

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: August 27, 2012
	Agenda Item No. 24 Roll Call No. <u>12-1351</u> Communication No. <u>12-469</u> Submitted by: Phillip Delafield, Community Development Director and Terrance N. Vorbrich, Acting Economic Development Administer

AGENDA HEADING:

Approving application from Central Iowa Supportive Housing, LLP, for tax abatement for the YMCA Transitional Housing Project at 2 Ninth Street and requesting retroactive application to the taxable value of the partially completed building existing on January 1, 2010.

SYNOPSIS:

Central Iowa Supportive Housing, LLLP, is a for-profit, limited partnership, with the YMCA of Greater Des Moines as the General Partner. Central Iowa Supportive Housing, LLLP converted the former Polk County Jail Annex located at 2- 9th Street into a 140 unit housing project, which is the location that the YMCA of Greater Des Moines runs its transitional housing program.

City staff is recommending that City Council approve the retroactive tax abatement schedule on the partially completed building existing on January 1, 2010

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

Central Iowa Supportive Housing, LLLP as a for-profit limited partnership is subject to assessment and payment of property taxes on the project. The project is eligible for the City’s residential 10-year, 100% tax abatement on the value added improvements to the building. The value of the land (\$150,000) is not eligible for property tax abatement.

The project began construction in 2009, was completed in July 2011 and filed for the residential 10-year, 100% tax abatement on the completed value-added building assessment of \$4,980,000, which was approved by City Council. Since the project was under construction as of January 1, 2010, the project received a partially completed assessment (referred to hereinafter as the “construction assessment”) of \$2.6 million on the value-added building improvements. Construction assessments are eligible for the residential 10-year, 100% tax abatement, but requires a tax abatement filing with the City. Central Iowa Supportive Housing, LLLP was not aware that the taxes payable on the construction assessment would not be abated as part of the completed project’s tax abatement application. The construction assessment resulted in an increase to the property taxes payable of \$109,190. Central Iowa Supportive Housing, LLLP had not anticipated this payment and did not plan for it in the project’s financial structure.

Central Iowa Supportive Housing, LLLP has now filed a tax abatement application on the construction assessment and is asking that the City accept and process retroactively a 10-year, 100% tax abatement application on the construction assessment and adjust the completed tax abatement application filed after the project was completed.

By approving the retroactive tax abatement application the project will have two 10-year, 100% abatement schedules. The first abatement schedule will be on the construction improvement assessment of \$2.6 million, with the second on the incremental value between the construction assessment and the final completed assessment which is \$2.38 million. With the two proposed abatement schedules, Central Iowa Supportive Housing, LLLP will still be required to make a property tax payment on the partial construction assessment, but that will not occur until the first abatement schedule elapses. During that time, the General Partner, will have 10 years to set aside operating reserves sufficient to make the property tax payment when it becomes due.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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