



## **NOTICE OF PUBLIC MEETING**

### **Economic Development Commission**

The City of Adel's Economic Development Commission will meet in the **Adel Public Library**, 303 South 10<sup>th</sup> Street, Adel, Iowa, in the **2<sup>nd</sup> Floor Conference Room** on **Monday, July 10, 2017** at **5:00 p.m.**

### **AGENDA**

1. Call to Order
2. Introductions
3. May 1, 2017 Minutes
4. Residential Tax Abatement Program
5. Any Other Business
6. Adjournment

7/8/2017 12:31:11 AM

*Please Note: Members or a quorum of members of other City Boards, Commissions, Committees, and / or the Council may be in attendance. Only items on the agenda may be acted upon and / or discussed.*



### May 1, 2017 Economic Development Commission - Minutes

**The City of Adel's Economic Development Commission met in the 2<sup>nd</sup> Floor Conference Room at the Adel Public Library, 303 South 10<sup>th</sup> Street, Adel, Iowa, on Monday, May 1, 2017 at 5:00 p.m.**

The Economic Development Commission meeting was called to order at 5:03 p.m. by City Administrator Anthony Brown

Members present: Book, Burdick, Merryman, McAdon, McAvoy, Sutton, and West. Members absent: Spencer and Standley. Others in attendance: City Administrator Brown and MidAmerican rep. Calvert.

McAvoy motioned, seconded by Merryman, to approve minutes of the April 3, 2017 meeting. Motion carried unanimously.

The commission held a wide-ranging discussion on PFM's residential tax abatement program analysis as well as McClure Engineer's utility capacity and annexation studies.

Brown noted that PFM selected the City of Carlisle as a comparison for building permits because of its size, its relative proximity to the metro, and because the data was readily available. McAvoy noted that using the City of Polk City, which was suggested at a recent Adel City Council meeting, was not a fair comparison because Polk City is only a few miles away from the City of Ankeny. McAdon noted that Polk City has much lower taxes, uses the WRA for sanitary sewer, and has a number of willing sellers of land and builders developing there.

West stated that he would have preferred that the analysis include expenses and other items. Burdick agreed. McAdon noted that the analysis was strictly on revenues. A common question from residents is the notion that abated homes are not paying their fair share toward City services, and this analysis shows that abated homes are paying in other ways. West asked how the City's public safety departments are handling the growth. McAdon stated that they have seen more mental health calls and traffic issues. McAvoy provided some general statistics on several public safety departments in similar-sized cities. Some cities have larger populations and less police officers compared to Adel.

Discussion moved to the utility capacity study. McAdon noted that, out of the City's \$37 million in upcoming water, sewer, and storm water projects, approximately 17-19% of this work will address growth. The rest of the projects will address age and regulation issues. The majority of the abated homes will pay for these projects with their water, sewer, and storm water fees.

McAdon noted that the City's Parks & Trails Master Plan will be very useful once the abated properties begin paying taxes. The new revenues can be used to implement parts of the plan.

West stated that the ADM School District's ability to handle the new growth is the main concern as it relates to the future of the residential tax abatement program. McAdon noted that the school has begun paying off its bonds faster to help prepare itself for future bonds. The school has also ended open enrollment and recently conducted another demographic study. McAdon stated that the school's sources of revenue are property taxes, sales tax, physical plant and equipment funds, and bonds. McAdon suggested that it would take the school a few years to plan its new building and then two years to build. The school's main concerns at this point appear to be classroom sizes and facilities.

Sutton noted that developers have overpriced their lots in Adel to help pay for the developers' infrastructure costs. That is, while other cities may participate in the infrastructure costs, Adel requires developers to fully fund these costs.

Book stated that, if the abatement program were changed, the City would need to develop a narrative to explain the reason for the changes. If reasons are not provided, some may conclude that Adel could not handle the growth or that it does not want the growth. The commission agreed that any changes should be accompanied by an explanation and reasoning for those changes. In addition, Book stated that the developers should be engaged now that the City has more information.

With no other business, the meeting was adjourned at approximately 6:31 p.m.

