



Council Communication

Office of the City Manager

Date

December 18, 2006

Agenda Item No. 19
Roll Call No. 06-
Communication No. 06-777
Submitted by: Larry Hulse, Director of
Community Development

AGENDA HEADING:

Approval of one hundred ninety-four (194) tax abatement applications for improvements to property completed in 2006.

RECOMMENDATION:

Approval of 194 tax abatement applications are being submitted at this time with an estimated value by the applicants of \$26,676,706. There were 102 applications for the construction of new single-family homes, apartments, and new businesses with an estimated value of \$20,512,515 and 92 applications for improvements to existing structures with an estimated value of \$6,164,191.

FISCAL IMPACT:

Amount: \$26,676,706 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 \$26.7 million comes on the tax rolls after abatement ends.

ADDITIONAL INFORMATION:

A total of 55 applicants chose **Schedule 1** with an estimated value of \$908,118. **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 \$4,694,607. **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 45 applicants chose **Schedule 4A** with an estimated value of \$6,982,720. **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 91 applicants chose **Schedule 4B** with an estimated value of \$14,091,261. **Schedule 4B** is for qualified real estate for the remainder of the City not covered by other tax abatement schedules. 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 a five-year 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 2006

<u>Schedule</u>	<u>Count & Value</u>	
1	98	\$1,671,444.00
2	4	\$4,789,607.00
3	1	\$1,000,000.00
4a	78	\$10,956,657.00
4b	197	\$31,759,154.67
Total	377	\$50,176,862.67

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: August 21, 2006

Roll Call Number: 06-1664

Action: Approving 97 tax abatement applications for improvements made to property within the last 2 years ([Council Communication No. 06-519](#)) Moved by Vlassis to adopt. Motion Carried 4-1-1.

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.

BOARD/COMMISSION ACTION(S): NONE

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 applied for. It is anticipated that there will be numerous submittals of tax abatement applications on a yearly basis until the program ends.