

**CITY COUNCIL
COMMUNICATION:**

REVISED

02-089

ITEM _____

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

AGENDA:

FEBRUARY 18, 2002

SYNOPSIS -

Attached to the roll call are 50 tax abatement applications for the seventh 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-SEVENTH
SUBMISSION

FISCAL IMPACT -

Taxes are generated in the first year from the land value, but the improvement value will be forthcoming when the \$2,600,000 comes on the tax rolls after abatement ends.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

Approval.

SUBMITTED BY:

JAMES M. GRANT
COMMUNITY
DEVELOPMENT
DIRECTOR

BACKGROUND -

Fifty applications for tax abatement are being submitted at this time with an estimated value by the applicants of \$2,600,000. Two applications are for new construction (new single-family homes, apartments, and new businesses) with an estimated value of \$2,000,000, and 48 applications are for improvements to an existing structure with an estimated value of \$600,000. These applications are for improvements done prior to 2001 and comply with the change in the tax abatement law change enacted last year.

Forty-five 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.

One applicant chose **Schedule 2** (with an estimated value of \$37,000). 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.

One applicant chose **Schedule 3** (with an estimated value of \$1,700,000). 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.

One applicant chose **Schedule 4a** (with an estimated value of \$50,000). 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.

Two applicants chose **Schedule 4b** (with an estimated value of \$250,000). 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.

<u>RUNNING TOTALS FOR 2001</u>	
TOTAL APPLICATIONS -	1101
TOTAL VALUE -	\$119,000,000
TOTAL NEW CONSTRUCTION	417
-	

VALUE -	\$100,000,000
TOTAL ADDITIONS -	684
VALUE -	\$19,000,000
TOTAL CHOOSING SCHEDULE 1 -	623
VALUE -	\$11,000,000
TOTAL CHOOSING SCHEDULE 2 -	26
VALUE -	\$8,000,000
TOTAL CHOOSING SCHEDULE 3 -	15
VALUE -	\$10,000,000
TOTAL CHOOSING SCHEDULE 4A -	50
VALUE -	\$12,000,000
TOTAL CHOOSING SCHEDULE 4B -	387
VALUE -	\$78,000,000

This year, the City sent out 65,000 notices reminding people about tax abatement in the January water bills. As shown below, there was an increase of approximately 300 applications over last year.

<u>Total Tax Abatement Applications by Year</u>	
1997 -	1243
VALUE -	\$88,000,000
1998 -	806
VALUE -	\$99,000,000
1999 -	962
VALUE -	\$148,000,000
2000 -	792
VALUE -	\$87,000,000
2001 -	1101
VALUE -	\$119,000,000

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 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.
