

OFFICE OF THE CITY MANAGER  
DES MOINES, IOWA

ITEM 117

CITY COUNCIL COMMUNICATION 97-142  
MARCH 24, 1997 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
CAPITOLVIEW SOUTH AFFORDABLE HOUSING PROGRAM	◆ RESOLUTION ORDINANCE RECEIVE/FILE	JAMES GRANT COMMUNITY DEVELOPMENT DIRECTOR

**SYNOPSIS —**

An amendment to the Capitolview South Affordable Housing Program has been prepared.

Under the current guidelines, homes built through the Capitolview South Affordable Housing Program do not qualify for tax abatement. This proposed change will allow the purchaser of a home constructed through this program to qualify for tax abatement.

This revision is proposed for two reasons: 1) the persons interested in purchasing these homes often cannot afford the monthly payments without tax abatement; and 2) many nonprofits cannot construct homes through this program that are affordable to their clients without the tax abatement.

**FISCAL IMPACT —**

TIF funds are utilized to provide construction financing and gap subsidy financing for the Capitolview South Affordable Housing Program. Although the tax abatement will result in fewer collected taxes during the abatement period, the homes will be sold more quickly and more developers will be interested in participating in the program.

**RECOMMENDATION —**

Approval of program revisions.

**BACKGROUND —**

Four homes have been constructed through the Capitolview South Affordable Housing Program. Marketing these properties has been very difficult. One impediment to the sale of these homes cited by prospective buyers, realtors and non-profit developers is the lack of tax abatement. Those persons interested in purchasing homes built through this program need affordable housing. Most often a low purchase price is not enough to make a property affordable; monthly payments must be reasonable. Taxes contribute substantially to monthly payments. It is the goal of the Community Development Department that by allowing tax abatement on these homes, a greater pool of applicants interested in purchasing the properties will be generated, and that a larger number of developers will participate in the program.

The Urban Renewal Board approved the use of tax abatement for homes built through the Capitolview South Affordable Housing Program at their March 18, 1997, meeting. The Board did express concern, however, about the effect termination of tax abatement would have on the low-income home owner at end of the ten-year abatement period. Staff noted that the best option in addressing this issue was to sell the home to buyers with incomes above that required to pay the principal, interest and insurance but who may not, at the current time, be able to pay the entire tax amount.