

CITY COUNCIL
COMMUNICATION:

03-062

AGENDA:

FEBRUARY 10, 2003

SUBJECT:

TAX ABATEMENT
APPLICATIONS FOR
2002

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 are 392 tax abatement applications for the fourth 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 forthcoming when the \$66,000,000 comes on the tax rolls after abatement ends.

RECOMMENDATION —

Approval.

BACKGROUND —

Three hundred ninety-two applications for tax abatement are being submitted at this time with an estimated investment by the applicants of \$66,000,000. Two hundred twenty-one applications are for new construction (new single-family homes, apartments, and new businesses) with an estimated value of \$56,000,000, and 171 applications are for improvements to an existing structure with an estimated value of \$10,000,000.

One Hundred forty-nine applicants chose **Schedule 1** (with an estimated applicant investment of \$3,000,000). 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 ten years and the exemption amount is 115 percent of actual value added by the improvements.

Four applicants chose **Schedule 2** (with an estimated applicant investment of \$19,000,000). 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 end in year ten at 20 percent. One application in this submittal was for the construction of a new business.

Three applicants chose **Schedule 3** (with an estimated applicant investment of \$9,000,000). All qualified real estate is eligible to receive an exemption from taxation on the actual value added by the improvements of 100 percent for

**CITY COUNCIL
COMMUNICATION**

03-062

FEBRUARY 10, 2003

PAGE TWO

three years. This schedule also applies to commercial and industrial property in specified areas.

Thirty-three applicants chose **Schedule 4a** (with an estimated applicant investment of \$3,000,000). 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 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 hundred three applicants chose **Schedule 4b** (with an estimated value of \$32,000,000). Schedule 4b is for qualified real estate for the remainder of the City for a period of five years. Qualified rest 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.

In addition, two of the applications are for work done prior to the year 2000. The applicants failed to file for abatement in a timely manner as required by state law. The timely manner is a two-year grace period before an applicant is penalized. The applicants met all the requirements for being approved by the City except that they did not file an application until this year. The staff recommends approval of the applications, but advises the County Assessor that these applications should be penalized for filing late. One application is for improvements to an existing structure totaling \$6,700, and one application is for a new home with an estimated value of \$150,000.

RUNNING TOTALS FOR 2002

(These include the 392 applications being submitted at this time and all of the applications submitted previously this year.)

TOTAL APPLICATIONS -	720
TOTAL VALUE -	\$111,000,000
TOTAL NEW CONSTRUCTION -	424
VALUE -	\$99,000,000
TOTAL ADDITIONS -	296
VALUE -	\$12,000,000
TOTAL CHOOSING SCHEDULE 1 -	256
VALUE -	\$5,000,000
TOTAL CHOOSING SCHEDULE 2 -	12
VALUE -	\$22,000,000
TOTAL CHOOSING SCHEDULE 3 -	6

**CITY COUNCIL
COMMUNICATION**
03-062
FEBRUARY 10, 2003
PAGE THREE

VALUE -	\$10,000,000
TOTAL CHOOSING SCHEDULE 4A -	43
VALUE -	\$4,000,000
TOTAL CHOOSING SCHEDULE 4B -	403
VALUE -	\$69,000,000

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 223 single-family units, 14 duplex units, and 164 multifamily units or an average of 401 units per year since 1990. Typically, over 500 residential properties are renovated or improved each year. These improvements and new development aid the City in attracting business and keep 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.

