

Urban Revitalization Plan Questions & Answers

1. What is an Urban Revitalization Plan?

In 1979, the Iowa legislature enacted into law the Urban Revitalization Act (“Act”) giving city governing bodies the authority to designate an area or areas of a city as urban revitalization areas. Under the Act, qualified real estate within the designated area may be eligible to receive a total or partial exemption from property taxes on improvements for a specified number of years. The primary intent of the Act is to provide communities with a long-term increase or stabilization in their tax base by encouraging rehabilitation or new construction which might not otherwise have occurred.

Specifically, the Act provides the City of Indianola the opportunity to influence its growth by stimulating investment from the private sector. After the tax exemption schedule is completed, the individual property will be fully taxed, thus completing the philosophy that tax incentives are used to encourage individuals to improve their property with the long term city goal of increasing the tax base.

2. Is “blight” the only item required to establish an Urban Revitalization Plan?

No, State Code stipulates that a Council may establish an urban revitalization area for the following:

- rehabilitation,
 - conservation (i.e. historical and architectural),
 - redevelopment,
 - economic development, or
 - a combination of above
- What is the duration of the abatement program.

3. Is there a minimum percentage of “blight” required to qualify for Urban Revitalization Plans?

There are no guidelines from the State or other entities (including the Iowa Supreme Court) stipulating a required percentage threshold.

4. What is the term of the Urban Revitalization Plan?

The City Council’s direction was that the plan be evaluated after five years (by July 2023).

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5. What is the duration of the abatement program?

Five years

6. What is the abatement schedule?

- a. Year 1 – 100%
- b. Year 2 – 80%
- c. Year 3 – 60%
- d. Year 4 – 40%
- e. Year 5 – 20%

7. Does the abatement program apply to only new homes?

No, the abatement program is also available to properties that are rehabbed and add approximately 10% value.

8. Will this help clean up my neighborhood?

The City recently updated its property maintenance codes and has been actively enforcing these new regulations. However, as noted in a previous answer, the abatement program is also available to properties that are rehabbed and add additional value. This can help to stabilize and also improve home values.

9. Does the Urban Revitalization Plan involve eminent domain?

The Urban Revitalization Plan, which provides for the abatement schedule, is unrelated to eminent domain.

10. What is the City doing to ensure inadequate infrastructure and buildings owned by the City are improved?

The City has taken on a number of crucial activities to better assess and prioritize current and future needs, including:

- The City is currently in the 2nd year of a 3 year stormwater master planning exercise
- The City is currently in the 2nd year of a 5 year street indexing study

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- The City recently completed staffing studies of the Police and Fire Departments and are now in the midst of conducting an assessment of the City Hall/Public Safety facility
- The City introduced a CIP planning process two years ago – this is a review of infrastructure needs that is now a part of the City’s annual budget process.

11. What is the impact to the various taxing bodies (i.e. City, Schools, County) over the 5 year abatement program?

The following table illustrates the impact of a recent subdivision

Year	Valuation	Valuation with Residential Rollback (55.62%)	Consolidated Tax Rate	Total Tax Revenue on Improvements	Tax Abatement Schedule	Taxes Abated	Taxes Owed	Currently Approximate 9 Acres Assessed as Agriculture: Net Annual Taxes
1	500,000	278,100	38.916	10,822.56	100%	10,822.56	-	192.00
2	500,000	278,100	38.916	10,822.56	80%	8,658.05	2,164.51	192.00
3	500,000	278,100	38.916	10,822.56	60%	6,493.54	4,329.02	192.00
4	500,000	278,100	38.916	10,822.56	40%	4,329.02	6,493.54	192.00
5	500,000	278,100	38.916	10,822.56	20%	2,164.51	8,658.05	192.00
						32,467.68	21,645.12	960.00

- Undeveloped 9 acres – 5 year total taxes owed equals \$960
- Developed w/abatement – 5 year total taxes owed equals \$21,645.12
- Under this scenario, there are 17 lots available from the original 9 acres. Fully developed with similar home values (\$500,000) equals total year total taxes owed of \$367,967.04

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12. Will this increase the number of students without additional revenue for schools?

The City has identified economic development (with a focus on residential growth) for some time. With growth there is a hope that the schools will also benefit with increased enrollment. Increasing classroom sizes without additional revenue is not accurate. As illustrated in the previous tax impact table, taxing bodies would receive more tax revenue in just the 2nd year of the abatement program compared to undeveloped land. Also, it is important to note that the State aid formula for schools is pupil-driven, meaning additional State aid (approximately \$6,700 per student) is provided without regard to local property tax.

13. Are we losing property tax revenue under the new abatement program?

Not necessarily. The primary intent of the Act that allows for the abatement program is to provide communities with a long-term increase or stabilization in their tax base by encouraging rehabilitation or new construction which might not otherwise have occurred. Regional developers have commented that having an updated abatement program can influence where they develop. Also, as illustrated in the previous tax impact table, taxing bodies would receive more tax revenue in just the 2nd year compared to undeveloped land.

14. Where can I find a copy of the Urban Revitalization Plan?

It is available on the City's website under the Community Development Department tab - <http://indianolaiowa.gov/185/Community-Development>.

15. If I am building a new home or rehabbing an existing home, do I need to complete a form?

Yes, a copy of the form is available on the City's website at the link provided in the preceding answer.

16. Do I need any other form if I am building a new home or rehabbing an existing home?

Yes, at the very least you will need a building permit. Please call our staff in the Community Development Department for more specifics at 515-961-9430.