



Council Communication

Office of the City Manager

Date

April 21, 2008

Agenda Item No. 20
Roll Call No. 08-
Communication No. 08-238
Submitted by: Larry Hulse, Community
Development

AGENDA HEADING:

Approval of two (2) tax abatement applications for improvements to property to be completed in the future.

SYNOPSIS:

Recommend the pre-approval of two (2) tax abatement applications as provided by Iowa Law, with an estimated value by the applicant of \$31,000,000 for the renovation of two buildings for residential and commercial uses. The structures are located at 104 SW 4th Street (The Rumley Building) and 328 SW 5th Street (The Art House). The renovation projects at these addresses are not expected to be completed until the middle of 2009. A pre-approval process by the City Council was created to provide developers with assurance that the project will receive abatement when the projects are completed.

FISCAL IMPACT:

Amount: \$871,410 (Estimated taxes per year for ten years)

Tax abatement on the property with a claimed value of \$31,000,000. Taxes are generated in the first year from the land value. The improvement value will be forth coming when the \$31,000,000 comes on the tax rolls after abatement period ends.

The buildings are currently paying \$21,084.07 per year in taxes; \$9,839.47 (Rumley Building) and \$11,244.60 (Art House). Each property would continue to pay these taxes, or whatever the assessor determines the adjusted value for the property will be, for the duration of the abatement on the property. The assessed value of the Art House is currently \$782,000 and the assessed value of the Rumley Building is \$716,700.

The estimated future taxes on the \$31,000,000 (applicants stated value) per year would be \$871,410 based on the estimated value multiplied by the .02811 millage rate for the City of Des Moines only (\$28.11 per \$1,000 in valuation.)

Funding Source: N/A

ADDITIONAL INFORMATION:

A total of two tax abatement applications are being submitted at this time with an estimated value by the applicants of \$31,000,000 for newly renovated residential and commercial uses in these existing buildings.

The applicant chose **Schedule 4A** with an estimated value of \$31,000,000. **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.

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.

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: February 25, 2008

Roll Call: [08-298](#)

Action: [Approving](#) tax abatement applications (346) for additional value added by improvements made during 2007. ([Council Communication No. 08-094](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: January 28, 2008

Roll Call: 08-120

Action: [Approving](#) tax abatement applications (208) for additional value added by improvements made during 2007. ([Council Communication No. 08-029](#)) Moved by Kiernan to adopt. Motion Carried 7-0.

Date: December 17, 2007

Roll Call: 07-2369

Action: [Approving](#) tax abatement applications (44) for additional value added by improvements made during 2007. ([Council Communication No. 07-732](#)) Moved by Hensley to adopt. Motion Carried 6-1.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The tax abatement program on new improvements currently ends on December 31, 2011, unless the City Council extends the program beyond that date. Any application received by February 1, 2012, 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.

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