

# Council Communication

Office of the City Manager



Date

February 20, 2006

Agenda Item No. 14  
Roll Call No. 06-  
Communication No. 06-088

Department: Community Development

## AGENDA HEADING:

Approval of four hundred and thirty-five (435) tax abatement applications for improvements to property completed in 2005.

## RECOMMENDATION:

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

## FISCAL IMPACT:

Amount: \$100,969,613.90 in forthcoming taxable value.

Funding Source: Taxes are generated in the first year from the land value, but the improvement value will be forthcoming when the \$100,969,613.90 comes on the tax rolls after abatement ends.

## ADDITIONAL INFORMATION:

A total of 435 tax abatement applications are being submitted at this time with an estimated value by the applicants of \$100,969,613.90. There were 204 applications for the construction of new single-family homes, apartments, and new businesses with an estimated value of \$77,160,522.00 and 231 applications for improvements to existing structures with an estimated value of \$23,809,091.90.

A total of 159 applicants chose **Schedule 1** with an estimated value of \$2,682,089.74. **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 16 applicants chose **Schedule 2** with an estimated value of \$24,038,060.00. **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 12 applicants chose **Schedule 3** with an estimated value of \$11,020,718.00. 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 property in specific areas.

A total of 43 applicants chose **Schedule 4A** with an estimated value of \$21,216,646.16. **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 205 applicants chose **Schedule 4B** with an estimated value of \$42,012,100. **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 property at least 5% for residential or 15% for commercial and industrial property. 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 to retain and attract development to the City. Developers have identified tax abatement as a major cause 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.

**Cumulative Totals for 2005**

<u>Schedule</u>	<u>Count &amp; Value</u>	
1	377	\$6,255,451.00
2	29	\$25,394,060.00
3	14	\$11,736,718.00
4a	124	\$37,034,450.81
4b	598	\$112,310,205.80
<b>Total</b>	<b>1141</b>	<b>\$192,605,885.61</b>

**PREVIOUS COUNCIL ACTION(S):**

Date: Multiple times per year since 1988

Roll Call Number:

Action: Approval/Denial of tax abatement applications

**BOARD/COMMISSION ACTION(S):**

Date:

Roll Call Number:

Action:

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

The tax abatement program on new improvements currently ends on December 31, 2008, unless the City Council extends the program beyond that date. Any application received by February 1, 2009 and approved by the City Council will receive abatement for the number of years eligible and for which an application was submitted. It is anticipated that there will be numerous submittals of tax abatement applications on a yearly basis until the program ends.