

1. Why did the City begin a residential tax abatement program in 2011?

The purpose of the tax abatement program was to encourage people to build new homes in Adel after seeing several years of little growth, even after the recession ended. Adel was seen as just too far away from the metro and unlikely to see growth without incentives. Several incentives were researched, which resulted in a residential tax abatement program being selected. As stated in the City’s Urban Revitalization Plan, one of the primary objectives of the program is to improve economic conditions, increase housing opportunities, and enhance the general attractiveness of the City of Adel. Increasing the housing inventory of single homes, townhouses, and family apartments, would provide additional tax base to share in the cost of services (police, fire, parks & recreation, library, administration). It was felt that new rooftops would translate into customers for existing businesses and draw new businesses, increasing the commercial tax base. Without additional valuation, the tax base would eventually constrict city services. ADM School District enrollment had been flat for several years; new homes would bring more students. Before the abatement program began, there were only 71 buildable lots in the entire City. Most of those now have new homes on them and the abatement program has attracted new developers, making more lots available.

The program also encouraged existing homeowners to take advantage of the tax abatement program to construct new improvements that add 15% or more of the assessed value of their homes, abating added taxes on the increased value.

Moreover, the program calls for green building standards that must be incorporated into all new and existing residential improvements. These standards will increase resource efficiency, reduce environmental impacts, increase the durability of building components, and simplify maintenance requirements. New homes and construction improvements must meet 10 of 43 green building standards to qualify for the residential tax abatement program.

Original Abatement Schedule

Year	Abatement Schedule
2011	100% for seven years
2012	100% for five years
2013	100% for three years

2. Why didn't the City believe that growth would occur anyway unless tax abatement incentives were offered?

Of course growth could be expected once the economy improved. However, there was concern about the speed and level of growth needed to keep pace with the cost of services and to meet the demand to add amenities. Only a few homes were built in Adel from 2006-2010. Two local developers voiced that they were unable to sell their remaining lots in the foreseeable future, even though the economy seemed to be improving. Real estate agents said Adel was a small town with few amenities too far from the metro. There was little evidence that Adel welcomed growth. The City needed to be noticed so it could tout its good schools, safe environment, recreation programs, new library, and many more offerings. The stagnant tax base would eventually put pressure on the City's operational costs that were rising. The benefits of jump-starting growth to make an investment in Adel appeared to make more sense than waiting to see whether anything would happen. Past performance showed that, with only 71 buildable lots in Adel at that time anyway, it might take 7-10 years for those lots to sell. After that, only significant investment in new developments would allow for additional growth.

Building Permits & Construction Values Per Year

Period from 2011 – 2016 is bolded and italicized to denote the abatement period.

Year	# of Permits	Total Construction Value	Average Construction Value
2004	22	\$3,649,824	\$165,901
2005	28	\$4,257,465	\$152,052
2006	12	\$2,242,331	\$186,861
2007	7	\$1,392,888	\$198,984
2008	5	\$1,246,118	\$249,224
2009	3	\$519,125	\$173,042
2010	5	\$1,060,618	\$212,124
<i>2011</i>	<i>26</i>	<i>\$6,100,288</i>	<i>\$234,626</i>
<i>2012</i>	<i>29</i>	<i>\$7,374,073</i>	<i>\$254,278</i>
<i>2013</i>	<i>47</i>	<i>\$12,705,050</i>	<i>\$270,320</i>
<i>2014</i>	<i>41</i>	<i>\$11,768,685</i>	<i>\$287,041</i>
<i>2015</i>	<i>119</i>	<i>\$33,594,023</i>	<i>\$282,303</i>
<i>2016 (as of 10/31/16)</i>	<i>125</i>	<i>\$35,018,211</i>	<i>\$280,145</i>

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Building Permit Fees Per Fiscal Year

Fiscal Year	Building Permit Fees
2005-2006	\$77,170
2006-2007	\$49,014
2007-2008	\$18,391
2008-2009	\$24,785
2009-2010	\$14,393
2010-2011	\$23,233
2011-2012	\$59,120
2012-2013	\$71,849
2013-2014	\$112,876
2014-2015	\$133,978
2015-2016	\$226,225

3. Was it possible to project whether the residential tax abatement program would spur growth?

It was not possible for the City to predict whether the tax abatement program would work—whether local, state, and national economies would pick up; whether new developers would be attracted to Adel or continue to build in cities closer to the Des Moines metro area; or whether residents in the surrounding areas would be attracted to Adel. Even now that the tax abatement program has spurred growth, that growth could increase or decrease for a variety of reasons, including whether other cities implement tax abatement programs, whether developers are confident that the City’s current program will remain stable, and whether the housing demand increases or decreases.

