

CITY COUNCIL
COMMUNICATION:

03-093

AGENDA:

FEBRUARY 24, 2003

SUBJECT:

TAX ABATEMENT
APPLICATIONS
FOR 2002

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

JAMES M. GRANT
COMMUNITY
DEVELOPMENT
DIRECTOR

ITEM 19 A/B

OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

SYNOPSIS —

Attached to the roll call are 596 tax abatement applications for the fifth 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 added values come on the tax rolls after abatement ends.

RECOMMENDATION —

Approval.

BACKGROUND —

Five hundred ninety-five applications for tax abatement are being submitted at this time with an estimated value by the applicants of \$118,000,000. Two hundred eighteen applications are for new construction (new single-family homes, apartments, and new businesses with an estimated value of \$103,000,000) and 377 applications are for improvements to an existing structure (with an estimated value of \$15,000,000).

Three hundred thirty-six applicants chose **Schedule 1** (with an estimated value of \$5,000,000). Schedule 1 gives qualified assessed residential properties 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% of actual value added by the improvements.

Fifteen applicants chose **Schedule 2** (with an estimated value of \$45,000,000). Schedule 2 gives all qualified real estate a partial exemption for ten years. The exemption schedule is a declining schedule and starts the first year at 80% and end in year ten at 20%. One application in this submittal was for the construction of a new business.

Twelve applicants chose **Schedule 3** (with an estimated value of \$26,000,000). All qualified real estate is eligible to receive an exemption from taxation on the actual value added by the improvements of 100% for three years. This schedule also applies to commercial and industrial property in

**CITY COUNCIL
COMMUNICATION**

03-093
FEBRUARY 24, 2003
PAGE TWO

specified areas.

Thirteen applicants chose **Schedule 4a** (with an estimated value of \$2,000,000). 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 ten 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.

Two hundred nineteen applicants chose **Schedule 4b** (with an estimated value of \$40,000,000). 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.

In addition, four of the applications are for work done prior to the year 2000. These 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. Four applications are for improvements to existing structures totaling approximately \$50,000.

FINAL TOTALS FOR 2002

TOTAL APPLICATIONS -	1315
TOTAL VALUE -	\$229,000,000
TOTAL NEW CONSTRUCTION -	642
VALUE -	\$202,000,000
TOTAL ADDITIONS -	673
VALUE -	\$27,000,000
TOTAL CHOOSING SCHEDULE 1 -	590
VALUE -	\$10,000,000
TOTAL CHOOSING SCHEDULE 2 -	26
VALUE -	\$68,000,000
TOTAL CHOOSING SCHEDULE 3 -	19
VALUE -	\$36,000,000
TOTAL CHOOSING SCHEDULE 4A -	56
VALUE -	\$6,000,000
TOTAL CHOOSING SCHEDULE 4B -	624

	<p>VALUE - \$109,000,000</p> <p>The City has attracted an average of 223 residential single-family units, 14 duplex units, and 164 multi-family units or an average of 401 units per year since 1990.</p>
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