

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

00-581

SYNOPSIS -

AGENDA:

DECEMBER 18, 2000

Attached to the Roll Call are 139 tax abatement applications for the fourth submission of applications for the year. The City Council first enacted tax abatement programs for the City on September 28, 1987 by Roll Call No. 87-4009.

SUBJECT:

TAX ABATEMENT
APPLICATIONS FOR
2000

FISCAL IMPACT -

Taxes are generated in the first year from the land value, but the improvement value will be forthcoming when the \$9,000,000 comes on the tax rolls after abatement ends.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

Approval.

SUBMITTED BY:

JAMES M. GRANT
COMMUNITY
DEVELOPMENT
DIRECTOR

BACKGROUND -

One hundred thirty-nine applications for tax abatement are being submitted at this time with an estimated value by the applicants of \$9,000,000. Sixty-eight applications are for new construction (new single- family homes, apartments, and new businesses (with an estimated value of \$8,000,000) and 71 applications for improvements to an existing structure (with an estimated value of \$1,000,000).

Seventy-one applicants chose Schedule 1 (with an estimated value of \$1,000,000). Schedule 1 is for qualified residentially assessed property to receive an exemption from taxation on the actual value of improvements not to exceed \$20,000. The exemption period is ten years and the exemption amount is 115 percent of actual value added by the improvements.

No applicants chose Schedule 2. Schedule 2 is for all qualified real estate and will receive a partial exemption for ten years. The

exemption schedule is a declining schedule and starts the first year at 80 percent and ends in year ten at 20 percent. This schedule also applies to commercial and industrial property in specified areas.

No applicants chose Schedule 3. All qualified real estate is eligible to receive an exemption of three years from taxation on 100 percent of the actual value added by the improvements. This schedule also applies to commercial and industrial property in specified areas

Nine applicants chose Schedule 4a (with an estimated value of \$1,000,000). Schedule 4a is for qualified real estate in specific areas (Model Cities, Logan, Woodland-Wilkie, Southeast Prime Service Area, Metro Center Urban Renewal Areas, and the Pioneer/Columbus Community Development Block Grant Target Area) for ten years at 100 percent of the actual value added by the improvements. Qualified real estate assessed as residential or assessed as commercial consisting of three or more living quarters with at least 75 percent of the space used residentially is eligible to receive an exemption from taxation on the actual value added by the improvements.

Fifty-nine applicants chose Schedule 4b (with an estimated value of \$7,000,000). Schedule 4b is for qualified real estate for the remainder of the City for a period of five years. Qualified real estate assessed as residential or assessed as commercial consisting of three or more living quarters with at least 75 percent of the space used residentially, is eligible to receive an exemption from taxation on the actual value added by the improvements. The exemption amount is 100 percent of the actual value added by the improvements.

In order to receive tax abatement on a property, one must increase the value of residential property at least 5 percent or 15 percent for commercial or industrial property.

RUNNING TOTALS FOR 2000

TOTAL APPLICATIONS - 414
TOTAL VALUE - \$35,000,000
TOTAL NEW CONSTRUCTION - 222
VALUE - \$32,500,000
TOTAL ADDITIONS - 192
VALUE - \$2,500,000
TOTAL CHOOSING SCHEDULE 1 - 187
VALUE - \$3,000,000
TOTAL CHOOSING SCHEDULE 2 - 6
VALUE - \$1,000,000
TOTAL CHOOSING SCHEDULE 3 - 4

VALUE - \$4,000,000
TOTAL CHOOSING SCHEDULE 4A - 18
VALUE - \$2,000,000
TOTAL CHOOSING SCHEDULE 4B - 199
VALUE - \$25,000,000

The City approved tax abatement to stimulate growth and expansion in the City and level the playing field with the areas outside the City. This program has worked well and has retained and attracted development to the City. Residentially, the City has attracted an average of 256 single-family units, 16 duplex units, and 192 multi-family units or an average of 464 units per year since 1990. Typically over 500 residential properties are renovated or improved each year. These improvements and new development aids the City in attracting business and keeps people looking for properties in the City rather than always looking outside the City. Developers have identified tax abatement as a big reason for attracting buyers for their units. The abatement program has also aided in upgrading deteriorating property in the City by providing an incentive to maintain and upgrade property.