



# Council Communication

Office of the City Manager

Date July 9, 2007

Agenda Item No. 68B  
Roll Call No. 07-  
Communication No. 07-387  
Submitted by: Richard A. Clark, City Manager

## AGENDA HEADING:

Approving Resolution directing the City Manager to prepare an amendment to the City-wide Urban Revitalization Plan to amend tax abatement for the downtown core area to 5 year/100% tax abatement, and to extend the City-wide tax abatement program for residential development for another 5 years.

## SYNOPSIS:

Recommend approval of resolution directing the City Manager to prepare an amendment to the City-wide Urban Revitalization Plan to: 1) amend tax abatement for the downtown core area to 5 year/100% tax abatement effective January 1, 2009, and 2) extend the City-wide tax abatement program for residential development for another 5 years.

## FISCAL IMPACT:

### Amount:

Not known. Currently, approximately \$438 million in residential development assessed value (approximately 7% of total residential assessments or about 9,800 residential properties) in Des Moines are utilizing residential tax abatement. This equates to about \$3.5 million in foregone tax revenues for the City of Des Moines. These properties will be fully taxable when the abatements expire at the end of their five or ten year periods.

Funding Source: N/A

## ADDITIONAL INFORMATION:

The City-wide Urban Revitalization Plan for residential tax abatement provides for 5 year/100% abatement on the value added by improvements assessed as residential and multiple-family commercial property throughout Des Moines and allows 10-year 100% abatement on the value added by improvements in the downtown core area.

In 1998, the Council approved adding the downtown area into a 10 year/100% tax abatement schedule because new housing in the downtown had been hampered by high development costs and the available incentives, at that time, were not sufficient to ensure financially-feasible downtown housing development.

Since then, over 1,100 new units have been built with an additional 700+ units currently under construction. A number of new financial incentives have recently been made available by the State of Iowa; these incentives have greatly assisted downtown housing.

The 10 year/100% tax abatement schedule is no longer required to make downtown housing marketable. The developers of several downtown housing projects have agreed to restrict their projects to the 5 year/100% schedule as a condition to receiving other City incentives. If an individual downtown housing project requires additional incentives above the 5 year/100% tax abatement to be financially feasible, the City Council can consider providing tax increment funded financial incentives to offset the loss of the second 5 years of tax abatement.

The City-wide tax abatement program is currently scheduled to expire on December 31, 2008, with an additional year to complete any improvements that have been started under a valid building permit issued prior to December 31, 2008.

The Council has met several times in the past year to discuss residential tax abatement. At its June 11, 2007, workshop, the Council directed staff to prepare a resolution to:

- Extend the City-wide tax abatement program, as applied to residential and multiple-family commercial properties, for an additional 5 years; and
- Amend the boundaries for the 10-year/100% exemption for residential properties to place the downtown area into the 5 year/100% exemption area. This amendment includes the Riverpoint West/Gray's Landing area, which will then only be eligible for the 5 year/100% abatement, in accordance with the proposed urban renewal agreement that is before the Council for its consideration at the July 9<sup>th</sup> meeting.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: August 7, 2006

Roll Call Number: 06-1600

Action: On Eighteenth Amendment to the Restated Urban Revitalization Plan for the City-Wide Urban Revitalization Area for development and redevelopment of E. 14th and Broadway Business Park located west of E. 14th Street, south of Interstate 35/80 and east of NE 7th Street. Moved by Mahaffey to adopt. Motion Carried 6-1.

Date: February 28, 2005

Roll Call Number: 05-478

Action: Recommendation on proposed 2005-1 Omnibus Amendment to the City's Urban Revitalization Plans, extending the duration of all the plans for 3 years and removing 101 and 107 3rd St. from list of significant structures in Design Guidelines for the Court Avenue Historic Area. Moved by Kiernan to adopt. Motion Carried 6-1. Absent: Vlassis.

Date: March 2, 1998

Roll Call Number: 98-619

Action: Report from Community Development Director, regarding policy amendments to the Restated City-Wide Urban Revitalization Plan. ([Council Communication No. 98-078](#)). Moved by Hensley to receive, file and confirm. Motion Carried 5-1.

Numerous (over 50) previous amendments to urban revitalization plan for tax abatement.

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**