



City Council Communication

Meeting Date: June 6, 2022

Requested By: Development Services Department

Item Title:

Discussion regarding tax incentive request from Christner Properties, LLC

Explanation:

On March 21, 2022, the City Council approved a planned unit development (PUD) ordinance for a three-tenant commercial building at 717-723 High Avenue West. The anchor tenant was Clean Laundry. On April 5, developer Anthony Christner inquired about commercial property tax abatement and learned the site was not located in an eligible area. Eligible commercial sites currently receive a 3-year graduated abatement on improvements at 70%/50%/30%. Mr. Christner informed staff the project cannot proceed without abatement due to high tenant rents and investment costs, and construction was halted. He also informed staff he was working to fill the remaining two tenant spaces and the top candidate was a restaurant. That restaurant has since been identified as Warehouse Barbeque.

Mr. Christner estimated an annual property tax due of \$35,120.94 and requested a 10-year graduated property tax abatement. Staff met with the county tax assessor to determine the estimated building valuation, commercial rollback, and business property tax credit. After applying these figures to the consolidated levy, the total annual property tax due the first year was estimated at \$19,408.64, significantly less than the proposal estimate. Applying this figure, the requested 10-year graduated abatement would total \$145,564.79. If the property were in an eligible area, the total abatement over 3 years would be approximately \$29,112.96.

After discussing these findings with Mr. Christner, he revised his proposal to a 5-year abatement totaling \$63,079.25. This proposal was forwarded to legal staff at Ahlers Cooney. Attorney Nathan Overberg informed staff that tax abatement cannot be negotiated under Iowa law and is not an option. However, the City Council may consider a tax increment financing (TIF) rebate tied to a development agreement under the city's Urban Renewal Plan. This would be accomplished by a development agreement tied to certain conditions including, but not limited to, employment and continuous operation of a restaurant, which has been an identified city priority.

Staff requests that the City Council discuss the request and state any concerns or preferences in providing any development incentive. Handouts will be provided at the meeting.

Budget Consideration:

This item was not specifically included in the FY23 adopted budget. The city has spending authority available under Future Development Agreements of the adopted Urban Renewal Plan.

Attachments:

None