4. Why were the terms of the residential tax abatement program amended?

The abatement program wasn’t approved until October 2010 for an effective date of January 1, 2011. It took time for developers and builders to advertise the program to compete with other cities with abatements. Adel’s was aggressive at 100% for seven years to jump-start growth; the intent was to be noticed among other cities (like Adel) that are in the second ring around the metro. Adel was fighting the concept that Adel was just too far away and gas was very expensive for a commuter then. Builders were asking for additional help to promote lot sales for the second and third years (seven years for the second year and five years for the third year). After that amendment of March, 2012, developers and builders made additional investments in land and asked for an extension to continue growth within the City limits. The Adel

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Economic Development Commission recommended to the City Council an amendment that was adopted on December 11, 2012, that provided for a continuation of an aggressive abatement program as they believed it would spur business and commercial growth as well.

First Amended Abatement Schedule – 03/13/12

Year	Abatement Schedule
2012	100% for seven years
2013	100% for five years

Second Amended Abatement Schedule – 12/11/12

Year	Abatement Schedule
2012	100% for seven years
2013	100% for seven years
2014	100% for seven years
2015	100% for seven years
2016	100% for seven years

5. Is it fair for new home owners to receive a tax abatement while all others are paying property taxes?

The fairness lies in what current residents receive from incentives that are enticing new and current residents to build a home or improve a home in Adel that would not otherwise be here, growing Adel to increase its tax base in the future. They benefit themselves by spreading the costs of operational expenses, capital equipment and infrastructure over more taxpayers. They also benefit right now from the new homes that pay water, sewer, storm water and utility hook-up fees and building permits. Increased sales taxes are underpinning the Adel Aquatic Center and recreation programs. In 2020, the first new home owners will pay property taxes and every year thereafter more and more will pay. Current residents will reap the value of their investment many times over.

Since Adel's tax levy for operations is already at the ceiling of \$8.10/\$1,000 of valuation, only increased valuation will provide for more dollars for police protection, fire protection, parks and recreation programs, library services, and City administration. If nothing is done to increase valuations, current residents could see reductions in city services when costs outstrip resources. All residents will benefit from being able to receive high quality services.

6. What are the benefits of the residential tax abatement program to existing property owners and residents?

Besides future additional tax base to support services, new homeowners immediately pay water, sewer, and storm water user fees to share in infrastructure repairs and upgrades. Developers pay for new streets, water and sewer lines, and lighting in new developments; all infrastructure must be developed to meet Iowa Statewide Uniform Design Standards (SUDAS) as overseen by the City's engineers and staff.

The higher circulation at the library means more money from state and county sources. Expanded and enhanced recreational programming results from more participants, paying user fees. The increased building permits can fund the costs of administration and more.

Additional students enrolled in schools translates into more funding for those students and more valuation from new homes for the school budget. Small class sizes can be preserved, additional programs can be added, and demographers can help plan for additional space needs met by rising valuations and abated by increased sales tax revenues.

Increased purchases at local merchants have increased the City's local option sales tax from an initial projection of \$360,000 annually to a projection of \$513,000 for 2016-17. This sales tax is used for Parks & Recreation programs, amenities, and the Family Aquatic Center.

The new developments built within the City limits on farm ground now command a higher valuation for tax purposes because the levy for agricultural land is much lower than the residential tax levy. Once the taxes from the initial 7-year tax abatement period come on the tax rolls, every year thereafter the City will see a corresponding increase in tax revenue from the prior construction year from both new homes and the higher levy, which will stabilize the tax base and allow for enhanced services or reductions in the tax rate.

Ultimately, additional residential and commercial options will be needed to attract businesses. Population growth spurs commercial ventures and brings the businesses residents are demanding.

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Construction Value & City Tax Revenue During Abatement Period

Based on \$8.10 general fund levy and 50% rollback; not added together (i.e., each year represents new City tax revenue for that year only)

Year	Total Construction Value	Average Construction Value	City Tax Revenue
2011	\$6,100,288	\$234,626	\$24,706.17
2012	\$7,374,073	\$254,278	\$29,865.00
2013	\$12,705,050	\$270,320	\$51,455.45
2014	\$11,768,685	\$287,041	\$47,663.17
2015	\$33,594,023	\$282,303	\$136,055.79
2016 (as of 10/31/16)	\$35,018,211	\$280,145	\$141,823.75

7. How do developers, realtors, bankers and mortgage companies along with the City benefit from the residential tax abatement program?

