

COUNCIL ACTION FORM

**SUBJECT: ORDINANCE EXTENDING THE INDUSTRIAL TAX EXEMPTION
AVAILABILITY TO YEAR 2030**

BACKGROUND:

Iowa Code Chapter 427B authorizes municipalities to provide for five-year declining scale property tax abatement as an incentive for new construction related to manufacturing, research, warehousing, and distribution uses. The City of Ames first enacted an ordinance providing for this industrial tax exemption in 1985 for an initial period of five years. The ordinance was subsequently amended to make the exemption available until 2010, and once again extended through July 1, 2020.

State law provides the following partial property tax exemption schedule for the incremental value of improvements for qualifying uses determined by the City Assessor:

- Year 1 = 75% Property Tax Exemption
- Year 2 = 60% Property Tax Exemption
- Year 3 = 45% Property Tax Exemption
- Year 4 = 30% Property Tax Exemption
- Year 5 = 15% Property Tax Exemption

Nearly every City in Iowa has adopted an ordinance to provide abatement under Chapter 427B as a method to attract new construction that will also improve employment opportunities. Cities have been allowed to use the abated taxes as local match to various other economic development incentive programs managed by the state. The City of Ames would be at a competitive disadvantage with other Iowa communities if the ordinance offering this property tax abatement incentive was not extended beyond 2020.

ALTERNATIVES:

1. Set the date of hearing for May 12, 2020 to approve an ordinance extending the availability of the Industrial Tax Exemption incentive for an additional 10 years through June 30, 2030.
2. Decide to not extend the availability of the Industrial Tax Exemption incentive and allow it to expire on July 1, 2020.

CITY MANAGER'S RECOMMENDED ACTION:

The Industrial Tax Exemption provides an important economic incentive to attract new industries to Ames and expand existing industry. Abated taxes can be used to match other state economic development incentive programs managed by the state. Continuing this form of property tax abatement allows the City to remain competitive with other communities.

It is therefore the recommendation of the City Manager that the City Council approve Alternative #1 and set May 12, 2020 as the hearing date to approve an ordinance extending the availability of the Industrial Tax Exemption incentive through June 30, 2030.