

ITEM #:	28
DATE:	11-26-24
DEPT:	P&H

COUNCIL ACTION FORM

SUBJECT: **PREAPPROVAL FOR INDUSTRIAL TAX ABATEMENT OF SITE
DEVELOPMENT AT 220 S TELLER AVENUE**

BACKGROUND:

Iowa Code 472B allows for a partial tax abatement of certain industrial properties. The City has adopted an ordinance allowing for this partial tax exemption on a city-wide basis as part of *Municipal Code* Chapter 24 -Taxation. Section 24.8 of *Municipal Code* allows for a five -year sliding scale of partial tax exemption (75%, 60%, 45%, 30%, 15%) for developments that meet the use definitions of the State for R&D, Warehouse, and Distribution facilities. The City allowance, as adopted in Chapter 24 for industrial tax abatement, extends until 2030.

The granting of the industrial exemption has been non-discretionary action since adoption of the incentive, meaning if the project meets the State definitions and the property owner files the exemption form with the City Assessor, it is granted. The request before the Council is the second occurrence of a business asking for a prior approval of a plan to extend the eligibility period over more than one year to include the full value of improvements that occur.

Wyffels has requested preapproval of its Phase 1 warehouse facility at 220 S Teller Avenue to ensure that the total value of the finished project is eligible for the industrial tax abatement. The industrial tax exemption process is different than most tax abatement exemptions in terms of its timing. The industrial tax exemption must be claimed in the year that an improvement is first assessed whether the project is complete or not.

In this case, Wyffels begun construction in 2023 with a partial valuation in January of 2024 with final completion of the building in 2024. Without a preapproval of the multi- year construction project, the incremental value of the project that is eligible for exemption will be less than with preapproval. The preapproval process is defined in *Iowa Code 427B* and allows City Council by ordinance to grant an approval that allows for full value capture for a multi-year project. With preapproval, the property does not file for the exemption until completion of the full project.

The Phase 1 building has been approved for a Minor Site Development Plan by City staff and has received building permits for the project. The site layout and architectural elevations of the building are attached for reference. The approved plan complies with zoning standards of the City of Ames.

ALTERNATIVES:

1. Approve on first reading an ordinance granting preapproval of Industrial Tax Abatement for qualified real estate for the project referenced as Wyffels at 220 S Teller Avenue for improvements completed prior to December 31, 2024, in substantial conformance to the general site layout and building design shown in Attachment A as determined by the Planning and Housing Director, including a certificate of occupancy from the City of Ames.
2. Decline to approve on first reading an ordinance granting preapproval of the project.

CITY MANAGER'S RECOMMENDED ACTION:

The question of prior approval has only come before the City once for a R&D building built by Chevron. Without preapproval a project can still apply for the industrial partial tax exemption for qualified real estate. However, the value of the incentive may be less when factoring in partial improvements. **With prior approval, the property owner will pay taxes on the partial improvements and then upon completion of the full project, they will be eligible for an exemption of the full value of the project for five years in accordance with the sliding scale. The proposed use is consistent with City zoning standards and the intent of the City's industrial tax abatement program even though it was not completed within one assessment year. It should be noted that upon completion of the building, its use will still need to comply with Iowa Code 427B requirements for exemption eligibility.** Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, as described above.

ATTACHMENT(S):

[WYFFELS HYBRID - IOWA EXPANSION PHASE 1 Excerpt.pdf](#)
[Ordinance Wyffels Hybrids 220 S. Teller Avenue.PDF](#)