

ITEM #: 30  
DATE: 11-14-23  
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 funding 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 remain 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 facade 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).

City Council's other request for energy code compliance reporting 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 schedules as options 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 certain 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 facade can either be compliant with Downtown Design Guidelines or the new improvements do not negatively impact the front facade window and door openings and transparency, i.e., block or fill in openings.
6. No facade work is required to be eligible for abatement.
7. Adding Residential as an eligible use.
8. Requiring a commercial energy audit from Ames Electric or equivalent prior to starting improvements.

### **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 (Attachment E).** This area is now zoned Downtown Gateway Commercial and the goals for redevelopment in this area do not align with the goals of the Downtown URA.

### **PROPERTY NOTICE GIVEN:**

Per Council's direction on October 24, staff sent a courtesy notice to all owners and tenants of property on Kellogg Avenue that are proposed to be removed from the Downtown URA. These 15 affected properties are between the Union Pacific Railroad tracks and Lincoln Way. One of the properties is owned by the City and the rest are owned by three entities: Away Team LLC (five properties: the southernmost properties on the west side of Kellogg Avenue), SALACL LLC (seven properties: all of the properties on the east side of Kellogg Avenue), and Edward J. Wedelstedt (two properties: Romantix and a nearby lot used for parking). No written comments have been received.

## **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 in 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 maintaining or improving 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, it is the recommendation of the City Manager that the City Council adopt Alternative #1.

[Attachment A.pdf](#)

[Attachment B.pdf](#)

[Attachment C.pdf](#)

[Attachment D.pdf](#)

[Attachment E.pdf](#)

[Attachment F.pdf](#)