

CITY COUNCIL
COMMUNICATION:

03-463

AGENDA:

SEPTEMBER 22, 2003

SUBJECT:

TAX ABATEMENT
APPLICATIONS FOR
2003

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

LARRY HULSE
COMMUNITY
DEVELOPMENT
DIRECTOR

ITEM _____

OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

SYNOPSIS —

Attached to the roll call are 193 tax abatement applications for the first 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 —

The total amount of taxes that would be abated by this action is \$29,000,000. The abatement does not reduce the taxes generated by the land values; only the improvement value is exempted. The improvement values are taxed after the abatement period expires.

RECOMMENDATION —

Approval.

BACKGROUND —

One hundred ninety-three applications for tax abatement are being submitted at this time with an estimated value by the applicants of \$29,000,000. One hundred thirty-four applications are for new construction (new single-family homes, apartments, and new businesses with an estimated value of \$28,000,000), and 59 applications are for improvements to an existing structure (with an estimated value of \$1,000,000). A breakdown of the applications by schedule is below.

Forty-nine applicants chose **Schedule 1** (with an estimated value of \$700,000). 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.

Five 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 ten years. The exemption schedule is a declining schedule and starts the first year at 80 percent and ends in Year 10 at 20 percent. One application in this submittal was for the construction of a new business.

Two applicants chose **Schedule 3** (with an estimated value of \$300,000). All qualified real estate is eligible to receive an exemption from taxation of 100 percent of the actual value added by the improvements for three years.

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

Seven 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 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.

One hundred thirty applicants chose **Schedule 4b** (with an estimated value of \$24,000,000). 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 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 by at least 5 percent. A 15 percent increase is required for commercial or industrial property.

RUNNING TOTALS FOR 2003

TOTAL APPLICATIONS -	193
TOTAL VALUE -	\$29,000,000
TOTAL NEW CONSTRUCTION -	134
VALUE -	\$28,000,000
TOTAL ADDITIONS -	59
VALUE -	\$1,000,000
TOTAL CHOOSING SCHEDULE 1 -	49
VALUE -	\$700,000
TOTAL CHOOSING SCHEDULE 2 -	5
VALUE -	\$3,000,000
TOTAL CHOOSING SCHEDULE 3 -	2
VALUE -	\$300,000
TOTAL CHOOSING SCHEDULE 4A -	7
VALUE -	\$1,000,000
TOTAL CHOOSING SCHEDULE 4B -	130
VALUE -	\$24,000,000

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 multi-family 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

	<p>in attracting business and drawing people to properties in the City of Des Moines. Developers have identified tax abatement as an incentive to attract buyers for their units. The abatement program has also aided in the rehabilitation of deteriorating property in the City by providing an incentive to maintain and upgrade property.</p>
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