



Council Communication

Office of the City Manager

Date

October 22, 2007

Agenda Item No. 16
Roll Call No. 07-
Communication No. 07-631
Department: Community Development

AGENDA HEADING:

Approving Sixty-five (65) tax abatement applications for property improvements completed in 2007.

SYNOPSIS:

Recommend approval of a total of 65 tax abatement applications with an estimated value by the applicants of \$19,949,142. There were 34 applications for the construction of new single-family homes, apartments, and new businesses with an estimated value of \$19,039,212 and 31 applications for improvements to existing structures with an estimated value of \$909,930.

FISCAL IMPACT:

Amount: \$19,949,142 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 \$19.9 million comes on the tax rolls after abatement ends.

ADDITIONAL INFORMATION:

A total of 23 applicants chose **Schedule 1** with an estimated value of \$391,946. **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 8 applicants chose **Schedule 4A** with an estimated value of \$13,898,899. **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 34 applicants chose **Schedule 4B** with an estimated value of \$5,658,298.00. **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.

A number of tax abatement applications have been approved by previous Council actions. Cumulative totals, including those applications approved by this action, are summarized below:

Cumulative Totals for 2007

<u>Schedule</u>	<u>Count</u>	<u>Value</u>
1	46	\$741,752
2	1	\$1,100,000
3	0	\$0
4a	15	\$15,090,799
4b	72	\$11,467,831
Total	134	\$28,400,382

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: September 24, 2007

Roll Call Number: 07-1831

Action: [Approving](#) tax abatement applications (69) for additional value added by improvements made during 2007. ([Council Communication No. 07-574](#)) Moved by Kiernan to adopt. Motion Carried 7-0

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: 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.