



Council Communication

Office of the City Manager

Date

August 21, 2006

Agenda Item No. 19
Roll Call No. 06-
Communication No. 06-519
Submitted by: Larry Hulse, Community
Development Director

AGENDA HEADING:

Approval of (97) tax abatement applications for improvements to property completed in 2006.

RECOMMENDATION:

Recommend approval of 97 tax abatement applications with an estimated value by the applicants of \$12,335,726. There are 69 applications for the construction of new single-family homes, apartments, and new businesses with an estimated value of \$11,396,501 and 28 applications for improvements to existing structures with an estimated value of \$939,225.

FISCAL IMPACT:

Amount: \$12,335,726 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 \$12,335,726 comes on the tax rolls after abatement ends.

ADDITIONAL INFORMATION:

A total of 19 applicants chose **Schedule 1** with an estimated value of \$312,625. **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.

One applicant chose **Schedule 2** with an estimated value of \$95,000. **Schedule 2** is for all qualified real estate to 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%.

One applicant chose **Schedule 3** with an estimated value of \$1,000,000. **Schedule 3** is for qualified real estate 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 27 applicants chose **Schedule 4A** with an estimated value of \$2,982,528. **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 includes property assessed as residential or assessed as commercial consisting of three or more living quarters with at least 75% of the space used residentially.

A total of 49 applicants chose **Schedule 4B** with an estimated value of \$7,945,573. **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 100% of the actual value added by 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 2006

Schedule	Count	Value
1	43	\$759,926.00
2	1	\$95,000.00
3	1	\$1,000,000.00
4a	33	\$3,973,937.00
4b	105	\$17,639,903.67
Total	183	\$23,468,766.67

The City approved tax abatement to stimulate growth and expansion in the City and level the playing field with areas outside the City. Developers have identified tax abatement as a primary 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.

PREVIOUS COUNCIL ACTION(S):

Date: May 8, 2006

Roll Call Number: 06-1086

Action: Approving 86 tax abatement applications for improvements made to property within the last 2 years ([Council Communication No. 06-324](#)) Moved by Kiernan to adopt. Motion Carried 6-1.

Date: February 20, 2006

Roll Call Number: 06-388

Action: Approving 435 tax abatement applications for improvements made to property during 2005. ([Council Communication No. 06-088](#)) Moved by Hensley to adopt. Motion Carried 6-1. Pass: Kiernan.

Date: February 20, 2006

Roll Call Number: 06-339

Action: Conditionally approving tax abatement application for 2120 E Army Post Rd. for improvements completed in 2005. ([Council Communication No. 06-083](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

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.