 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> October 26, 2015
	<b>Agenda Item No.</b> 52 <b>Roll Call No.</b> <u>15-1816</u> <b>Communication No.</b> <u>15-579</u> <b>Submitted by:</b> Phillip Delafield, <b>Community Development Director</b>

**AGENDA HEADING:**

Resolution to open/close the public hearing on the amended Third Restated Urban Revitalization Plan for the City-Wide Urban Revitalization Area, and approving said plan.

**SYNOPSIS:**

The current tax abatement plan (Second Restated Urban Revitalization Plan) expires on December 31, 2015, with an additional year to complete projects then under construction. 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 very difficult to establish a new “City-Wide Urban Revitalization Plan”.

This resolution approves the Third Restated Urban Revitalization Plan. More specifically, this amendment:

- 1) Extends the property tax abatement program for an additional five (5) years until December 31, 2020. Projects starting prior to December 31, 2020 shall be completed by December 31, 2021 to qualify for this program.
- 2) Increases tax abatement granted for the renovation and rehabilitation of existing single-family, two (2) family or multi-family properties to 10-year, 100%, and City-wide.
- 3) Reduces the amount of abatement given for new single-family and two (2) family homes outside of the “targeted residential area” (see map appendix 8A) from 5-year 100% (current) to 3-year 100% then 60%, then 40% (proposed).
- 4) Reduces the amount of abatement given for new single-family and two (2) family homes within the “targeted residential area” from 10-year, 100% (current) to 8-year 100%, then 60%, then 40% (proposed).
- 5) Discontinues tax abatement for multi-family properties not located within the proposed Targeted Area and Corridors Map (see map appendix 8B).
- 6) Provides an exemption to allow “rowhome” type developments with eight (8) or fewer units on their own parcel and outside of the proposed Targeted Area and Corridors Map to obtain tax abatement, subject to meeting minimum design guidelines.

- 7) Proposes alternate schedules for extension of time granted for projects underway to remain eligible under the current program requirements of the current Second Restated City-Wide Urban Revitalization Plan:
- i. All improvements completed by December 31, 2015, and;
  - ii. For projects where complete site plans and buildings plans have been submitted to the City Permit and Development Center on or before December 31, 2015, and construction of the improvements is diligently commenced and pursued to completion, provided that improvements shall be completed by December 31, 2017.
  - iii. Multi-family projects located within the existing targeted area and with property frontage along a designated corridor shall be eligible for 10-year, 100% tax abatement, provided that the building permit is obtained on or by December 31, 2016, and the project is pursued to diligent completion by December 31, of 2018.

### **FISCAL IMPACT:**

Amount: Not known at this time. One (1) 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 5-year 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:**

The City-wide tax abatement program has been in existence since 1987. Since nearly 30 years have passed from the original program implementation, Community Development Staff considered this renewal period as an opportune time to determine revised goals and outcomes for the program. Collective goals for the program will keep an emphasis on encouraging high quality, sustainable new development, but also seek to stabilize, improve, and raise the value of existing housing stock, reduce blight in neighborhoods and along corridors, encourage housing product options in targeted areas that the market may currently lack, and will lean on the outcomes of the PlanDSM Comprehensive Plan update to target development in areas where existing City services and infrastructure are already in place.

Additionally, numerous factors have played a role in staff's recommendations on the future of the program, such as; the multi-family property tax rollback approved by the Iowa Legislature, current real estate market trends, future municipal budget considerations, placing a heightened emphasis on improvement to existing housing and commercial building stock, and provision of City incentive programs that are suited to match the recommendations of various community planning efforts such as: PlanDSM, the City's Strategic Vision Plans, the Tomorrow Plan, and the Capital Crossroads Plan, among others.

The Community Development Department, Finance Department, Legal Department, Economic Development Division, and City Manager's Office staff have diligently worked on the Third Restated Urban Revitalization Plan program updates and remain committed to the successful future operation and implementation of the tax abatement program.

