

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 28, 2010
	Agenda Item No. 58 Roll Call No. <u>10-1092</u> Communication No. <u>10-418</u> Submitted by: Richard A. Clark, City Manager's Office

AGENDA HEADING:

Housing Cooperatives and Property Tax Policy

SYNOPSIS:

On May 24, 2010, during consideration of the rezoning of a multi-family project, the City Council requested that the City Manager examine issues regarding housing cooperatives and property taxes and provide a report to the City Council with policy recommendations. This communication presents items for Council consideration. This action recommends that City Council receive and file this report.

FISCAL IMPACT:

Amount: Based on a staff analysis of a list of 93 condominium regime or cooperative housing projects in the City of Des Moines as of March 18, 2010, the total taxable value (land and buildings) of those properties is \$163,463,300.

Analyzing the data under Finance Department guidance, if the properties are taxed as commercial, the annual tax revenue to the City is \$2,709,591. If taxed as residential, the annual tax revenue to the City is \$1,271,053. The difference/loss is \$1,438,538 annually.

Funding Source: Property tax funded Operating Budget.

ADDITIONAL INFORMATION:

Conversion of residential property, which is not occupied by a property owner, to cooperative housing has an undesirable negative fiscal implication that causes commercial property to be assessed and taxed at the residential rate, resulting in a substantial reduction in revenue.

City Council might consider changes to City Code that place restrictions or additional requirements on any project that proposes to convert a non-owner occupied residential unit to a cooperative or condominium unit. Possible considerations:

- Verify that proposed cooperative projects fully conform to the requirements of the Iowa Code. This would be accomplished by reviewing the proposed by-laws and articles to make sure the legal structure of the cooperative is in the true meaning of a co-op; and if there are concerns upon examination, the Assessor's office would be advised.

- Work cooperatively with the Iowa League of Cities to monitor the progress of the Supreme Court case regarding cooperative housing conversions, and if appropriate, develop legislative initiatives that address the issue.
- Adjust the tax abatement program to insure that cooperative or condominium housing projects are granted tax abatement only if the units remain owner occupied, or to raise the applicable development standards to qualify for tax abatement in order to offset the reduced tax base. There are several alternatives for consideration for tax abatement, including: amending the tax abatement plans to limit tax abatement to those properties which have recorded a covenant in a form acceptable to the City providing that the dwelling units will all be owner occupied and no rental certificate will be requested or issued. This could be City-wide or only outside the downtown area.

PREVIOUS COUNCIL ACTION(S):

Date: June 14, 2010

Roll Call Number: 10-957

Action: On reconsideration of a request from Sutton Hill Residential Cooperative to rezone 2080 King Avenue from “R-6” (Planned Residential Development) and “R1-80” (One-Family Residential) to “PUD” (Planned Unit Development), subject to conditions and for reconsideration on approval of the PUD Conceptual Development Plan, and approve extension to the existing Offer to Purchase Real Estate. (Council Communication No. 10-364) Moved by Meyer to adopt, and continue the hearing to June 28 Council meeting at 5:00 P.M. Motion Carried 6-1. Absent: Coleman.

Date: May 24, 2010

Roll Call Number: 10-837

Action: Setting date of Hearing for reconsideration of rezoning above (6-14-2010). Moved by Meyer to adopt. Motion Carried 7-0.

Date: May 10, 2010

Roll Call Number: 10-746 and 10-747

Action: Public hearing and first reading on request from Sutton Hill Residential Cooperative to rezone 2080 King Avenue from “R-6” (Planned Residential Development) and “R1-80” (One-Family Residential) to “PUD” (Planned Unit Development), subject to conditions. Moved by Hensley to refer to the City Manager to review the fiscal impact of the property taxes for this project, and to continue to work with the neighbors to gather additional ideas and address issues in the neighborhood including parking near the Cownie soccer fields. Motion Carried 6-1. Nays: Meyer. Moved by Hensley that this ordinance be considered and given first vote for passage. Motion Carried 6-1. Nays: Meyer.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Consideration of any proposed regulations.

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