

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date</b>	August 10, 2009
	<b>Agenda Item No.</b> 23 <b>Roll Call No.</b> <u>09-</u> <b>Communication No.</b> <u>09-545</u> <b>Submitted by:</b> Larry Hulse, Community Development Director	

**AGENDA HEADING:**

Approval of 87 tax abatement applications for improvements to property completed in 2009.

**SYNOPSIS:**

Recommend approval of 87 tax abatement applications, with an estimated value by the applicants of \$16,775,691.16. There were 42 applications for the construction of new single family homes, apartments and new businesses, with an estimated value of \$12,819,352.11 and 45 applications for improvements to existing structures, with an estimated value of \$3,956,339.05.

**FISCAL IMPACT:**

Amount: Tax abatement upon property, with a claimed value of \$16,775,691.16.

Funding Source: Taxes will only be generated from the land value while abatement is in effect. Taxes on the \$16,775,691.16 improvement value will be forth coming when the improvement value comes on the tax rolls after abatement ends.

**ADDITIONAL INFORMATION:**

A total of 87 tax abatement applications are being submitted at this time, with an estimated value by the applicants of \$16,775,691.16. There were 42 applications for the construction of new single-family homes, apartments and new businesses, with an estimated value of \$12,819,352.11 and 45 applications for improvements to existing structures, with an estimated value of \$3,956,339.05.

A total of 27 applicants chose **Schedule 1**, with an estimated value of \$483,751.71. **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 \$225,000. **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%.

A total of 1 applicant chose **Schedule 3**, with an estimated value of \$2,213,600. 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 property in specific areas.

A total of 16 applicants chose **Schedule 4A**, with an estimated value of \$5,585,646.34. **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 42 applicants chose **Schedule 4B**, with an estimated value of \$8,267,693.11. **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 2009

<u>Schedule</u>	<u>Count &amp; Value</u>	
1	27	\$483,751.71
2	1	\$225,000.00
3	1	\$2,213,600.00
4a	16	\$5,585,646.34
4b	42	\$8,267,693.11
<b>Total</b>	<b>87</b>	<b>\$16,775,691.16</b>

Cumulative Totals for 2008

<u>Schedule</u>	<u>Count &amp; Value</u>	
1	292	\$5,586,021.11
2	15	\$53,772,109.00
3	17	\$30,608,592.00
4a	237	\$48,499,058.26
4b	294	\$59,686,387.81
<b>Total</b>	<b>855</b>	<b>\$198,152,168.18</b>

Cumulative Totals for 2007

<u>Schedule</u>	<u>Count &amp; Value</u>	
1	286	\$5,360,236.05
2	9	\$14,141,403.00
3	12	\$27,649,173.00
4a	117	\$73,004,443.50
4b	399	\$88,220,793.43
<b>Total</b>	<b>823</b>	<b>\$208,376,038.98</b>

Cumulative Totals for 2006

<u>Schedule</u>	<u>Count &amp; Value</u>	
1	315	\$15,336,930.62

2	13	\$13,564,515.00
3	9	\$10,533,840.00
4a	370	\$60,956,657.00
4b	381	\$67,910,209.67
<b>Total</b>	<b>1,088</b>	<b>\$168,302,152.29</b>

Cumulative Totals for 2005

<u>Schedule</u>	<u>Count &amp; Value</u>	
1	377	\$6,255,451.00
2	29	\$25,394,060.00
3	14	\$11,736,718.00
4a	124	\$37,034,450.81
4b	598	\$112,310,205.80
<b>Total</b>	<b>1,141</b>	<b>\$192,605,885.61</b>

Cumulative Totals for 2004

<u>Schedule</u>	<u>Count &amp; Value</u>	
1	364	\$7,000,000.00
2	25	\$8,000,000.00
3	9	\$2,000,000.00
4a	94	\$61,000,000.00
4b	680	\$194,000,000.00
<b>Total</b>	<b>1,172</b>	<b>\$272,000,000.00</b>

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: March 9, 2009

Roll Call Number: 09-376

Action: Approving seven Tax Abatement applications for additional value added by improvements made in 2008. (Council Communication No. 09-131) Moved by Vlassis to adopt. Motion Carried 7-0.

Date: February 23, 2009

Roll Call Number: 09-278

Action: Approving 392 Tax Abatement applications for additional value added by improvements made in 2008. (Council Communication No. 09-124) Moved by Hensley to adopt. Motion carried 7-0.

Date: February 9, 2009

Roll Call Number: 09-179

Action: Approving 183 Tax Abatement applications for the additional value added by improvements made during 2008. (Council Communication No. 09-052) Moved by Vlassis to adopt. 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, 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.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the second floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).