

COUNCIL COMMUNICATION

	Number:	21-504	Meeting:	November 15, 2021
	Agenda Item:	37	Roll Call:	21-1749
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Items regarding Fourth Restated Urban Revitalization Plan for the Citywide Urban Revitalization Area:

A) Public hearing and approval of the Fourth Restated Urban Revitalization Plan for Citywide Urban Revitalization Area.

B) First consideration of an ordinance to amend Municipal Code Section 135-2.11, Figures 135-2.11-A, 135-2.11-B, 135-2.11-C, 135-2.11-D, and Tables 135-2.1-1 and 135-2.1-2, relating to Flat A and Flat B building types and regulations.

C) Final consideration of the ordinance above (waiver requested by the Development Services Director), requires six (6) votes.

SYNOPSIS:

The City-wide tax abatement program has been in existence since 1987. The current tax abatement plan (Third Restated Urban Revitalization Plan) was approved on October 26, 2015, and expires on December 31, 2025, 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. Following adoption of the PlanDSM Comprehensive Plan in 2016 and the City's Zoning Code (Chapter 134) and Planning and Design Code (Chapter 135) in 2019, the City Manager directed staff to update and amend the Third Restated Urban Revitalization Plan to better align tax abatement incentives with the increased design standards of said new Codes, and to modify existing and create new tax abatement schedules that encourage energy efficiency, sustainability and production of "missing-middle" housing in the City of Des Moines. The proposed Fourth Restated Urban Revitalization Plan will expire on December 31, 2028, with an additional year to complete projects then under construction.

Staff recommends approval of the Fourth Restated Urban Revitalization Plan for the Citywide Urban Revitalization Area, and approval of the ordinance to amend Municipal Code Section 135-2.11, Figures 135-2.11-A, 135-2.11-B, 135-2.11-C, 135-2.11-D, and Tables 135-2.1-1 and 135-2.1-2, relating to Flat A and Flat B building types and regulations.

FISCAL IMPACT:

Amount: In order to be eligible for tax abatement, improvements must increase the property by at least 5% for residential, commercial, and industrial properties. The actual amount of abated value going forward will depend upon the number of applications and the valuation of improvements as assigned by the County Assessor. Over the last 10 years, the total amount of abated value in the portions of Des Moines located in Polk County increased by approximately \$486.7M (from \$616.4M to \$1.1B). Over

that same time-period, the total taxable value of improved properties for that same area has increased by \$5.7B (from \$11.2B to \$16.9B).

Funding Source: General Fund

ADDITIONAL INFORMATION:

The City-wide tax abatement program has been in existence since 1987.

The proposed Fourth Restated Urban Revitalization Plan for the Citywide Urban Revitalization Area is attached to the roll call.

The following is a summary of key components of the proposed restated plan:

- Required minimum valuation increase of 5% for all abatement schedules. The Third Restated Urban Revitalization Plan (City's current plan) requires a minimum 5% valuation increase for single-household and a minimum 15% valuation increase for 3-plus household, commercial and industrial.
- Reliance on Des Moines Municipal Code Chapter 135 construction material requirements for eligibility. The Third Restated Urban Revitalization Plan has an appendix that specifies construction requirements with no relief mechanisms; the Fourth Restate Urban Revitalization Plan eliminates this appendix.
- Ten (10) year, 100% abatement for all residential rehabilitation projects City-wide. The Third Restated Urban Revitalization Plan has residential rehabilitation projects broken into two (2) separate schedules, including a 10-year 115% abatement schedule for projects resulting in a maximum increased value of \$20,000, and a 10-year 100% abatement schedule for higher value projects. The proposed Fourth Restated Urban Revitalization Plan provides 10-year 100% abatement schedule for all qualified residential rehabilitation.
- Ten (10) year 100% abatement for new detached accessory housing units (such as carriage houses) City-wide. This is a higher-level incentive from what is available in the Third Restated Urban Revitalization Plan.
- Three (3) year 100% and 10-year declining abatement continues to be available for commercial/industrial rehabilitation and new construction projects in commercial/industrial zoning districts outside of downtown. This is consistent with the Third Restated Urban Revitalization Plan.
- Sustainability requirements for commercial/industrial projects have been updated for better alignment with Des Moines Municipal Code Chapter 135.
- Sustainability requirements for 13-plus household residential projects have been updated for better alignment with Des Moines Municipal Code Chapter 135. Projects with permit applications accepted before December 31, 2022, construction started by July 1, 2023, and construction completed by December 31, 2023, continue to be eligible for the abatement schedules in the Third Restated Urban Revitalization Plan under its sustainability requirements.
- New abatement schedules for Missing Middle housing, which includes House building types with two (2) through four (4) units, bi-attached houses (duplexes), row buildings with two (2) through 12 units, and Flat B buildings (small apartment structures) with two (2) through 12 units:

- Eight (8) year declining abatement offered City-wide for meeting minimum plan requirements.
- Nine (9) year declining abatement offered City-wide for including enhanced efficiency and sustainability features.
- Projects started in 2022 will be eligible for these schedules if the Fourth Restated Urban Renewal Plan is approved this year.
- Over the next two (2) years, new one (1) household residential projects transition from six (6) year declining abatement to five (5) year declining abatement outside the targeted low density residential area and from 10-year declining abatement to nine (9) year declining abatement within the targeted low density residential area.
 - New one (1) household residential construction with permit applications accepted before December 31, 2022, construction started by July 1, 2023, and construction completed by December 31, 2023, continue to be eligible for the abatement schedules in the Third Restated Urban Revitalization Plan under its eligibility criteria.
 - After the dates listed above, new one (1) household residential construction will be eligible for the following schedules under the Fourth Restated Urban Revitalization Plan:
 - Projects constructed to minimum plan requirements will be eligible for five (5) year declining abatement outside the targeted low density residential area and nine (9) year declining abatement within the targeted low density residential area.
 - Projects constructed with enhanced efficiency and sustainability features will be eligible for six (6) year declining abatement outside the targeted low density residential area and 10-year declining abatement within the targeted low density residential area.
- To qualify for abatement schedules that require enhanced efficiency and sustainability features, projects must have the following:
 - Walls, not including foundation walls, that separate conditioned space from unconditioned space shall have a minimum R-value of 20. This can be achieved by two (2) by six (6) construction and fiberglass insulation between studs; or two (2) by four (4) construction with fiberglass insulation between studs and continuous foam insulation board on exterior of framing; or other approved designs.
 - Garages, if provided, shall contain a level-2 electric vehicle charging station in accordance with Des Moines Municipal Code Section 135-2.22.4.B or an electrical box and raceway for future installation of a level-2 electric vehicle charging station.

An amendment to the Planning and Design Code (Chapter 135) is necessary to create a Flat A building type (containing 13-plus household units) and Flat B building type (containing two {2} to 12 household units). The proposed amendment allows the City to offer the “Missing Middle” tax abatement schedule for Flat B building types and the “High Density Residential” tax abatement schedule for Flat A building types. Please refer to the attached ordinance and attached updated code pages.

PREVIOUS COUNCIL ACTION(S):

Date: November 1, 2021

Roll Call Number: [21-1660](#)

Action: [On](#) the adoption of the Fourth Restated Urban Revitalization Plan for the City-wide Urban Revitalization Area, (11-15-21). Moved by Gatto to adopt. Motion Carried 5-1-1. Nays: Westergaard. Absent: Cownie.

BOARD/COMMISSION ACTION(S):

Board: Plan and Zoning Commission

Date: October 21, 2021

Resolution Number: 10-2021-5.03

Action: The Plan and Zoning Commission recommended that the Fourth Restated Urban Revitalization Plan for the Citywide Urban Revitalization Area and Ordinance to amend Municipal Code Article 135-2 to revise the Flat Building Type into Flat A and Flat B Building Types are in conformance with the PlanDSM Comprehensive Plan.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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