The original staff recommendations on program changes were presented to City Council during a public council workshop held on July 27, 2015. Feedback was received that gave staff direction on revisions needed. On August 19, 2015, an advertised public meeting was held at Polk County River Place to present the proposed recommendations on the tax abatement program, which was well attended by the general public, neighborhood organization leaders, the real estate and development community, and other vested interests. Additional outreach efforts included local media coverage, correspondence with City boards and commissions, and recognized neighborhood groups. In addition to the public meeting, numerous written communications were received on this subject, which was collected and previously provided to City Council. An overwhelming majority of feedback received was in support for continuation of the tax abatement program; however, there was no clear consensus provided on whether the program should remain "as-is" or amended. Tax abatement program changes were brought before City Council again at a Council Workshop held on September 14, 2014, where after additional thoughtful discussion, the revised recommendations are now presented in this resolution.

Specific program changes are outlined in the section below, but particular emphasis was given on several topics related to the operation of the program. Originally, staff had proposed some of the most substantial changes to tax abatement program since its inception. For this reason, staff recommended a shortened 3-year window before the amended program would lapse, to ensure the changes would not have a detrimental impact to development in the City. With the exception of elimination of abatement eligibility for multi-family projects outside of the Downtown Overlay District and designated corridors, the latest recommendations propose less drastic reductions to the terms of abatement, and actually increase the amount of abatement offered for renovation and rehabilitation of existing structures. Staff will continue to monitor development trends to gauge any impacts of program changes.

Implementation and effectual timelines of program changes has been a topic of utmost interest that the development and home building community has relayed to staff. There are currently numerous development projects either in the proposed or plan review stages where developers have a keen focus on the outcome of the tax abatement program changes for project financing and pro forma calculation purposes. Council is being presented with two (2) options on how to proceed with projects that are currently proposed or under review.

**Option #1 – No change.** Building permits obtained by December 31, 2015 would be eligible for the benefits of the current program (Second Restated Urban Revitalization Plan).

**Option #2 –** For any project that has full site plans and building plans submitted to the Permit and Development Center on or by December 31, 2015, AND for construction of the improvements to be diligently pursued to completion by no later than December 31, 2017 would be eligible for the current program (Second Restated Urban Revitalization Plan). If plans are submitted by the end of 2015, but the December 31, 2017 completion timeline has not been met, a determination will be made by the Community Development Director at that time which may result in loss of eligibility on the offerings of the current tax abatement program if determined that completion of the project was not diligently pursued.

Additionally, the recommendation would extend 10-year, 100% tax abatement for multi-family properties within the existing targeted area. Staff will continue to provide clear direction on program changes to inquiring parties seeking to obtain tax abatement.

The PlanDSM Comprehensive Plan Update is scheduled for completion and hopeful subsequent adoption in 2016. Once approved, it is staff's desire to discuss additional locations to target development and redevelopment efforts, and ensuring that any incentives programs offered are tailored to match up with areas adequately served by public services and infrastructure. Additionally, it will present an appropriate time to further evaluate adoption of City-wide or corridor-wide development design guidelines.

### Summary of Changes

The proposed amendment to the Urban Revitalization Plan for the City makes a number of changes to the current tax abatement program:

