

CITY COUNCIL
COMMUNICATION:

02-539

AGENDA:

OCTOBER 21, 2002

SUBJECT:

TAX ABATEMENT
APPLICATIONS FOR
2002

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

JAMES M. GRANT
COMMUNITY
DEVELOPMENT
DEPARTMENT
DIRECTOR

ITEM _____

OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

SYNOPSIS —

Attached are One Hundred eighty-five (185) tax abatement applications for the third (3rd) 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.

FISCAL IMPACT —

Taxes are generated in the first year from the land value, but the improvement value will be forth coming when the \$32,000,000 comes on the tax rolls after abatement ends.

RECOMMENDATION —

APPROVAL

BACKGROUND —

One Hundred eighty-five (185) applications for tax abatement are being submitted at this time with an estimated value by the applicants of \$32,000,000. One hundred twenty-five (125) applications are for new construction (new single-family homes, apartments, and new businesses with an estimated value of \$31,000,000) and Sixty (60) applications are for improvements to an existing structure (with an estimated value of \$1,000,000).

Fifty-four (54) applicants chose **Schedule 1** (with an estimated value of \$1,000,000). 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 10 years and the exemption amount is 115% of actual value added by the improvements.

Five (5) applicants chose **Schedule 2** (with an estimated value of \$3,000,000). Schedule 2 is for all qualified real estate and will receive a partial exemption for 10 years. The exemption schedule is a declining schedule that starts the first year at 80% and ends in year 10 at 20%. One application in this submittal was for the construction of a new business.

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

Seven (7) applicants chose **Schedule 4a** (with an estimated value of \$1,000,000). 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 CDBG Target Area) for 10 years at 100% 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% of the space used residentially, is eligible to receive an exemption from taxation on the actual value added by the improvements.

One hundred eighteen (118) applicants chose **Schedule 4b** (with an estimated value of \$26,000,000). 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% 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 -	328
TOTAL VALUE -	\$45,000,000
TOTAL NEW CONSTRUCTION -	203
VALUE -	\$43,000,000
TOTAL ADDITIONS -	125
VALUE -	\$2,000,000
TOTAL CHOOSING SCHEDULE 1 -	107
VALUE -	\$1,800,000
TOTAL CHOOSING SCHEDULE 2 -	8
VALUE -	\$3,500,000
TOTAL CHOOSING SCHEDULE 3 -	3
VALUE -	\$1,300,000
TOTAL CHOOSING SCHEDULE 4A -	10
VALUE -	\$1,400,000
TOTAL CHOOSING SCHEDULE 4B -	200
VALUE -	\$37,000,000

The City approved tax abatement to stimulate growth and expansion in the City and to remain competitive with areas outside the City. Residentially, the City has attracted an average of 223 single-family units, 14 duplex units, and 164 multi-family units or an average of 401 units per year since 1990. Typically, over 500 residential properties are renovated or improved each year. 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.

