

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

02-001

SYNOPSIS -

AGENDA:

Attached to the roll call are 108 tax abatement applications for the second 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.

JANUARY 7, 2002

SUBJECT:

FISCAL IMPACT -

TAX ABATEMENT
APPLICATIONS FOR
2001

Taxes are generated in the first year from the land value, but the improvement value will be forthcoming when the \$15,000,000 comes on the tax rolls after abatement ends.

TYPE:

RECOMMENDATION -

RESOLUTION
ORDINANCE
RECEIVE/FILE

Approval.

SUBMITTED BY:

BACKGROUND -

JAMES M. GRANT
COMMUNITY
DEVELOPMENT
DIRECTOR

One hundred eight applications for tax abatement are being submitted at this time with an estimated value by the applicants of \$15,000,000. Sixty-two applications are for new construction (new single-family homes, apartments, and new businesses with an estimated value of \$13,600,000) and forty-six applications are for improvements to an existing structure (with an estimated value of \$1,400,000).

Thirty-seven applicants chose **Schedule 1** (with an estimated value of \$600,000). 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 with 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.

Two applicants chose **Schedule 3** (with an estimated value of \$600,000). All qualified real estate is eligible to receive an exemption from taxation on the actual value added by the improvements of 100 percent of the actual value for three years. This schedule also applies to commercial and industrial property in specified areas.

Five applicants chose **Schedule 4a** (with an estimated value of \$400,000). 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.

Sixty-four applicants chose **Schedule 4b** (with an estimated value of \$13,000,000). 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 2001	
TOTAL APPLICATIONS -	249
TOTAL VALUE -	\$31,000,000
TOTAL NEW CONSTRUCTION -	140
VALUE -	\$29,000,000
TOTAL ADDITIONS -	109
VALUE -	\$2,000,000
TOTAL CHOOSING SCHEDULE 1 -	88

VALUE -	\$2,000,000
TOTAL CHOOSING SCHEDULE 2 -	3
VALUE -	\$500,000
TOTAL CHOOSING SCHEDULE 3 -	4
VALUE -	\$1,000,000
TOTAL CHOOSING SCHEDULE 4A -	17
VALUE -	\$2,500,000
TOTAL CHOOSING SCHEDULE 4B -	137
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 multifamily 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 developments aid the City in attracting business. Developers have identified tax abatement as a significant 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 property.