TO: Michael C. Van Milligen, City Manager

FROM: Alexis M. Steger, Housing & Community Development Director

SUBJECT: City Council Work Session for the Consolidation and Expansion of Urban Revitalization Districts

DATE: August 26, 2019

INTRODUCTION

This memo transmits information for the September 3, 2019 City Council work session on the proposed Consolidation and Expansion of the Urban Revitalization Districts. The work session is intended for City Council discussion and feedback regarding the proposed consolidation and expansion of the Urban Revitalization Districts.

With direction from the City Council, Housing and Community Development Staff can prepare the required urban revitalization work plan, present the plan to the Long-Range Planning Advisory Commission for review, send notification to property owners, hold a public hearing and seek final adoption of the plan from the City Council. If approved prior to the end of the new year, property owners who have made qualified improvements can take advantage of the Urban Revitalization Program for this current year.

BACKGROUND

Urban Revitalization Tax Exemptions Chapter 404 of the Iowa Code allows the creation of Urban Revitalization Areas. The intent of these Urban Revitalization Areas is to stimulate private development and investment within targeted neighborhoods which might otherwise continue to deteriorate, thereby stabilizing and eventually increasing the tax base within those areas by providing property tax relief on improvements to residential or commercial properties. Urban Revitalization Areas in Dubuque have historically provided a 10-year tax abatement for improvements that increase a residential property value by 10-15% and 3-year tax abatement for improvements that increase commercial property value by 10-15%.

Iowa Code Chapter 404.1 lists five reasons for which a city or county may establish urban revitalization plans. These include:

1) The existence of numerous buildings that are dilapidated or deteriorated.

2) The need for preservation and restoration of buildings due to their historical significance.
3) The area is appropriate as an economic development region as defined in Iowa Code 403.17.
4) The need for public improvements related to housing.
5) The encouragement of housing and residential development.

The City of Dubuque currently has 17 designated Urban Revitalization Areas. The following is a list of these districts and when the City Council approved them.

Urban Revitalization Area	Ordinance #	Council Date
1. Jackson Park	74-80	12/22/1980
2. West Eleventh St	15-81	03/23/1981
3. Upper Main	69-95	11/06/1995
4. Stout Place	13-01	03/05/2001
5. Langworthy	87-02	11/04/2002
6. Old Main	87-02	11/04/2002
7. Cathedral	87-02	11/04/2002
8. Garfield Place	07-04	02/16/2004
Garfield Place II	12-06	02/20/2006
9. Mannasseh House	13-06	02/20/2006
10. Lange Estate	12-16	04/18/2006
11. Washington St	34-08	04/21/2008
12. Salvia House	35-08	06/02/2008
13. Kunkel and Associates	05-15	01/20/2015
14. Paragon Square	11-16	04/18/2016
15. 210 Jones St	57-16	11/07/2016
16. Radford Road	05-19	01/07/2019
17. Nativity Place	06-19	01/07/2019

Exhibit A is a matrix of these urban revitalization districts showing a breakdown of residential, multi-family residential and commercial tax exemptions, eligible improvements, district expiration and the reason for creation of the district.

There are approximately 1772 properties located in these 17 districts. Of these 1772 properties, there are 200 properties participating in the program. Attached to this memo you will find a map of the Urban Revitalization Districts (Exhibit B) and a map with a list of properties currently participating in the program (Exhibit C & D).

The following is a summary of the information provided in the spreadsheets and property tax impact.

Urban Revitalization Summary– Table 1			
Property Type	**# of Properties**	**Total Exempted Value**	**City Tax Abated**
Residential	157	$8,012,620	$46,044 [1]
Multi-Residential	36	$3,091,420	$25,151 [2]
Commercial	7	$3,562,180	$33,122 [3]
Total	**200**	**$14,666,220**	**$104,318**

City Tax Portion Abated - The following formulas corresponded to the amount of city tax abated. This number was calculated by taking the total exempted value x the taxable value x the city levy tax rate.

