



# Council Communication

Office of the City Manager

Date

September 24, 2007

Agenda Item No. 46

Roll Call No. 07-

Communication No. 07-564

Submitted by: Richard A. Clark, City Manager

## AGENDA HEADING:

Second reading of ordinance for special valuation of wind energy conversion property and waiving third reading.

## SYNOPSIS:

Recommend approval of the ordinance for the special valuation of wind energy conversion property (wind power turbines) for property tax assessment purposes. This ordinance was requested by MidAmerican Energy Company to provide an incentive for the construction of a wind turbine at the Iowa State Fairgrounds.

## FISCAL IMPACT:

Amount: \$95,000 estimated property tax revenue over the course of 20 years (roughly \$4,750 per year and into the future). \$287,000 estimated forgone property tax revenue over the course of the 20 years (roughly \$14,350 per year and into the future). See Additional Information for more detail.

Funding Source: Property tax generated from this property will be deposited in the appropriate funds in accordance with the tax rates adopted by future city councils (general, tort, trust and agency, debt service, etc.).

## ADDITIONAL INFORMATION:

MidAmerican Energy has requested that the City of Des Moines consider an ordinance providing for special valuation of wind energy conversion property in accordance with Iowa Code Section 427B.26, which allows city or county governments to provide a special valuation of wind energy conversion property for property tax assessment purposes.

### Community Benefit

Enacting this ordinance enables the City to encourage the construction of renewable energy generation in its boundaries, which results in improved air quality (through the reduction in greenhouse gases) and the reduced use of fossil fuels. This wind turbine is expected to generate the equivalent of 25 percent of the Iowa State Fairgrounds' electricity requirements for a year and is equivalent to removing the emissions generated by driving a car approximately 4,000 miles a year.

### Zoning Control

The City does control the future construction of wind turbines in its boundaries. Wind turbines and the related equipment are subject to obtaining a special permit from the Zoning Board of Adjustment pursuant to Chapter 134, Division 3 of the City Code.

Amount of Valuation

If approved, wind energy conversion property (wind turbines and related equipment/facilities) would be valued by the Polk County Assessor as follows:

- a. For the first assessment year, at zero percent (0%) of the Net Acquisition Cost (which in this case is \$1,160,000).
- b. For the second through sixth assessment years, at a 5% percent escalating rate of the Net Acquisition Cost (5% increase each assessment year).
- c. For the seventh and succeeding assessment years, at thirty percent (30%) of the Net Acquisition Cost.

This assessment valuation would apply to all property taxing entities; Polk County, Broadlawns Hospital, Agricultural Extension, County Assessor, Des Moines Area Regional Transit, State of Iowa, Des Moines Area Community College, Des Moines Public Schools, and the City of Des Moines.

For the City of Des Moines, it is estimated that \$95,000 would be received over the 20-year time period. The amount of forgone property taxes over the 20 years is estimated to be \$287,000.

Repeal of Special Valuation

In the future, the City Council may repeal this ordinance, if it so desires. However, per the State Code, property valued under this ordinance prior to the repeal would continue to be valued as outlined in this ordinance until the end of the twenty-year period. If the ordinance is not repealed, the 30% cap of taxable value would continue past the 20<sup>th</sup> year as long as the ordinance remains in effect.

Information requested during First Reading of Ordinance

During the First Reading of the proposed ordinance, three requests for further information were made. After consultation with representatives of MidAmerican Energy Company, the following information is provided.

- 1) How many wind turbines does MidAmerican Energy plan to build in Des Moines over the next ten years?

**MidAmerican Energy Company currently has no plans to construct further wind turbines within the city limits of Des Moines. The wind turbine at the Iowa State Fair grounds was built as part of MidAmerican's Renewable Advantage Program and is intended to provide a greater focus on, and public visibility for, wind generation. As an added benefit, the location at the Iowa State Fair facilitates customer education about renewable generation technologies.**

- 2) Is MidAmerican charging for the power being generated?

**MidAmerican's wind turbine at the Iowa State Fair grounds is a part of the Company's overall generation portfolio and, as such, it is utilized as part of MidAmerican's total pool of generation serving customers. Energy produced by MidAmerican's generation facilities is charged to customers using the Company's tariff rate structure.**

3) How many trees does MidAmerican remove from Des Moines each year?

**MidAmerican removes approximately 2,000 trees per year in the City of Des Moines during its routine maintenance activities. MidAmerican also administers two programs which encourage the planting of new trees. In 2006, through the "Plant Some Shade" program, MidAmerican provided 1,298 trees to customers in Des Moines. Additionally in 2006, through the "Trees Please" program, MidAmerican provided \$21,000 in matching grants to the City of Des Moines and 2,000 trees were planted through this second program. Individuals and businesses may get information related to the "Trees Please" program by calling (800) 434-4017.**

**PREVIOUS COUNCIL ACTION(S):**

Date: September 10, 2007

Roll Call Number: 07-1748

Action: Providing for the special valuation of Wind Energy Conversion Property. (Council Communication No. 07-563) Moved by Vlassis that this ordinance be considered and given first vote for passage; refer to the City Manager for information regarding: 1) estimate of how many we can expect in Des Moines, 2) what amount is being charged for the wind power. 3) the number of trees that Mid-American removes each year. Motion Carried 7-0.

Date: August 6, 2007

Roll Call Number: 07-1548

Action: Hearing on proposed ordinance for special valuation of Wind Energy Conversion Property. (Council Communication No. 07-466) Moved by Mahaffey to adopt. Motion Carried 7-0.

Date: July 23, 2007

Roll Call Number: 07-1401

Action: Setting Date of Hearing on proposed ordinance for special valuation of Wind Energy Conversion Property, (8-6-07) Moved by Vlassis to adopt. Motion Carried 7-0.

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

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**