With the abatement, plus the abundance of recreational offerings, quality of schools and location to the interstate, developers hope to sell lots more quickly to builders who, in turn, hope to build and sell homes more quickly to pay off their financing and make a profit. Rarely will developers buy property without a way to mitigate their risk. A tax abatement program is meant to benefit all—developers, realtors, bankers, mortgage companies, City government, utilities, businesses and taxpayers. Private enterprise prospers, new homes in all price ranges are added to the City’s housing inventory, starter home residents move up to mid-level homes, new homebuyers are attracted, new infrastructure is added, more customers patronize established and new businesses, ADM Schools’ enrollment grows and Adel’s brand “Thrive With Us” is realized.

8. How will the City manage to provide services as the City grows until the new valuation comes on the tax roles in 2019?

The tax rate for City services that include fire and police protection, parks & recreation programs, library services, and administration has remained at the ceiling of \$8.10/\$1,000 of assessed valuation for many years prior to the residential tax abatement program and has remained there to date. Existing residents cannot pay more since the levy rate is already at the maximum. Some new funding comes from valuation increases by the Dallas County Assessor on existing properties and from user fees like building permits and recreation program fees in the interim. The City has managed to increase wages; provide needed supplies, equipment, and vehicles; and provide basic services throughout the interim through prudent budgets and with the expertise of department heads and City staff.

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Studies are on-going for water, sewer, and storm water upgrades due to aging facilities and new state and federal requirements. Capacity is not an issue at this time but planning is still important to serve current residents and solve the problems posed by aging infrastructure. Since new residents pay utility user fees from the beginning, they will share in upgrades for all parts of the community.

Adel has made an investment in its future by foregoing tax revenues now to reap the rewards of growing valuations to come. Even during the tax abatement period, the Public Works Department has already been able to add two new full-time employees, purchase a new snow plow, and arrange to buy a street sweeper; the Parks & Recreation Department has been able to fund the Aquatic Center debt and operations and other projects, including purchasing ten acres for future ball fields. Once the new valuations are added, more items in the Capital Improvement Plan (buildings, vehicles, equipment) will be able to be scheduled for purchase and enhancements to services will be possible.

Property Tax Rate Comparison

Des Moines Metro Average: Adel, Bondurant, Clive, Dallas Center, De Soto, Grimes, Perry, Minburn, Urbandale, Waukee, West Des Moines, Windsor Heights, and Van Meter.

Fiscal Year	Adel	Des Moines Metro Average*
2005-2006	\$15.70	\$13.21
2006-2007	\$15.40	\$12.99
2007-2008	\$15.81	\$13.11
2008-2009	\$14.27	\$13.02
2009-2010	\$13.94	\$13.04
2010-2011	\$13.96	\$12.96
2011-2012	\$13.96	\$13.12
2012-2013	\$14.24	\$13.18
2013-2014	\$14.06	\$13.18
2014-2015	\$14.00	\$13.20
2015-2016	\$14.56	\$13.23
2016-2017	\$14.35	<i>approximately \$13.23</i>

9. What are the benefits and challenges of the tax abatement program for the ADM School District?

School districts build their budgets on a per student basis; the more students the greater the budget, a mix of property taxes and state aid dollars for operations. Enrollment had been flat but now is increasing. Sales tax revenues also are increasing since funding is based on number of students. Valuation increases on the Adel rolls in 2019 will benefit all levies, including bonding capacity and physical plant and equipment funding.

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Enrollment increases have been close to predictions by the district's demographer thus far but could exceed projections, depending on the rate of growth throughout the district. Projections will need to be updated and closely watched to make timely decisions in case new classrooms are needed. In Adel, bonding capacity will grow every year from 2019 and will be predictable. Whether additions or a new school is deemed the solution to enrollment growth, bonding capacity would be key.

To manage growth in the interim while solutions are being considered, the district may close open enrollment to students outside the district as it did with Kindergarten for 2016-17; use all classrooms every day; allow class sizes to increase on a temporary basis, or take other measures deemed necessary by the School Board while planning occurs. All of these scenarios have their own challenges. Adel has and will work very closely with ADM Schools to monitor residential growth to allow for necessary forecasting.

Even so, the ADM School District encompasses the cities of Adel, DeSoto, and Minburn and large rural areas that could be affected by many variables that could impact student enrollment, including aggressive growth strategies by any of those areas. Trying to predict patterns is the work of the district's demographer, aided by the cooperation of all entities.

10. Has the tax abatement program affected the values of existing homes?

There are different values for homes: assessed value set by the Dallas County Assessor, list price (the price a willing seller lists their home for sale), and fair market value (the price a willing buyer will pay to a willing seller). Fair market value is often estimated by a licensed appraiser. With the exception of distressed properties, the City has not seen a decline in assessed values, nor have any properties been brought to the City's attention that sold for less than the seller's original purchase price. In fact, according to the Dallas County Assessor's Office, the City was revalued in 2016, resulting in increased assessed values of existing homes of \$5,537,470. Most existing homes are selling within a 2-4 week window.