Residential[1] – 8,012,620 X .556209 = 4,456,691 X .01033144 = $46.044
Multi-family[2] – 3,019,420 X .7875 = 2,434,493 X .01033144 = $25,151
Commercial[3] – 3,562,180 X .9 = 3,205,962 X .01033144 = $33,122

Based on the above data, which was obtained from the City Assessor, the properties participating in the Urban Revitalization Program have a total exempted value of $14,666,220 with $104,318 in City property tax abated.

A basic question that arises with Urban Revitalization Districts is if the investment would be made into the properties if the district didn't exist. This question is sometimes hard to quantify.

When we look at properties taking advantage of the commercial tax abatement, we see properties that have received the district designation to help create economic growth (Kunkel and Associates - 401 Data Court), provide large scale residential development (Applewood Senior Apartments - 3275 Pennsylvania Avenue) and significant improvements to large scale residential buildings (Mary of the Angels Home - 605 Bluff Street). In addition, Urban Revitalization Districts were created for future large-scale residential developments (Radford Road, Paragon Square & Nativity Place). Urban Revitalization Areas also give the city the ability to provide incentives to new developments.

When we look at properties taking advantage of the multi-residential tax abatement, we see dilapidated buildings that were significantly improved and are slowly helping to revitalize a neighborhood. For example, properties in the Jackson Park Historic District improved by Stepflugs located at 326 W. Locust Street &1576 Locust Street and Full Circle Communities improvements to the former St. Patrick's School (15^{th} & Main Streets).

When we look at properties taking advantage of the residential tax abatement, we see a large investment in areas that may not have been improved without the incentive. If you refer to the map, you see a large grouping of properties in the Washington Neighborhood. In addition, you see the former St. Raphael's School Building (205 Bluff Street) converted to condominiums and taking advantage of the program to create market rate housing.

Expansion of Urban Revitalization Districts

When we refer to the map of the Urban Revitalization Districts and compare it to the 2011-2015 Community Development Block Group Districts (Exhibit E), we notice a large area of the community were 51% or more of the residents are below average median family income and are not being provided the opportunity to take advantage of the Urban Revitalization program.

The Washington Neighborhood Urban Revitalization closely resembles the condition and type of housing stock that can be seen through-out these CDBG Eligible Areas. Expansion of these Urban Revitalization Districts to include the CDBG Eligible Areas will help build our community to be a more viable, livable and equitable, especially for the residents and potential residents of these low/mod areas.

The following sections will outline three Urban Revitalization Area expansion options and the potential tax implications. These areas will include portions of the existing Urban Revitalization Districts with the exception of Radford Road, Nativity Place, Kunkle & Associates, and Lange Estates which lie outside of the proposed boundaries. The proposed Urban Revitalization districts are based on CDBG Eligible Census Block Groups which will help track outcomes after designation of the area. These expansion options are as follows:

Option 1 – Expansion of Existing Urban Revitalization Districts to include all CDBG eligible areas in the downtown area.

Option 2 – Expansion of the Existing Urban Revitalization Districts to include CDBG eligible areas in the northern portion of the city.

Option 3 – Expansion of the Existing Urban Revitalization Districts to include CDBG eligible areas of the city, Census Tract 1 Block Group 1 (Residential Properties) and the inclusion of Census Tract 3 Block Group 1.

These are not the only options and further discussion may create a hybrid of these options.

Option 1 – Expansion of Existing Urban Revitalization Districts to include all CDBG eligible areas in the downtown area (Exhibit F).

This option would expand the existing Urban Revitalization Districts to include all the CDBG eligible areas in the downtown. This area also encompasses almost all of Dubuque's True North Focus area apart from the Flexsteel Property. The area also includes the Kerper Court Industrial area, Chaplain Schmitt Island, the Port of Dubuque and the Historic Millwork District.

There are approximately 5713 properties in the proposed expansion area. With exception of the Urban Revitalization Districts that were created for new construction, the following table is an extrapolation of the information based off the current Urban Revitalization data on the previous table. It assumes the same ratio of properties to total exempted value as shown in table 1.

