ITEM #:	**32**
DEPT:	**P&H**

Staff Report

608 BURNETT ZONING TEXT AMENDMENT AND INCENTIVE REQUEST

May 12, 2026

BACKGROUND:

On April 12th, City Council identified consideration of the request from Luke Jensen for changes to development standards and for incentives regarding a project at 608 Burnett as a priority for the Planning Division. The developer seeks a number of related changes to facilitate redevelopment of a parking lot into a 4-story 38-unit +/- apartment building including a new property tax abatement option.

608 Burnett is a Neighborhood Commercial (NC) zoned property located midblock between 6th and 7th Street. All of the blocks between 6th and 7th Street from Clark to Duff are also zoned Neighborhood Commercial. See map below. The developer notes the site was identified as a potential housing location within Ames Main Street's "Downtown Guiding Vision."

This area has the highest concentration of NC zoning in the City and is a hybrid transitional zoning district for commercial and residential uses. The NC contrasts greatly in its mix of uses and design requirements compared to the Downtown Service Center (DSC) that applies to the traditional Downtown Area south of 6th Street. Both areas have a “Core” land use designation within the City's Ames Plan 2040 (see page 62) reflecting the existing Downtown and commercial types of land uses as wells as the general planning for intensification of commercial mixed use in this area.

ZONING CHANGES:

Although NC zoning allows for apartments, several current standards differ from the concept of the developer. Staff believes the most pertinent issues would include building height, roof type, floor area ratio, setbacks, certain design guidelines, and the parking rate. The developers sees the project as “Downtown Housing” and desires standards more akin to DSC zoning for parking and setbacks, but without other requirements for mixed use that exist in DSC.

The priority policy issues for zoning changes are likely the requested parking reductions, along with building height and design requirements. The developer seeks approval of a parking rate of approximately 1 space per unit, for up to 2-bedroom units. If this were to be the standard, parking would be 38 spaces, where otherwise 60 spaces would be required based upon the conceptual mix of units as described to staff. The developer proposes for some parking to be within a ground floor podium and the remainder as uncovered parking lot. The building would not extend the width of the lot

lot, but instead it would be perpendicular to the street. The outdoor parking lot would be subject to standard landscaping setback and tree requirements.

The height and design issues are a question of Council's intent for the area as a transition from traditional Downtown to the Old Town residential neighborhood to the north and what a compatible type of structure would be, if it did not meet the current requirements. There are examples of other taller buildings in this area and based upon final design elements the idea of a 4-story structure could be found to meet the goals of the City for this area. Upper floor step-back and roof design could be important considerations if allowed as a 4-story building. A project of this size in NC would require a public hearing and approval of Special Use Permit by the Zoning Board of Adjustment, which addresses overall building size and design compatibility along with function of a site.

The developer intends to put ground floor space along Burnett to shield the parking podium from the street. The area may be a residential unit or residential amenity space, it is not likely to be commercial space.

INCENTIVES:

Staff has not reviewed any specific developer justification or pro forma for the project. The request states city requirements have additional costs and incentives are needed. At this point staff does not know what these costs are that are different compared to anywhere else in the community. **The level of requested abatement (10 Year at 75% abatement) exceeds any other incentive option that exists in the DSC or CSC zoning districts, which are similar areas that allow for larger redevelopment projects.**

Since this request has been made, the State has made changes to how property tax incentives and New Valuations are accounted for within the General Levy. These property tax changes could have long term impacts to City budget where the incremental improvement value would never be included as New Valuation.

Additionally, the proposed 10 year 75% abatement schedule is not a current schedule utilized within Ames. If Council believes some incentives are appropriate as requested, there are issues to be addressed about how it can be best accomplished. **This issue of incentives with a proposed 10-year 75% tax abatement must be explored in greater detail for its ramifications to all of Downtown and other URAs.**

If City Council were to extend the Downtown URA boundary to include this site, it has options for a 3-year 100% tax abatement or a maximum 10 year partial sliding scale tax abatement, which is consistent with other URAs in the City. Additionally, the Downtown URA qualifying criteria assume a mixed-use building and conformance to Downtown Design Guidelines that may or may not fit the project as proposed.

Creating a new URA would require at least two properties to be included in accordance with state law, the 608 Burnett site may meet this prerequisite as the site appears to be two lots, but shown as one property at this time. With a new URA, City Council could choose the qualifying criteria and abatement schedule. However, under current law if a custom schedule is created it may also be required to be offered for other URAs as well.

