

ITEM #:	<u>21</u>
DATE:	<u>03-25-25</u>
DEPT:	<u>P&H</u>

COUNCIL ACTION FORM

**SUBJECT: DRAFT URBAN REVITALIZATION AREA PLAN FOR THE SOUTHEAST
5TH STREET URA**

BACKGROUND:

At the November 12, 2024 City Council meeting the Council reviewed a request from Furniture Mart USA to initiate creation of an Urban Revitalization Area (URA) for the property located at 329 SE 5th Street to enable Furniture Mart USA to qualify for partial Commercial Property Tax Abatement. **City Council determined that proving a partial property tax abatement incentive for a furniture store would achieve an economic development to resolve an opportunity gap of lost furniture sales to establishments outside of Ames, a substantial sales tax leakage category.** Staff has drafted a URA Plan consistent with Council direction in November that is attached to this report.

To provide economic development incentives, the Council must enact an ordinance to establish an Urban Revitalization Area and approve by resolution a Plan as prescribed by Iowa Code Chapter 404. Specifically, eligibility criteria of Section 404.1 (4) allow for a City to designate an area for economic development. Chapter 404 prescribes the requirements of a URA Plan that are summarized herein and included fully within the attached draft Plan.

There are two properties designated as the applicable area for the URA boundary, which include the future Furniture Mart site property at 329 SE 5th Street and the neighboring Target (Dayton Hudson Corporation) property at 320 South Duff Avenue abutting the Furniture Mart site to the west and north. The Target property provides an access drive to the Furniture Mart site. (See Attachment A- Location Map) The draft Plan includes two properties because under state law an 'Area' must encompass more than one property. Staff recommends including the neighboring Target property, as it is not separated by roads and is zoned Highway Oriented Commercial (HOC) as is 329 SE 5th Street. Based upon other criteria in the Plan for new construction of a furniture store, URA will otherwise have no effect on the Target property or its operations.

The URA Plan will have a short duration to encourage the expeditious construction of a furniture store. The Plan will terminate on April 1, 2027. The Plan includes criteria for Qualifying Real Estate to be eligible for a five-year partial property Tax Abatement schedule. Eligibility includes:

1. New Construction of a furniture store building of at least 90,000 square feet.
2. A minimum of 81,000 square feet of the building must be used for the display and sale of new furniture, home furnishings, and related items.
3. The improvements must be consistent with approved Site Plans, have a building permit issued by December 31, 2025 and have a certificate of occupancy by December 31, 2026.

The abatement schedule of initial improvement value will use a sliding 5-year scale:

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

If City Council finds the attached draft Plan to be in accordance with their direction to establish a URA, City Council will next set a date of public hearing with a minimum of 30 days of time for public notice. The soonest date for a public hearing that meets this notice requirement would be May 13th.

ALTERNATIVES:

1. The City Council can direct staff to move forward with the process of notification and proceed to hold a Public Hearing for designation of a SE 5th Street URA and approval of the Plan on May 13, 2025.
2. The City Council can direct staff to modify the draft Plan and to move forward with the process of notification and proceed to a Public Hearing on May 13, 2025.
3. The City Council can direct staff to not move forward with the process if it does not believe the proposed Urban Revitalization Area.

CITY MANAGER'S RECOMMENDED ACTION:

In November, a market analysis report was presented that identified an approximately \$5.7 million dollar opportunity gap for furniture store sales within Ames. Council agreed that creation of an Urban Revitalization Area (URA) could be justified to help incentivize construction of a furniture store in the community to address this sales leakage. This action helps to provide an identified needed amenity and help sustainability by reducing trips out of the community.

Last November, City Council determined that it would like staff to proceed with drafting a URA for this purpose. Since that time, Furniture Mart representatives have submitted for a Site Development Plan approval with the intent of starting construction this year. Staff is finalizing a Site Development Plan and City Council is reviewing an Alternative Landscape Plan for the Site on this same agenda.

Therefore, it is the recommendation of the City Manager that the City Council act in accordance with Alternative #1.

ATTACHMENT(S):

[329 SE 5th Street Location & URA Map.pdf](#)

[Draft 329 SE 5th Street Urban Revitalization Plan.pdf](#)