



**DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES**

*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, Director

**DATE:** June 24, 2004

**SUBJECT:** Status Report on Urbana's Single-Family Home Tax Rebate Program

---

**Description**

The City's Single-Family Home Tax Rebate "Build Urbana" Program has successfully encouraged construction of new single-family and duplex housing in Urbana by providing incentives to builders, developers, and homeowners since 2001. Specifically, this program rebates the property tax difference between the total tax rates in the Cities of Urbana and Champaign to owners of new homes, equalizing the tax rates on these structures. The Single-Family Tax Rebate Program is an integral component of the Build Urbana program, which promotes development and real estate investment in the community.

The Tax Rebate Program has helped to encourage the creation of new subdivisions and expansion of existing subdivisions in Urbana. Subdivisions included in the first year of adoption included Beringer Commons (a clause to the program for Beringer Commons specifies that their rebates fall under different requirements due to a previous legal agreement), Eagle Ridge, Fairway Estates, Landis Farms, Lincolnwood, South Ridge, Stone Creek, and Savannah Green. Eastgate subdivision was added in 2002. In 2003 - 2004, additional subdivisions or phases were added at South Ridge, Sunny Estates, The Ridge, Beringer Commons, Savannah Green and Landis Farm.

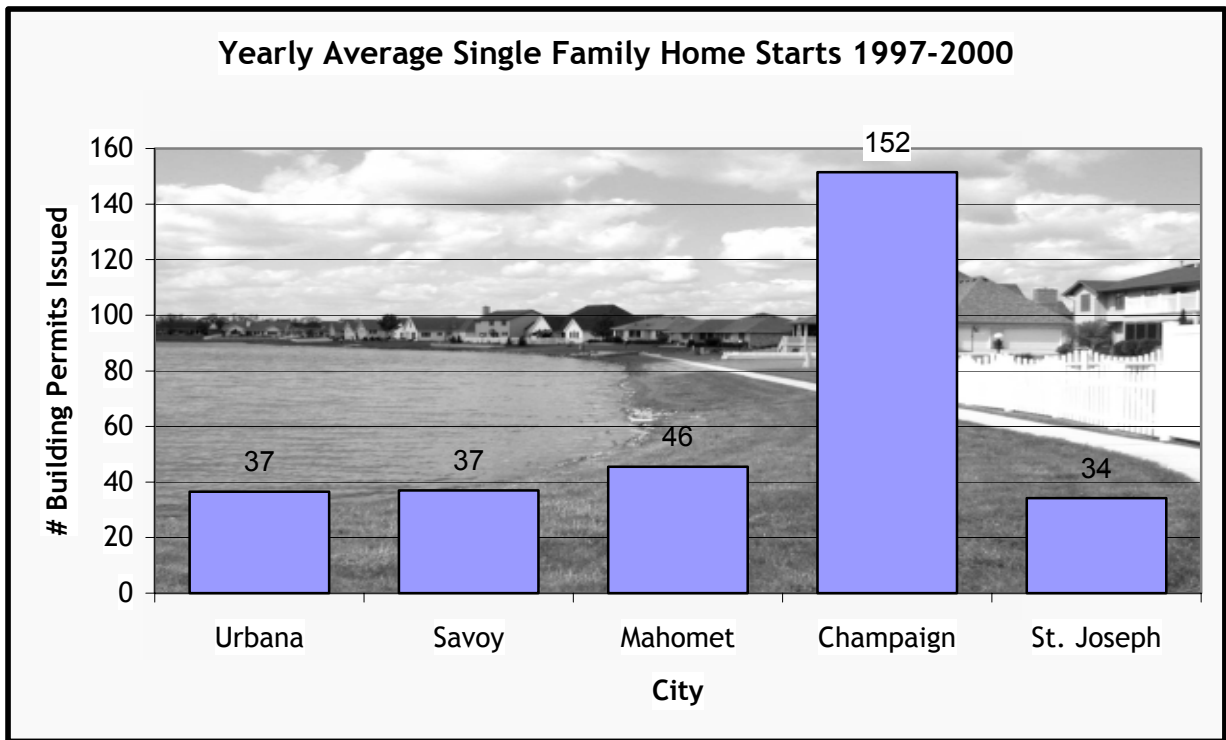
**Issues**

Since initiation of the Tax Rebate Program, staff has provided regular updates to Council as to the progress and effects of the program. Staff receives regular positive comments on the program from the development community and homeowners as well as requests for extension of the program. Recently, the City of Champaign developed a property tax rebate program, for a newly developing area, to capture more of the moderate-income-single-family housing market.