- 1) Extends the property tax abatement program for an additional 5-years until December 31, 2020. Projects starting prior to December 31, 2020 shall be completed by December 31, 2021 to qualify for this program.
- 2) Increases abatement offered for rehabilitation and renovation of single-family, two (2) family and multi-family properties in the targeted area and outside the targeted area to 10-year, 100% tax abatement, effective January 1, 2016.
- 3) Changes abatement offered for new construction of single-family and two (2) family properties outside of the targeted area from 5-year, 100% (current) to 3-year, 100%, then 60%, then 40%, effective January 1, 2016.
- 4) Changes abatement offered for new construction of single-family and two (2) family properties inside the targeted area from 10-year, 100% (current) to 8-year, 100%, then 60%, then 40%, effective January 1, 2016.
- 5) Discontinues tax abatement eligibility for multi-family properties not located within the proposed Targeted Area and Corridors Map (see map appendix 8B).
- 6) Provides an exemption to allow "rowhome" type developments with eight (8) or fewer units on their own parcel and outside of the proposed Targeted Area and Corridors Map to obtain tax abatement, subject to meeting minimum design guidelines.
- 7) Proposes an extension of time granted for projects underway to remain eligible under the current program requirements of the current Second Restated City-Wide Urban Revitalization Plan:
  - i. All improvements completed by December 31, 2015, and;
  - ii. For projects where complete site plans and buildings plans have been submitted to the City Permit and Development Center on or before December 31, 2015, and construction of the improvements is diligently commenced and pursued to completion, provided that improvements shall be completed by December 31, 2017.

- iii. Multi-family projects located within the existing targeted area and with property frontage along a designated corridor shall be eligible for 10-year, 100% tax abatement, provided that the building permit is obtained on or by December 31, 2016, and the project is pursued to diligent completion by December 31, of 2018.

Type of Residential	Existing Schedule	Proposed Schedule
Rehabilitation under \$20,000 increased value	10-year 115%	No change

One (1) family detached, two (2) family semi-detached, and row houses with up to eight (8) dwellings in a row, each with front and rear yard setbacks		
○ New construction in Targeted Low Density Residential Area	10-year 100%	10-year 100-100-100-100-100- 100-100-100-60-40%
○ New construction outside Targeted Low Density Residential Area	5-year 100%	5-year 100-100-100-60-40%
○ Rehabilitation in Targeted Low Density Residential Area	10-year 100%	No change
○ Rehabilitation outside Targeted Low Density Residential Area	5-year 100%	10-year 100%

Apartments, Residential Condominiums and Cooperatives, and Multi-residential buildings, excluding row houses addressed above		
○ New construction in Targeted Residential Development Area and Corridors	10-year 100%	10-year 100-100-100-100-100- 100-100-100-60-40%
○ New construction outside Targeted Residential Development Area and Corridors	5-year 100%	Eliminate
○ Rehabilitation in Targeted Residential Development Area and Corridors	10-year 100%	No change
○ Rehabilitation outside Targeted Residential Development Area and Corridors	5-year 100%	10-year 100%

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 have not otherwise 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 “City-wide 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 (8) 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 City-wide Urban Revitalization Plan.

A number of amendments in the past decade have expanded commercial and residential abatement to various locations. One (1) of the most notable changes was enacted in 1998 when downtown housing become 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.

Effective January 1, 2012 by adopted resolution of the Second Restated Urban Revitalization Plan, 10-year, 100% tax abatement was restored to residential and multi-family residential properties within the Downtown. Additional changes were made to the program that allowed City-wide improvements to commercially and industrially-assessed properties commencing after January 1, 2012 to be eligible for Commercial Tax Abatement, subject to meeting the “Commercial Construction and Sustainability Design Standards.” Lastly, the program required all multi-family residential properties to also meet the approved “Commercial Construction and Sustainability Design Standards.”

#### **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.

Date: December 5, 2011

Roll Call Number: 11-2085

Action: On the 2011-1 Omnibus Amendment to the City’s Urban Revitalization Plans. ([Council Communication No. 11-747](#)) Moved by Hensley to adopt. Motion Carried 7-0.