Option 1			
Property Type	**# of Properties**	**Total Exempted Value**	**City Tax Abated**
Residential	499	$23,923,689	$137,476
Multi-Residential	116	$9,959,001	$81,027
Commercial	16	$648,622	$6,031
Total	**631**	**$34,531,312**	**$224,534**

Option 2 – Expansion of the Existing Urban Revitalization Districts to include CDBG eligible areas in the northern portion of the city (Exhibit G).

This option would expand the existing Urban Revitalization Districts to include all the CDBG eligible areas located north of the downtown. This area would encompass a portion of Dubuque's True North Focus Area that focuses primarily on residential property. A majority of the industrial and commercial properties have been removed in this option. These non-residential properties are located in Urban Renewal Districts and have the advantage of using TIF Funding. A majority of the area has had an In-depth Architectural/Historic Survey/Evaluation which identified architecturally and historically significant properties. This area also receives a concentration of funding sources due to its CDBG eligibility and location in the Bee Branch Creek Watershed.

There are approximately 3191 properties in the proposed expansion area. The following table is an extrapolation of the information based off the current Urban Revitalization data on table 1.

Option 2			
Property Type	**# of Properties**	**Total Exempted Value**	**City Tax Abated**
Residential	279	$13,362,592	$76,787
Multi-Residential	65	$5,562,607	$45,257
Commercial	9	$362,288	$3,369
Total	**353**	**$19,287,487**	**$125,413**

Option 3 – Expansion of the Existing Urban Revitalization Districts to include CDBG eligible areas of the city and the inclusion of Census Tract 3 Block Group 1 and Census Tract 1 Block Group 1 (Residential Properties) (Exhibit H).

This option would expand the existing Urban Revitalization Districts to include all the CDBG eligible areas located downtown. This area would encompass a portion of

Dubuque's True North Focus Area that focuses primarily on residential property. A majority of the industrial and commercial properties have been removed in this option. However, the residential portion of Census Track 1 Block Group 1 is included. The area includes Census Track 3 Block Group 1 which is a natural continuation of the Point Neighborhood. This inclusion is not a CDBG eligible block group but has 48.70% Low/Mod residents and inclusion in the urban revitalization area may stabilize property values and prevent it from reaching the 51% Low/Mod threshold for CDBG eligibility. Also, a majority of the area has had an In-depth Architectural/Historic Survey/Evaluation which identified architecturally and historically significant properties.

There are approximately 5706 properties in the proposed expansion area. The following table is an extrapolation of the information based off the current Urban Revitalization data on table 1.

Option 3			
Property Type	**# of Properties**	**Total Exempted Value**	**City Tax Abated**
Residential	499	$23,894,376	$137,308
Multi-Residential	116	$9,946,798	$80,927
Commercial	16	$647,827	$6,024
Total	**631**	**$34,489,001**	**$224,259**

The following table lists the potential Urban Revitalization District Requirements.

Property Type	Increase Valuation by what %	Tax Exemption on increased value	Duration*	Eligible Improvements	District Expiration
Residential	10%	100%	10 years	Rehabilitation and Building Additions	Until it is determined that the revitalization of the neighborhood has been attained or 10 years whichever comes first.
Multi-Residential	15%	100%	10 years*		
Commercial	15%	100%	3 years		

* Max 10 year Allowed by State Code. Maybe be reduced to less than 10 years.

RECOMMENDATION

I respectfully recommend the City Council provide direction on which proposed option or alternative option they would like Housing & Community Development Staff to prepare for the required urban revitalization work plan, present the plan to the Long-Range Planning Advisory Commission for review, send notification to property owners, hold a public hearing and seek final consideration of the plan from the City Council at a future meeting.

The Housing & Community Development Staff highly recommends preparing an urban revitalization plan based on Option 3 and the district requirements listed in the previous table.

The benefits of Option 3 are the following:

1) It includes all the CDBG eligible areas located downtown; and
2) encompasses significant portions of Dubuque’s True North Focus Area; and
3) it includes the natural extension of the Point Neighborhood; and
4) the majority of the area has had an In-depth Architectural/Historic Survey/Evaluation which identified architecturally and historically significant properties.

Enclosures

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