

CITY COUNCIL
COMMUNICATION:

02-533

AGENDA:

OCTOBER 7, 2002

SUBJECT:

TAX ABATEMENT
APPLICATION FOR
2001

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

JAMES M. GRANT
COMMUNITY
DEVELOPMENT
DIRECTOR

ITEM _____

OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

SYNOPSIS —

Attached to the roll call is one tax abatement application for the second submission of applications for the year. This application was filed on time (January 31, 2002), but for some reason was not included in any submission for approval by the Des Moines City Council. It is recommended that this application be approved and then forwarded to the Polk County Assessor for processing as soon as possible. The recommendation is that the abatement start in 2002 since this application was filed in a timely manner.

FISCAL IMPACT —

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.

RECOMMENDATION —

Approval.

BACKGROUND —

One application for tax abatement is being submitted at this time with an estimated value by the applicant of \$80,000. This application is for construction of a new single-family structure (with an estimated value of \$80,000).

Applicant chose **Schedule 4b** (with an estimated value of \$80,000). 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% 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% 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% 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 -	684
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 -	388
VALUE -	\$78,000,000

Last year the City sent out 65,000 notices reminding people about tax abatement in the January 2002 water bills and will do so again in December 2002.

Total Tax Abatement Applications by Year

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 -	1102
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 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 located inside the City limits rather than outside. 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.
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