## Background

The Tax Rebate Program was conceived when builders, developers (under the leadership of UBA and UDBA), and the city decided to increase single-family home starts in Urbana. At the time, single-family home starts in the community were comparably lower than rates in surrounding communities (See Chart A.) and realtors viewed Urbana's higher tax rate to be the cause. Since the commencement of the Tax Rebate Program Urbana has significantly increased its share of the new single family housing market.

Chart A



In March of 2001, the Tax Rebate Program was approved by City Council (by Resolution No. 2001-02-007R) with the following characteristics and guidelines:

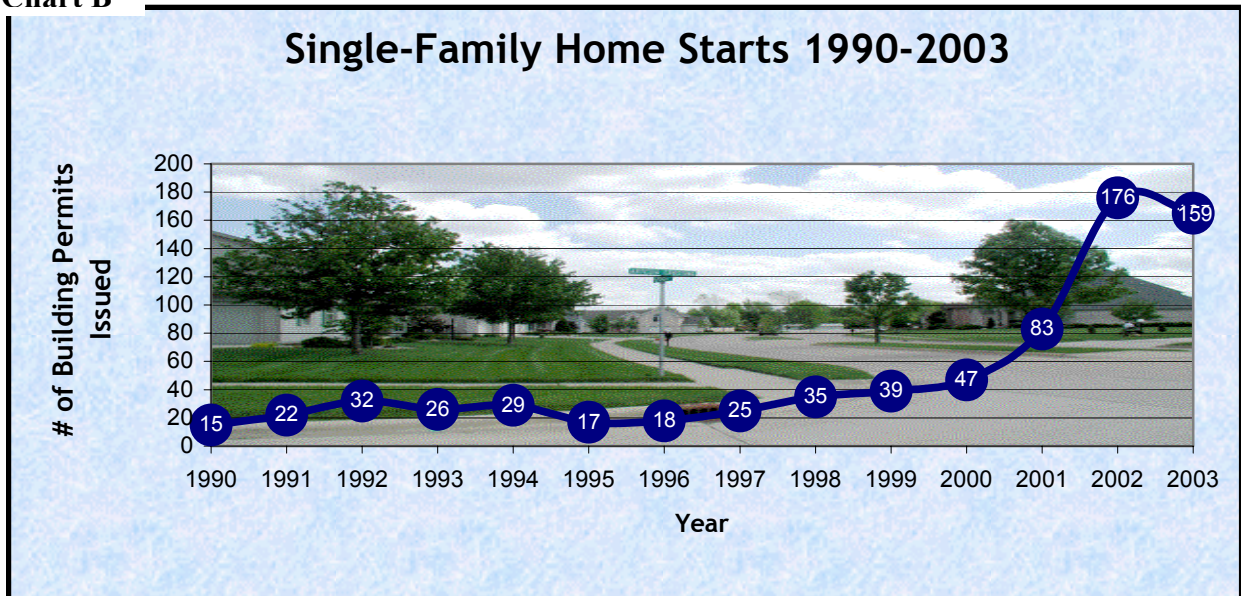
- Goal to increase new home construction in Urbana
- Rebates the difference between the total property tax rate in Urbana and Champaign
- Allows the property owner of a newly constructed single family home a tax rebate for up to 5 years (subsequently extended to cover duplexes, condominiums, cooperatives, and zero-lot line townhouses)
- The home must be owner-occupied
- The home must be within Urbana city limits
- The home's building permit must have been issued between March 1, 2001 and December 1, 2002 (subsequently extended to 2004)
- The rebate is transferable to subsequent owners within the 5-year time frame

Under the Build Urbana program, a wide array of efforts promoting single family-housing opportunities in Urbana have occurred through the cooperation of the City with the Urbana Business Association, the builders and developers association, and other groups. City staff developed a Tax Rebate Brochure, which provides information on program guidelines and Urbana subdivisions with available sites. Community organizations and businesses have also promoted the Tax Rebate Program, as a part of the outreach for Build Urbana, through tours, the annual ‘Parade of Homes’, cooperative forums, presentations, realtor breakfasts, interviews, press releases and advertising via the full spectrum of media.

