements will mitigate flooding. These improvements must be approved by the DNR, Army Corps of Engineers, and the City of Ames.

1810 S.E. 16th Street – SpringHill Suites by Marriott

The Minor Site Development Plan for the SpringHill Suites by Marriott was approved on May 1, 2019 and subsequently revised. The project constructs a 62,644 square-foot hotel with 98 rooms on a vacant lot. It was determined after the Site Plan approval that review by Council was not required under the terms of the Development Agreement to qualify for tax abatement. It must only conform to the already established terms of the URA.

The project sits on the second developable lot in the Deery Subdivision. The first project was the Deery Chrysler/Jeep/Dodge dealership immediately to the west of the subject property. The amended Minor Site Development Plan for Deery Chrysler was approved on October 15, 2014 by the City Council.

The Deery Subdivision that created three lots was approved on October 23, 2012. Council granted a URA for the property on November 27, 2012. The unique criteria in the URA

pertain to the floodplain and the near by South Skunk River channel. Criteria 2 and 3 (above) were written to ensure that desired changes were made to the nearby floodplain and river.

Staff finds that criteria 1 and 3 through 6 have been met for the current application. When the URA application for Deery Chrysler was approved in February 2015, the City Finance Director reviewed the drainage and fill invoices and proofs of payment submitted. Deery expended \$961,277.13 for fill improvements and channel straightening, as defined in the Development Agreement. Only one third of the total costs of Fill Improvements was applied to the Deery lot. The other two lots in the Urban Revitalization Area were each credited with a third of the costs. **At the time, Deery Chrysler claimed \$320,425.71 as costs for Fill Improvements. SpringHill Suites by Marriott can now do the same based upon these initial investments by Deery of adding fill to this site consistent with the approved site plan and grading plan of Deery project for all three lots of the subdivision. Based upon SpringHill improvements of \$7,618,988, staff estimated the total exemption value to be \$405,980 for the requested three year abatement. The City's portion of that, almost one third, is \$130,847. The third criterion has therefore been satisfied in relation to fill value versus City abatement value.**

Evidence related to the second criterion is still outstanding. Staff is waiting for official engineer-verification that fill or other flood proofing was placed on the site up to an elevation of, at least, 887 feet (NGVD 29), and that raising the land would result in "no rise" to the Base Flood Elevation (100 year flood levels). The approved Site Plan indicated this would occur, but staff has not received verification. Staff expects this to happen before the Council meeting on Tuesday, February 23.