



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 11/21/05
Agenda Item Type: Resolution

Communication No.: 05-656
Roll Call No.:

Submitted by: Larry Hulse, Community Development Director

SUBJECT—

Approval of one hundred forty-one (141) tax abatement applications for improvements to property that were completed in 2005.

SYNOPSIS—

On September 28, 1987, By Roll Call No. 87-4009, the City Council enacted the Tax Abatement Program. 141 applicants applied for tax abatement for in the first submission for this year. All of the applications are attached.

FISCAL IMPACT—

Taxes are generated in the first year from the land value, but the improvement value will be forth coming when \$24,271,154.65 comes on the tax rolls after abatement ends.

RECOMMENDATION—

Approval of the applications to apply prospectively as provided by Iowa Law.

BACKGROUND—

A total of 141 tax abatement applications are being submitted at this time with an estimated value by the applicants of \$24,271,154.65. There were 98 applications for the construction of new single-family homes, apartments, and new businesses with an estimated value of \$22,722,857.00 and 43 applications for improvements to an existing structure with an estimated value of \$1,548,297.65.

A total of 36 applicants chose **Schedule 1** with an estimated value of \$653,297.65. 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 2 applicants chose **Schedule 2** with an estimated value of \$205,000.00. 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%.

A total of 1 applicant chose **Schedule 3** with an estimated value of \$200,000.00. 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 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 12 applicants chose **Schedule 4A** with an estimated value of \$1,789,000.00. 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 90 applicants chose **Schedule 4B** with an estimated value of \$21,423,857.00. 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

Schedule	Count & Value	
1	83	\$1,371,834.45
2	5	\$380,000.00
3	1	\$200,000.00
4a	20	\$2,880,000.00
4b	172	\$34,302,259.08
Total	281	\$39,134,093.53

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.