Respectfully submitted,

Anthony Brown  
City Administrator

**Adel City Council**  
**Residential Tax Abatement Program – Proposed Modifications**

**Shirley McAdon**

- Modify to a five-year or seven-year sliding scale program
- Requested more information

**Bob Ockerman**

- Prefers to end current program January 1, 2018
- Modify to a sliding scale program until January 1, 2020

**Rebecca Hillmer**

- End current program January 1, 2020
- Requested more information

**Jon McAvoy**

- Option 1: Maintain current program; modify to a seven-year sliding scale program (first two years at 100%, next five years at a sliding scale) effective January 1, 2018
- Option 2: Maintain current program; modify to a five-year program (all five years at 100%) effective January 1, 2019
- Option 3: Maintain current program; modify to a five-year sliding scale program effective January 1, 2020

**Mike Haynes**

- Prefers to end program completely
- Modify to a seven-year sliding scale program (first year at 100%, then approximately 16.7% decrease every year) beginning January 1, 2018
- Any new development that is not shovel ready will not receive abatement

## Anthony Brown

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**From:** petersadel@aol.com  
**Sent:** Tuesday, July 4, 2017 3:54 PM  
**To:** abrown@adeliowa.org; ockermanbob@gmail.com; petersadel@aol.com; johnreichlaw@qwestoffice.net; jon@webmcavoy.com; mhaynes@smarthondadesmoines.com; rebecca.hillmer@gmail.com; skmcadon@centurylink.net  
**Subject:** Fwd: Abatement Modification Proposals  
**Attachments:** Residential Tax Abatement Program Modification Proposals.pdf

Anthony and City Council,

I wanted to follow up on my June 12<sup>th</sup> suggestion about considering a cap on the property value subject to abatement. Nathan Overberg, Ahlers & Cooney, P.C., and his suggestion in his email below helped crystallize what I was thinking about the cap.

As I went through the history of the abatement during our last city council meeting, there was quite a contrast / difference between the average home values seven years prior the abatement, ~\$175,000, and home values seven years since the abatement, ~\$280,000. Approximately a \$105,000 difference.

Why not have this "increased average value" as a result of the abatement be what is subject to the abatement as a cap? Say, for illustration purposes, we would cap the property value subject to abatement at the first \$100,000 (of property value.) And continuing the illustration, make the abatement program a five-year sliding scale of 100%, 100%, 75%, 50%, and 25%. The sliding scale phases the property owner into paying "full" taxes the sixth year.

For the ease of tax calculation using round numbers, we could use a 50% rollback. It has hovered just above and just below 50% these past few years. And for the levy, the actual rate is close to \$38/\$1,000 of taxable value. For our example, I'll use \$38.

So someone builds a house valued at \$280,000 (assessable value and average permit value over the past seven years), the first \$100,000 of assessed property value is abated. This means that the property owner would have an assessed value of \$180,000 (\$280,000 - \$100,000) and \$90,000 for tax purposes. The first year when taxes are due the owner would pay \$3,420 ( $90 \times \$38 = \$3,420$ ) and have \$1,900 ( $50 \times \$38 = \$1,900$ ) abated. Values and taxes stay the same so for a two year period the property owner pays \$6,840 in taxes and has \$3,800 abated.

Continuing on a 75%, 50%, and 25% sliding scale, the taxes paid / abated taxes for year three would be \$3,895 / \$1,425, for year four \$4,370 / \$950, and for year five \$4,845 / \$475.

So over the five year period on a home valued at \$280,000, the property owner would pay \$19,950 in taxes and have \$6,650 taxes abated. The abated taxes equal 25% of the full taxes over the five year period.

Comparatively, for the "Modify to a seven-year sliding scale program (first year at 100%, then approximately 16.7% decrease every year) beginning January 1, 2018,"... without doing the long math, the property owner would incur \$37,240 in taxes and over a seven year period would pay \$18,641 in taxes, with \$18,599 being abated. The abated taxes equal 50% of the full taxes over the seven year period

The cap really shows it's effect as home values increase like for executive homes, say \$500,000. For comparison between the \$100,000 cap and seven year declining schedule the results are as follows:

Five year cap on a \$500,000 assessed value (\$250,000 taxable value) would equal \$47,500 total taxes, \$40,850 taxes due and \$6,650 (14%) taxes abated.

For the same home a seven year sliding scale equals \$66,500 total taxes, \$33,288 taxes due and \$33,212 (50%) taxes abated.

In these examples the cap helps address cash flow by getting funds to governing bodies faster and increases the debt capacity faster. The cap is also progressive where it benefits the owner of a smaller, less expensive home more than a larger home that costs more, i.e., folks with larger homes would benefit less in terms of percentage of taxes abated.

I believe the school would warm to the idea of an average new house paying taxes immediately on nearly the same average value of a home built before the abatement program was adopted; and the larger more expensive homes benefiting less from the abatement program. This schedule would affect the property values the assessor sets during the five year period starting January 1, 2019 (construction during 2018) through January 1, 2023 (construction during 2022).

Shirley, please consider this "\$100,000 cap" proposal officially submitted to the budget committee for consideration along with the other proposals, as a future amendment to the current abatement program.

JIM

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(JFP - The city council received this email from Nathan Overberg when Anthony forwarded it to the budget committee on June 27th, and the on June 28th Shirley replied to the entire council with it explaining how should would be out of town until the next city council meeting on July 11th.)