The developer also plans to seek Workforce Housing Tax Credits (WHTC). Note that per the

state WHTC program requirements, some form of local match per unit is required to support the application. For a 38 unit project, a value of at least $38,000 is needed. It would appear one year of tax abatement would be worth at least $38,000 under current state taxation and abatement policies, if the project exceeds a value of $5 million.

OPTIONS:

Option 1- Explore changes to zoning standards for all NC zoned properties between 6th and 7th

The site is one of many similarly situated NC zoned properties between Duff and Clark. If City Council does not believe the current NC zoning is adequate to address current uses, transitions, and planned limited levels of redevelopment, changes as requested by the developer would be appropriate. This option would explore potential changes on a district basis and may result in a wholly new special purpose zoning district to an updated concept of Downtown transition.

This option would need outreach and consultation with owners in the area and the Old Town neighborhood to the north. Prioritization in the work plan would be required.

Option 2 - Explore changes to zoning standards intended to address the Burnett site only at this time

The same types of issues would be considered, but the result would likely be more generic in its applicability to NC zoned properties and rely upon the current Special Use Permit process to assess future projects.

This process likely includes less consultation because of the assumption of the Special Use Permit process allowing for public comment at a public hearing for the specific type of project. Therefore,
this option likely takes less time than Option 1 because it is focused on this particular request and not other potential interests for this area, but is still needing to be prioritized with the work plan because of the significance and number of desired changes.

The Developer would propose the changes as a Zoning Text Amendment. This is the Developer's preferred option due to the potential of a sooner approval than Option 1.

Option 3 - Current Zoning- No Changes

The Developer could construct an apartment building within the standards of the current zoning of NC with no changes by City Council. The overall building size would be smaller primarily due to limitations related to height and accommodation of parking on site to serve the use. Current NC design standards would apply, and the project would require ZBA approval as a Special Use Permit.

Option 4- Financial Incentives

Separate from zoning issues, is the question of financial incentive amount, type, and qualifying standards. As mentioned above, the rationale and process that would best fit the project is not fully fleshed out at this time. **If tax abatement is offered, a site specific URA that conforms**

to standard abatement schedules would be consistent with other projects and the least likely to have ramifications to other URAs.

As noted above, the recently adopted budget legislation by the State Legislature will have some long term impacts related to incentives and, therefore, a more in-depth discussion about the City Council's use of tax incentives before any decisions about future abatement or TIF incentives are offered.

Option 4 - Workforce Housing Tax Credit Support

The developer has requested the City support an application to the state for workforce housing tax credits. A letter of support would address that the City will provide for at least $1,000 of financial assistance per unit and that the zoning will allow for the use, or it is in the process of being changed. The WHTC application needs to be submitted by the applicant by June 10th at 4:30 p.m. If Council is interested in considering a letter of support, a draft letter could be placed on a future agenda for Council approval, but a source of funding ($38,000) would have to be identified.

STAFF COMMENTS:

The developer has presented his concept at a Old Town Neighborhood meeting to get preliminary feedback. Staff did not attend this meeting.

The question is not whether infill housing should be allowed on this site. The idea for infill housing is consistent with the City's Ames Plan 2040 and Ames Main Street's Downtown Guiding Vision. However, the questions that need to be answered are the details of what is intended with redevelopment in this area. Although the request is intended facilitate this project, staff believes the questions brought up by the developer have a broader application for discussion of all of the area adjacent to Downtown between 6th and 7th, Duff to Burnett.

The requested zoning changes do not currently fit well within any specific type of zoning that already exists. Staff has not presented a specific approach on what to do at this point and would await City Council's direction on scope to define exactly what type of zoning amendment(s) would be best between changes to NC zoning or a new type of Zoning District applied to his area. With any option, work plan prioritization is needed, for which the developer is requesting to be an immediate priority.

The issues of zoning and financial incentives are distinct elements of the developer's request. City Council can choose to address Options related to one or both of the requests.

Regardless of the selected option(s), final approval of zoning changes, incentives, and a project are unlikely to occur in the next 60 days, as requested by the developer.

It should be noted that a representative from the United State Postal Service (USPS) contacted staff to gain an understanding about the proposed project. The USPS currently has month to month lease for the property and utilizes 54 parking spaces on the site for mail truck and employee parking. **They have expressed concerns about impacts to their operations if they cannot continue to lease the property. However, the issue of a lease is a matter for the owner and USPS that does not involve the City.** Potentially some City

parking lot spaces could be leased on a multi-year basis for the mail trucks, but not enough to accommodate their total need. To date there has been no formal proposal for parking from USPS.

ATTACHMENT(S):
608 Burnett Zoning.pdf
L. Jensen - Burnett Site Referral.pdf