

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

02-115

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

AGENDA:

SYNOPSIS -

MARCH 4, 2002

Attached to the roll call is one tax abatement application for the eighth submission of applications for the year. This application was filed on time but was not signed by the applicant until February 20, 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 \$23,000 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 application for tax abatement is being submitted at this time with an estimated value by the applicant of \$23,000. This application is for improvements to an existing structure (with an estimated value of \$23,000).

This applicant chose Schedule 1, which 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 10 years and the exemption amount is 115% of 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% or 15% for commercial or industrial property.

RUNNING TOTALS FOR 2001

TOTAL APPLICATIONS -	1102
TOTAL VALUE -	\$119,000,000
TOTAL NEW CONSTRUCTION -	417
VALUE -	\$100,000,000
TOTAL ADDITIONS -	685
VALUE -	\$19,000,000
TOTAL CHOOSING SCHEDULE 1 -	624
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</u>	
<u>by Year</u>	
1997	1,243
VALUE -	\$88,000,000
1998 -	806
VALUE -	\$99,000,000
1999 -	962
VALUE -	\$148,000,000
2000 -	792
VALUE -	\$87,000,000

2001 -	1,102
VALUE -	\$119,000,000

The City Council first enacted tax abatement programs for the City on September 28, 1987, by Roll Call No. 87-4009. 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 keep people looking for properties located inside the City limits. Developers have identified tax abatement as a big reason for attracting buyers for their units. The tax abatement program has also aided in upgrading deteriorating property in the City by providing an incentive to maintain and upgrade property.
