



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Planning and Economic Development Division

m e m o r a n d u m

TO: Bruce K. Walden, Chief Administrative Officer

FROM: Elizabeth H. Tyler, AICP, Planning Manager

DATE: July 12, 2001

SUBJECT: A Resolution Extending the Single-Family Home Construction Incentive Program to Owner-Occupied Zero Lot-Line Townhomes, Condominiums, Cooperatives, and Duplexes

Introduction & Background

On March 5, 2001, City Council adopted Resolution No. 2001-02-007R authorizing a single-family home construction incentive program. The purpose of this program was to help “level the playing field” for new home construction in Urbana by offering potential homeowners a tax rebate equal to the difference between the overall property tax rate in Urbana and that in Champaign. The tax rebate program is available for new single-family detached homes in Urbana for which building permits are issued between March 1, 2001 and December 1, 2002 and applies to those eligible homeowners for a period of five (5) years.

The “Build Urbana” program is a response to a trend of several years of extremely low new housing starts occurring in Urbana relative to other local housing markets despite the fact that new residential subdivision lots have been available and continue to be made available in Urbana. The projected costs and benefits of the program would be very positive to the City, as described in the background documentation included with the Plan Commission Memorandum dated February 15, 2001 and in the analyses prepared by Councilmember Milton Otto and by the City Comptroller (copies attached). The Plan Commission Memorandum also includes information that suggests that since its adoption in March, the “Build Urbana” program has had a positive effect on the local housing market.

Update

At the June 25, 2001 Committee of the Whole meeting of the City Council, Councilmember Milton Otto suggested that the “Build Urbana” tax rebate program be extended to apply to zero lot line townhomes, condominiums, and duplexes. His reasoning was that by being limited to only detached single-family homes, the current program is not supportive of “Smart Growth” approaches to encouraging denser

development patterns and a reduced loss of farmland and open space. It should be noted that such housing types are currently available or are proposed for construction in the Beringer Commons, Southridge, and Stone Creek subdivisions. In addition, such housing types may be proposed on individual infill lots throughout the City. Council moved that the question of extending the tax rebate program to these other housing types be forwarded to the Plan Commission for advisory review.

The Plan Commission considered the proposed extension of the tax rebate program at its meeting on July 5, 2001. Plan Commissioners had questions about the differences in the property tax rates between the Urbana and Champaign and what the program would cost the City for an example home with a value of approximately \$120,000. Staff reported that the current overall property tax rate in Urbana is 8.5936 and that in Champaign is 7.6463, for a difference of 0.9473 or 12%. The difference between the overall tax rates in the two communities has been narrowing as shown in the attached table. For a home with a value of \$120,000, the tax rebate program would cost the City \$379 per year, or a total of \$1,895 for the program duration of five years. The predicted revenues assuming construction of 40 new homes built in the first year and 60 homes in the second year would total \$1,699,483 with a total estimated rebate of \$242,812, yielding a net benefit to all taxing bodies of \$1,456,671.

The Plan Commission discussed whether the tax rebate program could be applied to home rehabilitation efforts. Staff noted that this would not be consistent with the purpose of the program to encourage new home sales in Urbana. However, a tax rebate is already available for home improvements from the Township Assessor. Special grant and service programs are also available through the Grants Management Division of the City's Community Development Services Department for persons demonstrating need and specific situations, as described in the attached program description.

The Plan Commission also discussed how the tax rebate program could be used to encourage infill housing in the developed portions of Urbana as a "Smart Growth" strategy. The Plan Commission expressed an interest in making the rebate clearly available to the owner-occupied portions of mixed-use projects as well as to cooperatives and condominium flats.

Some Plan Commissioners restated their earlier objections to the initial tax rebate program. These objections are set forth in the attached correspondence from Gerrit Knaap, dated February 25, 2001. A response to these objections is provided in a memorandum from April D. Getchius, dated February 26, 2001. It was noted by staff at the Plan Commission meeting that these objections were directed to the tax rebate program as it was adopted in March, and not necessarily to the proposed extension. Commissioner Knaap stated that while he still objected to the program in principle, the proposed extension to townhouses, condominiums, cooperatives, and duplexes would be an improvement to the program that he could support.

Summary of Findings

1. The "Build Urbana" Single Family Home Tax Rebate Program was enacted by City Council as a means of "jump starting" new housing starts in Urbana and counteracting the negative impact associated with Urbana's relatively high overall property tax rate.

