

**REVISED**



Agenda Item:
22

## **COUNCIL COMMUNICATION City Manager's Office**

**GENERAL INFORMATION**

Agenda Date: 11/07/05  
638

Communication No.: 05-

Agenda Item Type: Resolution  
No.:

Roll Call

Submitted by: Larry Hulse, Community Development Director

**SUBJECT—**

Approval of one hundred forty (140) tax abatement applications for property improvements completed in 2005.

**SYNOPSIS—**

Attached are 140 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—**

Taxes are generated in the first year from the land value, but taxes from the improvements will be

forthcoming when **\$14,862,938.88** in addition value comes on the tax rolls after abatement ends.

## **RECOMMENDATION—**

Approval

## **BACKGROUND—**

A total of 140 tax abatement applications are being submitted at this time with an estimated value by the applicants of **\$14,862,938.88**. There were 83 applications for the construction of new single-family homes, apartments, and new businesses with an estimated value of **\$13,465,782.08** and 57 applications for improvements to an existing structure with an estimated value of \$1,397,156.80.

A total of 47 applicants chose **Schedule 1** with an estimated value of \$718,536.80. Schedule 1 is for qualified residential property. Applicants receive an exemption from the 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 the actual value added by improvements.

A total of 3 applicants chose **Schedule 2** with an estimated value of \$175,000.00. 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 with the first year at 80% and ends in year ten at 20%.

No applicants chose **Schedule 3**. Under schedule 3, all qualified real estate is eligible to receive an exemption from taxation on the actual value added by the improvements for three years. This schedule also applies to commercial and industrial real estate that is eligible to receive an exemption from taxation on the actual value added by the improvements for three years. This schedule also applies to commercial and industrial property in specific areas.

A total of 8 applicants chose **Schedule 4A** with an estimated value of \$1,091,000.00. Schedule 4A is for qualified real estate in specific areas generally located downtown and near the downtown area. The exemption period is ten years and the exemption amount is 100% of the actual value added by 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 and the actual value added by the improvements.

A total of 82 applicants chose **Schedule 4B** with an estimated value of **\$12,878,402.08**. 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 commercial and 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 improvements. The exemption amount is 100% of the actual value added by the improvements.

In order to receive tax abatement on a property, the applicant must increase the value of residential property at least 5% for residential or 15% for commercial and industrial property.

Cumulative Totals for 2005

<b>Schedule</b>	<b>Count &amp; Value</b>	
<b>1</b>	<b>47</b>	<b>\$718,536.80</b>
<b>2</b>	<b>3</b>	<b>\$175,000.00</b>
<b>4a</b>	<b>8</b>	<b>\$1,091,000.00</b>
<b>4b</b>	<b>82</b>	<b>\$12,878,402.08</b>
<b>Total</b>	<b>140</b>	<b>\$14,862,938.88</b>

The City approved tax abatement to stimulate growth and expansion in the City and level the playing field with areas outside the City. This program works well and retains and attracts development to the City.

Improvements and new development aids the City in attracting business and keeps people looking for properties in the city rather than outside of it. Developers have identified tax abatement as a big reason for attracting buyers to their units. The abatement program has also aided in upgrading deteriorating property in the city by providing an incentive to maintain and upgrade property.