



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 09/27/04
04-479

Communication No.:

Agenda Item Type: Resolution
No.:

Roll Call

Submitted by: Larry Hulse, Community Development Director

SUBJECT—

Approval of First (1st) set of Tax Abatement Applications for 2004.

SYNOPSIS—

Attached are one hundred and two (102) tax abatement applications for the first (1st) submission of applications for the year. The City Council first enacted tax abatement programs for the City on September 28, 1987 (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 \$21,000,000 comes on the tax rolls after abatement ends.

RECOMMENDATION—

Approval

BACKGROUND—

One hundred and two (102) applications for tax abatement are being submitted at this time with an estimated value, by the applicants, of \$31,000,000. Seventy-two (72) applications are for new construction (new single-family homes, apartments, and new businesses with an estimated value

of \$20,000,000) and fifty (50) applications are for improvements to an existing structure (with an estimated value of \$11,000,000).

Twenty-four (24) applicants chose **Schedule 1** (with an estimated value of \$500,000). 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.

Seven (7) applicants chose **Schedule 4a** (with an estimated value of \$10,000,000). 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.

Seventy (70) applicants chose **Schedule 4b** (with an estimated value of \$20,500,000). 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 3 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 2004

Total Applications -	102
TOTAL VALUE -	\$31,000,000
Total New construction -	72
Value -	\$20,000,000
Total Additions -	50
Value -	\$11,000,000
Total Choosing Schedule 1 -	25
Value -	\$500,000
Total Choosing Schedule 2 -	0
Value -	\$0
TOTAL CHOOSING SCHEDULE 3 -	0
Value -	\$0
Total Choosing Schedule 4a -	7
Value -	\$10,000,000
Total Choosing Schedule 4b -	70
Value -	\$20,500,000

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 for an average of 401 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 keeps 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.