2. Since its adoption, the “Build Urbana” Single Family Home Tax Rebate Program appears to be successful in encouraging new housing construction starts and subdivision platting proposals.
3. Extension of the Tax Rebate Program to apply to zero lot line townhomes, condominiums, and duplexes would be responsive to Comprehensive Plan goals, objectives, and policies calling for a variety of housing styles and price ranges.
4. Extension of the Tax Rebate Program to apply to zero lot line townhomes, condominiums, and duplexes would be responsive to Comprehensive Plan goals, objectives, and policies and “Smart Growth” principles calling for compact, relatively dense development patterns that are less disruptive of the environment and help to promote preservation of farmland.
5. Extension of the Tax Rebate Program to apply to zero lot line townhomes, condominiums, and duplexes would be more inclusionary in terms of household types and incomes relative to the current program.
6. To encourage intensification of uses in the downtown area, extension of the Tax Rebate Program should apply to the owner-occupied residential portions of mixed-use developments and to condominium flats and cooperatives.

Options

The City Council has the following options in this case:

- a. The City Council may approve a Resolution extending the Single-Family Home Construction Incentive Program to owner-occupied zero lot-line townhomes, condominiums, cooperatives, and duplexes.
- b. The City Council may approve a Resolution extending the Single-Family Home Construction Incentive Program to owner-occupied zero lot-line townhomes, condominiums, cooperatives, and duplexes, with specific changes to be identified.
- c. The City Council may deny a Resolution extending the Single-Family Home Construction Incentive Program to owner-occupied zero lot-line townhomes, condominiums, cooperatives, and duplexes.

Recommendation

At the July 5, 2001 meeting, the Plan Commission recommended by a vote of 4 to 1 that the City Council extend the “Build Urbana” Tax Rebate Program to apply to zero lot-line townhomes, condominiums, cooperatives, and duplexes for the reasons presented herein. Staff concurs with this recommendation.

Attachments:

1. Draft Resolution
2. Analysis of Fiscal Impact of the Build Urbana Program, prepared by Councilmember Milton Otto
3. Cost of Property Tax Rebate Program, Spreadsheets prepared by City Comptroller, Ron Eldridge
4. Property Tax Rates for Urbana and Champaign, A Five Year History, Prepared by Reed Berger, July 5, 2001
5. Comments from Gerrit Knaap on Urbana Tax Rebate Program, dated February 25, 2001
6. Memorandum from April D. Getchius, AICP, Regarding the Single Family Home Incentive Program, dated February 26, 2001
7. Home Improvement Programs Available in the City of Urbana, Effective January 2001, prepared by Randy Burgett, Grants Management Division.
8. Excerpt of Draft Minutes from July 5, 2001 Plan Commission meeting

c: Carl Hill
Mike Martin
Paul Tatman
Carl Webber

**A RESOLUTION EXTENDING THE SINGLE-FAMILY HOME CONSTRUCTION
INCENTIVE PROGRAM TO OWNER OCCUPIED ZERO LOT-LINE TOWNHOMES,
CONDOMINIUMS, COOPERATIVES, AND DUPLEXES**

WHEREAS, on March 5, 2001, the City Council of the City of Urbana adopted Resolution No. 2001-02-007R authorizing a single-family home construction incentive program as a means of promoting new single family home construction in the City; and

WHEREAS, the single-family home construction incentive program involves the payment of the difference between the property taxes incurred by new homes in the City of Urbana and the taxes those homes would incur in the City of Champaign for a period of time, on behalf of property owners who build new homes within the City; and

WHEREAS, extension of the single-family home construction incentive program to owner-occupied zero lot-line townhomes, condominiums, cooperatives, and duplexes would help to encourage more compact, contiguous growth patterns and urban infill/mixed use projects and would make the program more equitable in terms of housing types and household characteristics; and

WHEREAS, extension of the single-family home construction incentive program to owner-occupied zero lot-line townhomes, condominiums, cooperatives, and duplexes would be responsive to goals, objectives and policies of the Comprehensive Plan of the City of Urbana; and

WHEREAS, the Urbana Plan Commission, after considering matters pertaining to said extension at their meeting of July 5, 2001, has recommended by a vote of 4 to 1 that the Urbana City Council adopt a resolution extending the single-family home construction incentive program to owner-occupied zero lot-line townhomes, condominiums, cooperatives, and duplexes; and

WHEREAS, the Urbana City Council, having duly considered all matters pertaining thereto, finds and determines that the proposed extension of the single-family home construction incentive program is in the best interest of the City of Urbana.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. The City Council finds and determines that the

facts contained in the above recitations are true.

Section 2. The Urbana City Council hereby resolves that the City of Urbana does hereby amend Resolution No. 2001-02-007R to extend the provisions of that resolution to owner-occupied zero lot-line townhomes, condominiums, cooperatives, and duplexes; however, in the case of mixed-use and income-generating uses, the tax rebate shall apply only to that portion of the property that is in use for residential purposes and is owner-occupied.

Section 3. All other provisions of Resolution No. 2001-02-007R, including dates of eligibility, shall apply to the housing types added with this extension and shall otherwise remain in force.

PASSED by the City Council this _____ day of _____, _____.

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____, _____.

Tod Satterthwaite, Mayor