



Council Communication

Office of the City Manager

Date

September 24, 2007

Agenda Item No. 16
Roll Call No. 07-
Communication No. 07-574
Department: Larry Hulse, Community
Development Director

AGENDA HEADING:

Approval of Sixty-nine (69) tax abatement applications for improvements to property completed in 2007.

RECOMMENDATION:

Recommend approval of the applications as provided by Iowa Law.

FISCAL IMPACT:

Amount: Tax abatement upon property with a claimed value of \$8,451,238.50.

- Taxes are generated in the first year from the land value, but the improvement value will be forth coming when the \$8,451,238.50 comes on the tax rolls after abatement ends.

ADDITIONAL INFORMATION:

A total of 69 tax abatement applications are being submitted at this time with an estimated value by the applicants of \$8,451,238.50. There were 39 applications for the construction of new single-family homes, apartments, and new businesses with an estimated value of \$7,425,305 and 30 applications for improvements to existing structures with an estimated value of \$1,025,933.50.

A total of 23 applicants chose **Schedule 1** with an estimated value of \$349,806. **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 1 applicant chose **Schedule 2** with an estimated value of \$1,100,000. **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%.

No applicants chose **Schedule 3**. With this schedule 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 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 7 applicants chose **Schedule 4A** with an estimated value of \$1,191,900. **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 38 applicants chose **Schedule 4B** with an estimated value of \$5,809,532.50. **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 residential property at least 5% for residential or 15% for commercial and industrial property.

Cumulative Totals for 2007

<u>Schedule</u>	<u>Count & Value</u>	
1	23	\$349,806.00
2	1	\$1,100,000.00
3	0	\$0.00
4a	7	\$1,191,900.00
4b	38	\$5,809,532.50
Total	69	\$8,451,238.50

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 and retains and attracts development to the City.

Improvements and new development aids the City in attracting business and keeps people looking for properties in the city rather than outside of it. Developers have identified tax abatement as a big 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: September 10, 2007

Roll Call Number: 07-1707

Action: Approving tax abatement application for additional value added by improvements completed in 2003 for property at 2425 Grand River Drive. (Council Communication No. 07-540) Moved by Hensley to adopt, and to request that the Polk County Assessor apply the tax abatement as soon as possible to this property. Motion Carried 7-0.

Date: May 7, 2007

Roll Call Number: 07-919

Action: Approving Tax Abatement application for additional value added by improvements completed in 2006, and denying retro-active application for 2473 SW 7th Street. (Council Communication No. 07-263)

Moved by Hensley to adopt and approve the application for tax abatement, to be applied prospectively. City will send a confirmation letter to the applicant. Motion Carried 7-0.

Date: April 23, 2007

Roll Call Number: 07-739

Action: Approving Tax Abatement application for the additional value added by improvements at 4411 SE 14th Street. (Council Communication No. 07-241) Moved by Hensley to adopt, with the tax abatement to be applied prospectively. Motion Carried 7-0.

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.