

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	September 26, 2011
	Agenda Item No.	55
	Roll Call No.	<u>11-1675</u>
	Communication No.	<u>11-623</u>
	Submitted by:	Phillip Delafield, Community Development Director

AGENDA HEADING:

Approval of a Tax Abatement Action Plan to amend the City-wide Tax Abatement Program to extend the duration of tax abatement and to redefine the classes of commercial and industrial improvements eligible for abatement.

SYNOPSIS:

The City of Des Moines Tax Abatement Program is implemented through the City-wide Urban Revitalization Plan (the "City-wide Plan") and several similar plans for areas annexed into the City after the creation of the City-wide Plan. Those plans are all scheduled to expire on December 31, 2011. If those plans are allowed to expire, it will be difficult to reinstate a City-wide program because it would require a new finding that the entire City qualifies as a slum, blight or economic development area.

Staff recommends approving a Tax Abatement Action Plan as set forth below to extend the tax abatement program and implement the following amendments to the urban revitalization plans:

- (1) Continue the existing residential tax abatement program outside the downtown commercial area.
- (2) Reinstate the 10-year 100% tax abatement schedule for improvements to residential property in the downtown commercial area.
- (3) Eliminate the multiple classes of commercial property eligible to receive tax abatement in the downtown commercial area. New classes of property eligible to receive tax abatement should be defined and established as needed in the future to address identified needs as they arise.
- (4) Replace the numerous geographically based qualifying criteria for improvements to commercial and industrial property, and establish uniform design standards to be applied City-wide outside the downtown commercial core.

The goal of the changes to the tax abatement program is to incentivize development, strengthen neighborhoods along and adjacent to commercial corridors, support the market for residential construction and aid rehabilitation of existing housing stock.

FISCAL IMPACT: NONE

Amount: N/A

Funding Source: N/A

ADDITIONAL INFORMATION:

The initial goal of tax abatement was to incentivize development in the City, to support residential neighborhoods and to encourage development and reuse of buildings. Over the years, classes of commercial and industrial property eligible for tax abatement have been established on a piecemeal basis. Some classes of eligible property are based exclusively on a geographic requirement. If an improvement to commercial property is located within one of those geographic areas, the improvement is eligible for tax abatement without consideration of the quality or design of the improvement. Other classes of eligible property have been defined using a mix of geographic and design requirements. If an improvement to commercial property is located within one of those geographic areas, the improvement is eligible for tax abatement only if it also satisfies the design requirements established for that area. Different design requirements have been established for different geographic areas. However, improvements to commercial property in most of the City cannot qualify for tax abatement under any of the established classes.

In order to continue to incentivize development, strengthen neighborhoods along and adjacent to commercial corridors, support the market for residential construction and aid rehabilitation of existing housing stock, the following amendments to the tax abatement program are recommended.

Downtown Commercial Area:

The downtown commercial area is defined by I-235 on the north, the rivers on the south, Martin Luther King Jr. Parkway on the west and East 14th Street on the east. The multiple existing classes of commercial property eligible to receive tax abatement that have been created over the years for this area should be eliminated. New classes of property eligible to receive tax abatement should be defined and established as needed in the future to address identified needs as they arise. Those classes of property eligible to receive tax abatement should be defined and established in the context of specific development or redevelopment proposals that the City Council deems desirable to attract to the downtown commercial area.

The City Council has before it a proposal to create a Downtown Overlay District as part of the Zoning Ordinance, and to impose additional site plan design guidelines that will be applicable to all new commercial development in the downtown commercial area. Those design guidelines will be applicable to development in the downtown commercial area regardless of whether the development qualifies for tax abatement.

Most of the downtown commercial area was formerly within the Targeted Residential Area wherein improvements to residential property is eligible for tax abatement under the 10-year 100% schedule. Effective July 1, 2011, the Targeted Residential Area was reduced to exclude most of the downtown core. The Targeted Residential Area should be expanded to include all of the properties within the downtown commercial area that was formerly within such area.

Commercial new construction outside the Downtown Commercial Area:

The tax abatement program should be amended to allow tax abatement for improvements to commercial property within all the commercial and industrial zoning districts outside the downtown commercial area, provided the improvements satisfy certain design requirements. Those design requirements should include the satisfaction of certain basic sustainability goals. The objective is to improve the quality of the design and enhance commercial corridors throughout the City.

Commercial rehabilitation outside the Downtown Commercial Area:

The design guidelines applicable to new construction should not apply to the renovation of an existing structure, unless that renovation involves the substantial demolition and replacement of the structure, or substantially expands the size of the structure. Renovations to existing structures should continue to be controlled by the applicable zoning and site plan design standards, with the exception that the site should be required to meet the "C-2" site plan landscape standards to the extent feasible. The goal of commercial rehabilitation tax abatement is to strengthen the commercial corridors and support neighborhoods.

The 3-year 100% and 10-year declining tax abatement schedules should continue to be available throughout the City for any improvements to commercial property that qualifies for tax abatement.

Residential new construction:

New construction or rehabilitation of residential properties should continue to be eligible for abatement under the five-year 100% tax abatement schedule City-wide. The Targeted Residential Area wherein 10-year 100% abatement is available for improvements to residential properties should be expanded to its former size within the downtown commercial area, and extended into existing urban renewal areas outside the downtown commercial area where the additional level of abatement is necessary to encourage new construction and rehabilitation of residential properties.

Under consideration is an option to offer a 10-year 100% declining abatement for residential new construction. The option would lessen the impact of the full tax payment to the home owner by phasing in the payments over ten years. The additional benefit to the City would be a gradual increase in taxes collected over the abatement period.

In order to make the 10-year 100% declining abatement more appealing or cost beneficial than the current five-year 100% schedule, it may need to be amended to a three or four year 100% abatement schedule.

Residential rehabilitation:

The 10-year 115% tax abatement schedule for projects valued at less than \$20,000 should remain available in areas properly zoned for residential use throughout the City. However, this schedule should not be available for improvements to residential property located in zoning districts which prohibit new residential uses. The City should not provide this enhanced level of abatement to encourage the continuation of nonconforming residential uses in those zoning districts which prohibit new residential uses.

Extension of the Tax Abatement Program:

The tax abatement program should be extended through 2016, with an additional year allowed to finish projects which have been commenced by December 31, 2016, under authority of a building permit. Further review and amendments to the City-wide Tax Abatement Program should be considered in the event of changes in the market conditions or State Code, and the future adoption of a green building code.

Timing:

To implement the revisions to the tax abatement program as set out above, it is necessary to amend the urban revitalization plans for the City. It is expected that the necessary amendments can be prepared in time to be received by the City Council at its meeting on November 7, 2011. At that time the City Council will be asked to schedule a hearing on December 5, 2011, to consider adoption of the amendments, and to refer the amendments to the Plan and Zoning Commission for review and

recommendation. The Commission can consider the amendments at its meeting on November 17, 2011, and submit its report and recommendation to the City Council prior to the hearing on December 5, 2011.

PREVIOUS COUNCIL ACTION(S):

Date: September 28, 1987

Roll Call Number: 87-4009

Action: City Council adopted the original Urban Revitalization Plan (the "original Plan") for the Citywide Urban Revitalization Area.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Amend the Urban Revitalization Plan and the current tax abatement schedules.

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