

ITEM #: 18
DATE: 12-17-24
DEPT: P&H

COUNCIL ACTION FORM

SUBJECT: CITY-WIDE URBAN REVITALIZATION AREA PLAN AMENDMENTS

BACKGROUND:

City Council approved an Urban Revitalization Area (URA) and Plan on [April 23, 2024](#) to incentivize the construction of new ownership housing. The URA designation applies city-wide to eligible new residential construction meeting the Plan's requirements to be "Qualified Real Estate," including that the improvements:

- i. Are for residential dwelling with its related improvements, for the actual value of improvements up to a maximum value of \$500,000.
- ii. Received a building permit from the City of Ames, Iowa prior to December 31, 2027.
- iii. Are completed in conformance with zoning and building code standards of the Ames Municipal Code.
- iv. Have a residential assessment classification, regardless of underlying zoning. Property classified as agricultural or zoned agricultural is not eligible.
- v. Are owner-occupied, inclusive of all building types with individual defined ownership, including single-family detached, single-family attached, condominiums, accessory, dwelling units, and two-family homes.
- vi. Are located on a vacant lot that was not previously developed with a single-family dwelling that was demolished to allow for new improvements.

Qualified Real Estate is eligible for a partial property tax exemption on the first \$500,000 of eligible improvements on five-year sliding scale as follows:

- Year 1 - 100%
- Year 2 - 80%
- Year 3 - 60%
- Year 4 - 40%
- Year 5 - 20%

The total estimated value of the incentive, based upon 2024 tax levy rates excluding school tax levies (per state law), is \$11,000 for a \$500,000 home.

At its [November 26, 2024](#), meeting, Council directed staff to prepare an amendment to URA Plan to include an alternative tax abatement criteria and incentive schedule for the construction of new ownership housing that also supports the City's Climate Action Plan goals for reduced carbon emissions.

Qualified Real Estate under this program will include new owner-occupied residential construction meeting current eligibility requirements, plus two additional requirements:

1. The dwelling is all-electric for heating, cooling, and appliances with no natural gas service line; and

2. Has a solar array installed that offsets at least 50% of its projected energy usage per requirements of the International Energy Conservation Code (IECC).

The five-year sliding scale for this all-electric and solar home program will be as follows:

- Year 1 - 100%
- Year 2 - 100%
- Year 3 - 100%
- Year 4 - 80%
- Year 5 - 60%

This will yield an estimated maximum of \$5,180 of additional incentive value for a \$500,000 home, for a total of \$16,180 in estimated incentives. Coupled with federal tax credits offsetting 30% of the cost of a solar system and utility rebates, the additional tax abatement incentive will help consumers reduce the payback period of a solar array to an estimated 13-15 years versus 20 years without a city incentive. Payback will vary greatly depending on utility providers and rates.

The alternative tax abatement program will have the same application process and ending date as the existing program. Improvements must be initiated prior to December 31, 2027. The first application for an exemption must be filed by February 1 of the assessment year for which the exemption is first claimed.

In addition to this amendment, staff has also prepared an amendment to the URA boundaries to include a recently annexed area of land along N 500th Avenue, north of Lincoln Way and south of Ontario (see Attachment A for a map of the area). The URA Plan acknowledges that when the City annexes additional lands, an amendment to the Plan is required to incorporate the new lands into the URA boundaries. This process is outlined in Iowa Code Chapter 404. The proposed amendment to the boundaries will ensure they reflect all areas annexed into the City through December 31, 2024.

Attachment B includes the Plan reflecting both proposed amendments.

ALTERNATIVES:

1. Approve an amendment to the Urban Revitalization Area Plan to:
 - a. Include an alternative tax exemption schedule and an additional eligibility requirements for solar installation with new construction of ownership housing, as described in Attachment B.
 - b. Modify plan boundaries to include property that has been annexed to the City through December 31, 2024.
2. Approve the amendments to the Urban Revitalization Area Plan as described in Alternative No. 1, with modifications.
3. Do not amend the Urban Revitalization Area boundaries and Plan.

CITY MANAGER'S RECOMMENDED ACTION:

An all-electric home with a solar system that offsets 50% of its energy usage would reduce projected carbon emissions from the average new energy-rated Ames home by 43%. As Ames' energy portfolio approaches 50% renewables, emissions reductions could reach 70% compared to a standard home and

the payback would increase concurrently. The draft amendment reflects the direction of the City Council and incorporates areas of the City that have been annexed since the original Plan and area were created. Therefore, it is the recommendation of the City Manager that the City Council approve Alternative #1a-b, as described above.

ATTACHMENT(S):

[Attachment A - Annexation Area Map](#)

[Attachment B - Amended Plan](#)