



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

02-034

SYNOPSIS -

AGENDA:

JANUARY 28, 2002

Attached to the roll call are 97 tax abatement applications for the third 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
2001 - SUBMITTAL
NO. THREE

FISCAL IMPACT -

Taxes are generated in the first year from the land value, but the improvement value will be forthcoming when \$7,000,000 comes on the tax rolls after abatement ends.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

Approval.

SUBMITTED BY:

JAMES M. GRANT
COMMUNITY
DEVELOPMENT
DIRECTOR

BACKGROUND -

Ninety-seven applications for tax abatement are being submitted at this time, with the applicants' estimated value of \$7,000,000. Thirty-three applications are for new construction including new single-family homes, apartments, and new businesses (with an estimated value of \$5,000,000), and sixty-four applications are for improvements to existing structures (with an estimated value of \$2,000,000).

Sixty-two applicants chose **Schedule 1** (with an estimated value of \$1,000,000). This schedule 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.

One applicant chose **Schedule 2** (with an estimated value of \$500,000). This schedule is for all qualified real estate and will receive

a partial exemption for ten years. The exemption schedule is a declining schedule which starts at 80 percent the first year and ends at 20 percent in year ten. The application in this submittal was for the expansion of an existing business.

Two applicants chose **Schedule 3** (with an estimated value of \$1,500,000). All qualified real estate is eligible to receive a three-year exemption from taxation on the actual value of added improvements of 100 percent of the actual value added by the improvements. This schedule also applies to commercial and industrial property in specified areas.

None of the applicants chose **Schedule 4a**. 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 qualified real estate 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.

Thirty-two applicants chose **Schedule 4b** (with an estimated value of \$4,000,000). 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 qualified real estate 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 by 5 percent or 15 percent for commercial or industrial property.

RUNNING TOTALS FOR 2001	
TOTAL APPLICATIONS -	345
TOTAL VALUE -	\$38,000,000
TOTAL NEW CONSTRUCTION -	172
VALUE -	\$33,000,000
TOTAL ADDITIONS -	173
VALUE -	\$5,000,000

TOTAL CHOOSING SCHEDULE 1 -	150
VALUE -	\$3,000,000
TOTAL CHOOSING SCHEDULE 2 -	4
VALUE -	\$1,000,000
TOTAL CHOOSING SCHEDULE 3 -	6
VALUE -	\$2,000,000
TOTAL CHOOSING SCHEDULE 4A -	17
VALUE -	\$3,000,000
TOTAL CHOOSING SCHEDULE 4B -	168
VALUE -	\$29,000,000

The City approved tax abatement to stimulate growth and expansion in the City and to 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 developments aid the City in attracting business and keep people looking for properties in the City rather than looking outside the City. Developers have identified tax abatement as a primary 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.