

MEMORANDUM
COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT

TO: Thomas Thomas, City Manager

SUBJECT: New Home Property Tax Rebate Renewal (2013-2019)

DATE: June 12, 2013

History on the Property Tax Rebate program

Rock Island has offered a City-wide property tax rebate on the City's share of taxes for newly constructed homes and condominiums since 1991.

Initially, the program amounted to a maximum \$1,500 rebate for 12 months after three conditions took place:

1. The Inspection Division issued the occupancy certificate.
2. The property was sold to an occupant.
3. Property taxes became due and payable.

Between April 1991 and June 1998, 70 homeowners received rebates averaging approximately \$1,100.

In June 1998, the program was changed to provide a three-year rebate (36 months of benefit). The \$1,500 maximum per year remained the same. Since then, three-year extensions were approved in 2001, 2004, 2007, and 2010 with no further modifications to the program. The current program is set to expire on June 30, 2013.

Along with the city-wide three-year rebate, a 10-year rebate program for the New Old Chicago and Downtown TIF areas were created to encourage further development in these areas. These rebates are paid solely by the City and pay for both the City and School District taxes. Lastly, a 7-year rebate was created for the Murphy Lofts which is a special rebate program that was included in the development agreement for this project.

Rock Island/Milan School District Support

In addition to the City's commitment, the Rock Island / Milan School District approved a property tax rebate for a three-year period starting in 1998. Their program provides an additional rebate of 40% of the School District's share of property taxes for 36 months. On May 14, 2013, the District approved renewal of the program with no modifications for another three year period to expire on June 30, 2016.

Administration of the Rebate Program

City staff continues to administer the program. Homebuyers submit all required documentation for processing directly to the City. A single rebate check covering the City and School District's share of property taxes is written by the City, with the School District reimbursing the City.

Success

Between 1998 and 2013, 218 households have received property tax rebates from one of the three property tax rebate programs offered by the City. The City has paid out

\$753,347.99 and the School District has paid out \$505,282.37 since 1998 for a total of \$1,264,611.54 in incentives for new construction of single family homes in Rock Island. In the past year, the program has provided:

- \$30,627.65 in City-Wide incentives to 13 households (\$18,104.69 City; \$12,522.96 School District)
- \$49,129.98 in New/Old Chicago & Downtown TIF incentives to 30 households (\$48,700.30 City; \$429.68 School District)
- \$15,098.32 in Murphy Loft property tax incentives to 4 households (all paid by City)

Proposed changes to the program:

The CED department would like to increase the City's portion of the City-wide rebate program from three years (36 months) to 10 years (120 months). This will create greater financial incentive for new construction to take place within City limits. With the new program, we would like to consider having a \$2,000 maximum per year along with a \$10,000 total maximum over the ten year period. Currently, the maximum each household can get from the City portion is \$4,500 in total over three year's time.

No further changes to the New Old Chicago, Downtown, or Murphy Loft programs are recommended.

Recommendation: City Council to approve renewal of the New Construction Property Tax Rebate Programs for six years with the modifications as described above, from July 1, 2013 through June 30, 2019.

Submitted by: Dena Haag, Budget and Grants Manager
Jeffery Eder, Community and Economic Development Director
Cynthia Parchert, Finance Director

Approved: Thomas Thomas, City Manager

New Construction Property Tax Incentive City-Wide 10-Year Program

The City of Rock Island and Rock Island-Milan School District #41 have joined together to offer a Property Tax Incentive Program for new homes in the City of Rock Island.

How do I qualify?

- ✓ First buyer of the home (not transferable)
- ✓ New construction located in the City of Rock Island on any undeveloped lot
- ✓ An owner-occupied single-family home or condominium
- ✓ Issued a Certificate of Occupancy between July 1, 2013 – June 30, 2019

How much will be rebated?

- ✓ The City of Rock Island will rebate the City property taxes up to \$2,000 per year for ten years with a maximum of \$10,000 over the life of the rebate.
- ✓ The Rock Island-Milan School District #41 will rebate forty percent (40%) of the school property taxes for three years.

How do I receive my refund?

- ✓ Property taxes must be **paid in full for the year** to Rock Island County in order to be eligible for a refund. Please provide proof of payment. (Stamped property tax bill, print out from website, copy of check)
- ✓ Drop off, mail, or email a copy of the property tax statement to the CED Department (see contact information below).
- ✓ Rebate checks will be processed within 30 days of the City receiving a copy of the property tax bill.
- ✓ One check will be issued by the City of Rock Island, covering the Rock Island-Milan School District and City portions of the rebate. The City is reimbursed by the School District for their share of the rebate.

Any further questions? Please contact us!