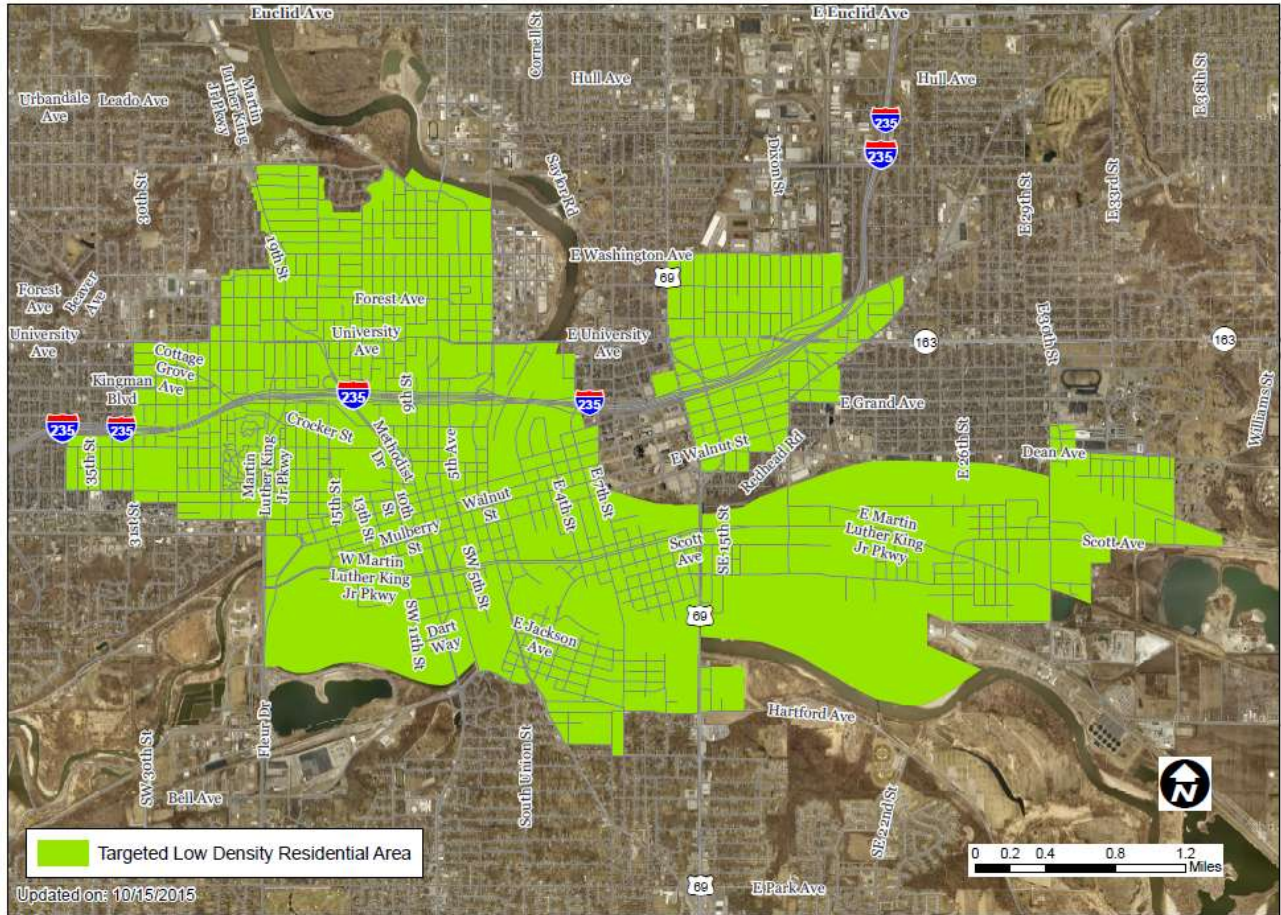
#### **BOARD/COMMISSION ACTION(S): NONE**

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Amendment of Site Plan Ordinance Design Guidelines for “Multi-Family Residential” projects.  
Amendment to the “Commercial Construction and Sustainability Design Standards” for industrial projects. Expansion of the proposed targeted area and designated corridors map based on guidance from the PlanDSM Comprehensive Plan.

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 first 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).

Map 8A: Targeted Low-Density Residential Area



Map 8B: Targeted Multiple-Family Residential Area and Corridors

