ITEM #:	**24**
DATE:	**02-24-26**
DEPT:	**P&H**

COUNCIL ACTION FORM

SUBJECT: **ANNUAL TAX ABATEMENT CERTIFICATION**

BACKGROUND:

The City Council has established Urban Revitalization Areas (URAs) which allow for the granting of tax exemption for the increased valuation of a property for projects that meet the criteria of each URA's Urban Revitalization Plan. Every year, owners who have made improvements to property within the City's URAs during the previous year may apply for tax exemption on the incremental added value of their properties, subject to the criteria of a URA Plan. The City Council must determine if the completed improvements meet the criteria in the Urban Revitalization Plan for the URA in which the property is located. If the City Council finds that the criteria are met, this approval is forwarded to the City Assessor, who then reviews each request and determines the amount of the exemption based on the increase in incremental valuation.

All of the applications in this report submitted for approval for 2025 improvements are related to the City-wide URA for ownership housing. (An additional application for URA tax abatement is the subject of another report on this agenda.) This year is the second year that new construction of single-family ownership housing is eligible for partial of full property tax abatement on the first $500,000 of value added after April 26, 2024, as part of the Citywide URA that was approved by Council in 2024. Eligible properties can take advantage of a 5-year sliding scale of partial abatement.

City Council initiated the City-wide URA in response the low number of housing starts in 2023, with only 61 building permits issued for single-family homes. The following table outlines the housing starts over the past several years.

Housing Starts:

Year	Total for Year
2023	61
2024	59
2025	68

To apply for tax abatement the home must have had improvements completed after April 26, 2024. Improvements completed before April 26, 2024, are ineligible for tax abatement. Staff mailed notices known property owners that had not yet filed applications and might have qualified for tax abatement as ownership housing. By February 1, 2025, the City received 25 applications. By February 1, 2026, staff received 53 applications by the filing deadline, for this tax year (2026). Of those 53 applications, 48 were for single-family homes completed in 2025 and 5 were for homes completed in 2024. Of the 53 applications, 9 were for partial improvements for homes started before April 26, 2024, and 44 were for full new construction started after April 26, 2024. Attached to this report is list of address and the type of improvements eligible for abatement.

Current Applications Received:

Home Completed in:	Partial (construction began prior to April 26, 2024)	Full (construction began after April 26, 2024)	Total
2024	4	1	5
2025	5	43 (including 1 ineligible)	48
Total	9	44 (including 1 ineligible)	**53**

One of the applications, 2113 Ada Hayden Road, is ineligible as the property is not owner-occupied. This brings the total number of eligible applications to 52.

Note that any owners who did not file for abatement this year may still be eligible to file for abatement in 2026 if it is within two years of the first tax year having an improvement value.

Based upon values stated in the applications for both partial and full improvements, at least $20.6 million of improvement value is eligible for abatement. (Staff is still awaiting final claimed improvement value/cost information on three applications.) The final amount will likely be less with the final review of partial improvement value claims. The average new improvement value claimed was $421,000 after adjusting for the $500,000 maximum cap on value.

The most difficult evaluation of the applications has been the value of partial improvements and timing of ownership of the housing to meet the eligibility criteria.

City Council is not determining the value of partial improvements with certification of eligibility. After conferring with the City Assessor, the City Assessor will determine the value of improvements as is normally the case for tax abatement eligibility. The Assessor visited buildings that were in progress near the April 26, 2024, date of eligibility and documented the status of those homes. They will compare their records with stated values of applications to make a determination of eligible abatement value. In any event, the maximum abatement value is $500,000.

The second issue is the final determination related to ownership as a primary residence. A handful of applications were submitted for improvements that received final approvals in early January and under the ownership of the primary residence at the time they filed the application for the improvements. Staff believes these applications can be certified as meeting the criteria because they are owner occupied at the time of filing the application.

ALTERNATIVES:

1. Resolution approving the following:
    a. Certify 52 property tax abatement applications as listed in the attachment as meeting the eligibility requirements of the City-wide URA.

    b. Determine 2113 Ada Hayden Road does not meet the eligibility requirements of being owner occupied.

   c. Submit the applications to the City Assessor for a determination of improvement value.

2. Approve a certification of a different number of applications by specifying those that meet the City-wide URA eligibility requirements.

CITY MANAGER'S RECOMMENDED ACTION:

Staff has examined the applications submitted by February 1, 2026, and has found that 52 of the 53 requests for the completed projects substantially conform to criteria of the City-wide URA. All of the applications are eligible for a 5-year sliding scale of partial or full property tax abatement of Year 1-100%; Year 2-80%; Year 3-60%; Year 4-40%; Year 5- 20% based upon the final determination of improvement value by the City Assessor. Therefore, it is the recommendation of the City manager that the City Council approve Alternative #1A-B.

ATTACHMENT(S):
Applications Submitted by February 1, 2026.pdf