

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	December 5, 2011
	Agenda Item No.	44
	Roll Call No.	<u>11-2085</u>
	Communication No.	<u>11-747</u>
	Submitted by:	Phillip Delafield, Community Development Director

AGENDA HEADING:

Resolution to open/close public hearing on the 2011-1 Omnibus Amendment to the City’s urban revitalization plans and approving the same.

SYNOPSIS:

The current tax abatement plan expires on December 31, 2011. The original goal of tax abatement was and remains to encourage development that might not otherwise occur. Should the City’s urban revitalization plan not be amended to extend the tax abatement program it would be difficult if not impossible to establish a new city-wide urban revitalization plan.

The amendments to the current tax abatement plans are designed to encourage new residential and infill residential development throughout the city; encourage residential development and urban density in the downtown district; to raise the quality of development in commercial and industrial zoned districts by creating city-wide construction standards; to increase the use of sustainability measures in new commercial and industrial projects and to continue to offer assistance with rehabilitation of existing commercial and residential buildings.

This resolution approves the 2011-1 Omnibus Amendment to the City's urban revitalization plans. More specifically, this amendment:

- 1) Extends property tax abatement for an additional four years until December 31, 2015. Projects starting prior to December 31, 2015 have to be completed by December 31, 2016;
- 2) Expands the “City-wide Urban Revitalization Area” to encompass the entire City of Des Moines as it now exists and as expanded by future annexations;
- 3) Amends the City-wide Urban Revitalization Area to restore the downtown area as a “Targeted Residential Development Area” in which qualifying improvements to residential and commercial multifamily property can receive a 10-year/100% exemption .
- 4) For commercial and industrial properties, provides tax abatement outside of the downtown and requires additional standards to be met in order to qualify for tax abatement; and
- 5) Discontinues the separate tax abatement plans created for specific areas not previously included in the City-wide Urban Revitalization Area;

FISCAL IMPACT:

Amount: Not known. One of the major purposes of tax abatement is to encourage development to locate in Des Moines that otherwise might not occur; new development and rehabilitation of existing improvements typically increase taxable values.

Funding Source: In order to be eligible for tax abatement, improvements must increase the property assessment by at least 5% for residential properties and 15% for commercial and industrial properties. Once the abatement is completed – depending on the property type and the tax abatement schedule chosen -- after a 3 to 10 year period, these properties then become fully taxable with revenues then made available to the City and the other taxing jurisdictions.

ADDITIONAL INFORMATION:*Summary of Changes*

The proposed amendment -- 2011-1 Omnibus Amendment to the urban revitalization plans for the City -- makes a number of changes to the current tax abatement program:

1. Tax abatement is extended to December 31, 2015 with an additional year for the completion of improvements commenced by December 31, 2015.
2. The City-wide Urban Revitalization Area includes the entire City as it now exists and land hereafter annexed.
3. Ten-year/100% tax abatement is restored for improvements to residential and multiple-family commercial properties within the Downtown, retroactive to January 1, 2011.
4. Revises eligibility requirements:
 - A. Improvements to multiple-family dwellings assessed as residential or commercial property commenced after January 1, 2012 must conform with the Commercial Construction and Sustainability Design Standards in Appendix A-1. In addition, improvements to property located in the Court Avenue Historic Area, the Historic Fort Des Moines II Archaeological Area or the Eastern Gateway District Area 1 must also comply with specific standards outlined as individual appendices for each of these areas.
 - B. Improvements to commercial and industrially-assessed commenced after January 1, 2012 must conform with the “Commercial Construction and Sustainability Design Standards” detailed in Appendix A-1. These improvements must increase the assessed value by at least 15% and be made to property located outside the Downtown Overlay District, and within a commercial or industrial zoning district or in a PUD District planned for commercial or industrial uses. It is anticipated that future amendment(s) may be made for specific classes of property that will qualify for tax abatement in the Downtown Overlay District if it is determined that tax increment assistance is not effective.

Briefly, the “Commercial Construction and Sustainability Design Standards” provide criteria to encourage development with the provision of tax abatement for projects with a high quality of design, exterior materials and landscaping in commercial and industrial districts throughout Des Moines. These standards require a number of site improvements including increased landscaping, sidewalks, enhanced screening, better quality building materials, a minimum of 20% of the street-facing façade(s) to be windows and meeting at least 4 “sustainable” elements.

Sustainable elements are defined as

- Bike racks for public use that provide a minimum of 10% of the spaces provided for vehicular parking.
- Permeable pavement for a minimum of 30% of the paved area.
- Green roof on 50% of the rooftop area.
- Rain garden(s) that absorb 25% of runoff from impervious surfaces during a 1¼ inch rain event over 24 hours.
- Exceed applicable energy code by 15%.
- 50% increase in required landscaping.
- 90% of exterior building elevations constructed from renewable materials.
- Primary entry within ¼ mile of a DART transit stop.
- Redevelopment of a previously-developed site.
- Renovation of an existing building.

Historical Background

In 1979, the Iowa legislature enacted the Urban Revitalization Act (Chapter 404 of the Code of Iowa) giving Iowa cities the authority to designate existing urban renewal areas as “urban revitalization” areas eligible for residential tax abatement. The primary intent of this law was to encourage rehabilitation or new construction which might not otherwise have occurred allowing Iowa cities to offer a temporary exemption from taxation (commonly known as "tax abatement") on the taxable value added by qualifying improvements to real property.

Between 1979 and 1987, Des Moines designated 31 separate urban revitalization areas and developed specific plans for 28 of these designated areas. These plans defined the types of uses and improvements eligible for tax abatement in each area. In 1987, the City consolidated the separate urban revitalization areas into a comprehensive unified urban revitalization area.

Also in 1987, the City Council made a finding that the entire area within the City of Des Moines as established on July 7, 1987, qualified for designation as an urban revitalization area to be known as the “Citywide Urban Revitalization Area”.

Prior to 1996, state law did not provide a feasible means of expanding boundaries of the City-wide Urban Revitalization Area. Independent urban revitalization plans were subsequently created for eight separate areas annexed into the City after 1987.

In 1996, the state amended its law to allow for the expansion of corporate boundaries in an urban revitalization area without having to create separate individual areas and plans. After 1996, the City was able to extend residential tax abatement to newly annexed areas by amending the Citywide Urban Revitalization Plan.

A number of amendments in the past decade have expanded commercial and residential abatement to various locations. One of the most notable changes was enacted in 1998 when downtown housing became eligible for 10 year/100% abatement; in 2008, the abatement schedule was reduced to 5 year/100% abatement for downtown housing projects starting in 2011.,

The current tax abatement programs are scheduled to expire on December 31, 2011; projects started prior to December 31, 2011 must be completed by December 31, 2012 in order to be eligible for tax abatement.

PREVIOUS COUNCIL ACTION(S):

Over 60 amendments have been approved by the City Council relating to urban revitalization plans and tax abatement; the first section of the proposed amendment provides a detailed listing of those actions which date from 1979.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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