11. How will the City welcome new residents to Adel and integrate them into the life of the community?

The City and the Adel Partners Chamber of Commerce are working together on several initiatives so that our small town reaches out with a welcome to join in the life of our community. All new residents sign up for utilities and receive a welcome packet about Adel. Businesses support Community Greetings for residents to receive a personal invitation in their homes to join our community life, not only as customers but as participants in our churches, our civic organizations, our recreation opportunities, our city government and our school district. One such example of our new residents accepting this invitation to join our community life is the increasing number of new people applying to serve on City boards and commissions. Adel Partners Chamber of Commerce also brings us together for festivals and free-Friday music events. A new exciting initiative from the Chamber is Community Visioning to help us plan together new projects to make Adel more attractive and to navigate our community to tie it together. Adel Parks and Recreation will involve the community in a master plan for parks and trails to prioritize and maximize resources for more use to further bring us together.

12. Since Adel values our small town feel, how will the City strive to maintain it in light of the growth that has already occurred with more to come?

For those who feel that Adel is growing too fast and too much, we can remember that the small town feel of Adel comes from our sense of community, not by the number of people. After all, Winterset has more than 5,000 residents and Perry has more than 7,000 residents; we still think of them, as do they, as small towns. Perhaps it's a matter of perception since we see the new homes in new developments, spreading across land to the south and to the east rather than scattered around our community, although there have been some new homes built on scattered lots, too.

Adel's approximately 4,000 residents reach out to each other to take care of each other. That's our small-town feel. Our churches, our food pantry, our service-oriented businesses, our civic organizations, the whole community looks after our own, as evidenced by many acts of kindness. We come together for celebrations like the Sweet Corn Festival and Free Fridays, for fundraisers, for recreation, for book studies, for all those events that bring us face-to-face. Our City brand "Thrive With Us" emphasizes our commitment to include everyone in the fabric of our community. From preserving Adel's walkable historic downtown to having fun at the Adel

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Aquatic Center, our small town encompasses all our citizens in a rich life that can accommodate the many varied interests of all her people.

13. What are the reasons to continue the residential tax abatement through 2025?

Even though the tax abatement program started in 2011, it took time for the two local developers who were seeking help to get growth started again to spread the word to builders and realtors. Competition with other cities was and still is a factor. Even with an aggressive abatement program, other suburbs still have more building permits being issued annually than Adel, with the exception of Carlisle. In fact, DeSoto is in the process of considering a 10-year residential tax abatement program; Perry has already approved one. There is momentum now, new developers to the City have not only bought land here and developed but have moved here, homes with a range of price points are being built, and the City has been able to manage services and plan for the future.

With new rooftops come more customers. Existing businesses like Kum N Go and Bal-don Hardware have reported a raft of new faces patronizing their stores. The Family Fun Center has seen many more bowlers in the summer than ever before, unexpected business in their slow season. Other businesses like Adel Family Dentistry and Lincoln Savings Bank have expanded. Fareway came to Adel in 2012 as have other businesses with more to follow; the newest is Burgers and Brews. A new hotel is close to locating in Adel. Adel residents have asked for fast-food restaurants but those restaurants don't locate where there isn't a large enough customer base and Adel is not there yet. Adel is now known as open for business because of the residential growth being supported by the abatement program. To stop now means developers may lose their investments and, even if they don't, they won't be back since they won't be able to trust a city that has changed the rules in the middle of the game, according to the Greater Dallas County Development Alliance and the Greater Des Moines Partnership organizations. For all these reasons, Adel's Economic Development Commission recommended to City Council to extend the program to 2025.

It doesn't mean, however, that the City isn't continuing to evaluate the program. In fact, the City is reviewing and may revise Adel's subdivision ordinance in light of what staff has learned since development has begun. The City's review committee will examine issues that

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have arisen as noted by staff and compare the subdivision ordinance with other cities' ordinances for perspective. The City also will look at what growth means on a federal level. We already know that, if the City of Adel reaches a population of 5,000 people in the 2020 census, the city would be eligible to access over \$90,000 in federal funds annually for transportation projects. Adel is a long way from the population of Waukee that is over 17,000; good management will be necessary to ensure growth is beneficial.

Third Amended Abatement Schedule – 08/12/14

Year	Abatement Schedule
2014	100% for seven years
2015	100% for seven years
2016	100% for seven years
2017	100% for seven years
2018	100% for seven years
2019	100% for seven years
2020	100% for seven years
2021	100% for seven years
2022	100% for seven years
2023	100% for seven years
2024	100% for seven years
2025	100% for seven years