**From:** Nathan Overberg [<mailto:NOverber@ahlerslaw.com>]  
**Sent:** Tuesday, June 27, 2017 2:40 PM  
**To:** 'Anthony Brown' <[abrown@adeliowa.org](mailto:abrown@adeliowa.org)>  
**Cc:** Melissa Pearson <[mpearson@Ahlerslaw.com](mailto:mpearson@Ahlerslaw.com)>; 'John Reich' <[johnreichlaw@qwestoffice.net](mailto:johnreichlaw@qwestoffice.net)>  
**Subject:** RE: Adel - Residential Tax Abatement Proposals - confidential attorney client communication

Thank you for the information Anthony.

I understand that the Council is considering amending the residential abatement schedule, and has directed the budget committee (made up of three council members) to determine whether a compromise approach can be identified.

In addition to the options identified by the Council members in your attached summary, let me suggest that the committee at least consider the standard abatement schedule for residential property when no blight finding exists – 100% abatement for five years on the first \$75,000 of increased value. This option is somewhere between total elimination and the more aggressive 7 year schedules being proposed. It is also more consistent with the type of schedule you will see in most peer cities/towns, reduces your reliance on an older blight finding, and would reduce the chance that the legality of your schedule/plan will be challenged.

As we have previously discussed, the City can determine how/when the new schedule goes into effect so as not to impair existing projects.

To amend your schedule, you will need to prepare the amendment, hold a public hearing following requisite published notice, and then adopt the amendment by resolution of the Council.

Regards,

Nathan Overberg  
Ahlers & Cooney, P.C.  
100 Court Avenue, Suite 600  
Des Moines, Iowa 50309  
Phone: 515-246-0329  
Fax: 515-243-2149  
[noverberg@ahlerslaw.com](mailto:noverberg@ahlerslaw.com)  
[www.ahlerslaw.com](http://www.ahlerslaw.com)

**From:** [James.F.Peters@wellsfargo.com](mailto:James.F.Peters@wellsfargo.com) [<mailto:James.F.Peters@wellsfargo.com>]  
**Sent:** Monday, June 12, 2017 10:00 AM  
**To:** [abrown@adeliowa.org](mailto:abrown@adeliowa.org); [ockermanbob@gmail.com](mailto:ockermanbob@gmail.com); [petersadel@aol.com](mailto:petersadel@aol.com); [johnreichlaw@qwestoffice.net](mailto:johnreichlaw@qwestoffice.net);

[jon@webmcavoy.com](mailto:jon@webmcavoy.com); [mhaynes@smarthondadesmoines.com](mailto:mhaynes@smarthondadesmoines.com); [rebecca.hillmer@gmail.com](mailto:rebecca.hillmer@gmail.com); [skmcdon@centurylink.net](mailto:skmcdon@centurylink.net)

**Subject:** RE: Abatement Modification Proposals

Anthony and council members,

One feature / element that could be part of the abatement modification is a cap on the assessed value. Examples could be \$200,000 or \$300,000, or any other value. Where say a home valued at \$400,000 could only realize abated taxes on a value established in the abatement program, say \$250,000. This value could be applied to a sliding scale or 100%.

I have heard about expensive homes not paying taxes. A cap as described, if legal, would address that issue.

**James F. Peters**

-----Original Message-----

From: Anthony Brown <[abrown@adeliowa.org](mailto:abrown@adeliowa.org)>

To: Bob Ockerman <[ockermanbob@gmail.com](mailto:ockermanbob@gmail.com)>; Jim Peters <[james.f.peters@wellsfargo.com](mailto:james.f.peters@wellsfargo.com)>; Jim Peters <[petersadel@aol.com](mailto:petersadel@aol.com)>; John Reich <[johnreichlaw@qwestoffice.net](mailto:johnreichlaw@qwestoffice.net)>; Jon McAvoy <[jon@webmcavoy.com](mailto:jon@webmcavoy.com)>; Michael Haynes <[mhaynes@smarthondadesmoines.com](mailto:mhaynes@smarthondadesmoines.com)>; Rebecca Hillmer <[rebecca.hillmer@gmail.com](mailto:rebecca.hillmer@gmail.com)>; Shirley McAdon <[skmcdon@centurylink.net](mailto:skmcdon@centurylink.net)>

Sent: Mon, Jun 12, 2017 9:40 am

Subject: Abatement Modification Proposals

Dear All,

I've attached an updated version of the residential tax abatement modification proposals.

I will be sending this to the school, the Chamber, the Economic Development Commission, and anyone else who requests a copy.

Thanks!

Sincerely,

**Anthony Brown**

City Administrator

City of Adel

P.O. Box 248

301 S. 10<sup>th</sup> Street

Adel, IA 50003

(515) 993-4525

(515) 993-4527 (F)

[www.adeliowa.org](http://www.adeliowa.org)