Mailing Address:

City of Rock Island
Attn: Dena Haag
Community & Economic
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Rock Island City Hall
1528 Third Avenue
Rock Island, IL 61201



Other Contact Information:

Dena Haag, CED Budget & Grants Manager
Phone: 309-732-2904; Fax: 309-732-2930
Email: haag.dena@rigov.org

City-Wide Property Tax Rebate Program Calculator - 13 payable 14

Property Owner: Sample Client
Property Address: 123 Main Street

Year for Homeowner Property Tax Incentives: 1

Improvement value		95,000
Total Assessment	÷	<u>100,000</u>
Improvement value %		<u>95%</u>

Exemptions		6,000
Improvement value %	x	<u>95%</u>
Adjusted exemption		<u>5,700</u>

Improvement value		95,000
Adjusted exemption	-	<u>5,700</u>
Adjusted improvement value		<u>89,300</u>

City's Portion

Adjusted improvement value		89,300
City tax rate	x	<u>0.024084</u>
		2,150.70
Year 1 portion	x	<u>100%</u>
City Rebate		<u>2,150.70</u>

School District's Portion

Adjusted improvement value		89,300
School District's tax rate	x	<u>0.0512</u>
		4,572.16
Year 1 portion	x	<u>40%</u>
School Rebate		<u>1,828.86</u>

City maximum \$2,000 per year; \$10,000 maximum over 10-years

City Rebate	2,000.00
School District Rebate	<u>1,828.86</u>
Total Rebate	<u>3,828.86</u>

Property Tax Rebate - City-Wide 10-Year Program Example

Year	City Portion	%	School Portion	%	Total
1	2,000.00	100%	1,828.86	40%	3,828.86
2	2,000.00	100%	1,828.86	40%	3,828.86
3	2,000.00	100%	1,828.86	40%	3,828.86
4	1,720.56	80%	0	n/a	1,720.56
5	1,720.56	80%	0	n/a	1,720.56
6	558.88	50%	0	n/a	558.88
7	-	50%	0	n/a	-
8	-	50%	0	n/a	-
9	-	10%	0	n/a	-
10	-	10%	0	n/a	-
	<u>10,000.00</u>		<u>5,486.59</u>		<u>15,486.59</u>

New Construction Property Tax Incentive

New Old Chicago and Downtown TIF 10-Year Program

The City of Rock Island and Rock Island-Milan School District #41 have joined together to offer a special Property Tax Incentive Program for new homes two specific neighborhoods within the City of Rock Island.

How do I qualify?

- ✓ First buyer of the home (not transferable)
- ✓ New construction located in the New/Old Chicago neighborhood or Downtown Tax Increment Finance District of the City of Rock Island on an undeveloped lot
- ✓ An owner-occupied single-family home or condominium
- ✓ Issued a Certificate of Occupancy between July 1, 2013 – June 30, 2019

How much will be rebated?

- ✓ The City of Rock Island will rebate the City property taxes up to \$1,500 per year for ten years (120 months).
- ✓ The Rock Island-Milan School District #41 will rebate taxes on a sliding scale (see back of this page) for ten years (120 months).

How do I receive my refund?

- ✓ Property taxes must be **paid in full for the year** to Rock Island County in order to be eligible for a refund. Please provide proof of payment to the County. (Stamped property tax bill, print out from Rock Island County website, copy of check, etc.)
- ✓ Drop off, mail, or email a copy of the property tax statement to the CED Department (see contact information below).
- ✓ Rebate checks will be processed within 30 days of the City receiving a copy of the property tax bill.
- ✓ One check will be issued by the City of Rock Island, covering the Rock Island-Milan School District and City portions of the rebate. The City is reimbursed by the School District for their share of the rebate.

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New/Old Chicago & Downtown TIF Property Tax Rebate Program Calculator - 13 payable 14

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		4,572.16
Year 1 portion	x	<u>40%</u>
School Rebate		<u><u>1,828.86</u></u>

City maximum \$1,500 per year

City Rebate		1,500.00
School District Rebate		<u>1,828.86</u>
Total Rebate		<u><u>3,328.86</u></u>

Property Tax Rebate - City-Wide 10-Year Program Example

Year	City Portion	%	School Portion	%	Total
1	1,500.00	100%	1,828.86	40%	3,328.86
2	1,500.00	90%	1,645.98	36%	3,145.98
3	1,500.00	80%	1,463.09	32%	2,963.09
4	1,500.00	70%	1280.2048	0.28	2,780.20
5	1,290.42	60%	1097.3184	0.24	2,387.74
6	1,075.35	50%	914.432	0.2	1,989.78
7	860.28	40%	731.5456	0.16	1,591.83
8	645.21	30%	548.6592	0.12	1,193.87
9	430.14	20%	365.7728	0.08	795.91
10	215.07	10%	182.8864	0.04	397.96
	<u>10,516.47</u>		<u>10,058.75</u>		<u>20,575.22</u>