In July 2001, the Tax Rebate Program was extended by Council to include Zero Lot Line Townhouses, Condominiums, and Duplexes (by Resolution No. 2001-07-022R). This extension was intended to promote a variety of housing types and price ranges, as well as provide more equitable availability of purchase to homebuyers. In November 2002, the Single Family Home Tax Rebate Program was extended until December 1, 2004, due to its effectiveness and with the support of the Urbana School Board and Park District.

Since initiation of the Build Urbana program, Urbana’s share of single-family housing development has dramatically increased, while Savoy, St. Joseph, and Champaign has seen either a decrease in home starts, or a stable rate. For the year 2001, Urbana’s single family home starts jumped to 83 (87 counting duplexes), three times the average of the previous eleven years – even though the program did not cover the full calendar year (see Chart B). In 2002, single family home starts totaled 176 (178 counting duplexes), over six times the 1990 – 2000 average of 28 homes. In 2003, the single family total was 159, or 165 counting duplexes. As of mid-year 2004 (to date), there have been 82 single family home starts, or 84 counting duplexes. The total for all single-family and duplex units built under the Tax Rebate Program as of June 23, 2004 is 514.

**Chart B**



The housing start totals for 2003 were closer in comparison to housing starts of nearby Champaign.

For instance, Champaign’s 2002 total for one and two-family units was 200 permits for 202 units. In 2003, Champaign’s total was 157 permits for 159 units, which is approximately equal to Urbana’s total, even though Urbana’s population is only half that of Champaign’s.

## Fiscal Impacts

Table 1 (below) illustrates the financial impact of the Tax Rebate program for the period 2001 to 2003. The net impact of the program (revenues minus cost) are substantial for each taxing district (totaling over \$1 million annually) and the long-term returns are even greater (over \$49 million in 50 years). The initial cost of the rebates (five year period) leverages seven times the return on investment over all districts. Substantial benefits are shown even when the average housing starts for years prior to program initiation are subtracted out, on the assumption that this level of construction would have occurred without the program. Success of the Tax Rebate program has also been aided by low-interest rates and by a wide variety of housing choices and price points in Urbana’s subdivisions.

**Table 1**

SUMMARY OF RESULTS OF PROP. TAX REBATE PROGRAM, CY2001, 2002 & 2003								
	# homes	estimated ave. cost	total value	annual prop tax school	annual prop tax parks	annual prop tax township	annual prop tax city	annual prop tax total
total homes built	422	\$ 127,923	\$53,983,506	\$ 827,045	\$ 135,571	\$ 36,295	\$ 236,088	\$ 1,234,999
cost of rebates				\$ 113,653	\$ 12,434	\$ 29,331	\$ -	\$ 155,419
net gain, each year 1st 5 years				\$ 713,392	\$ 123,136	\$ 6,964	\$ 236,088	\$ 1,079,580
payback, 1st 5 years				7 to 1	6 to 1	n/a	n/a	7 to 1
pv net gain next 5 years				\$ 3,088,631	\$2,409,631	\$ 645,106	\$4,196,226	\$21,950,866
pv of prop tax 45 years after				\$11,517,756	\$3,025,313	\$ 679,925	\$5,376,665	\$27,348,767
total gain next 50 years				\$14,606,387	\$5,434,945	\$1,325,031	\$9,572,891	\$49,299,633
tax rate urbana				4.5961	0.7534	0.2017	1.3120	6.8632
tax rate champaign				3.9645	0.6843	0.0387	1.3120	5.9995
# above prev. average	305	\$ 127,923	\$39,016,515	\$ 597,746	\$ 97,983	\$ 26,232	\$ 170,632	\$ 892,594
cost of rebates				\$ 82,143	\$ 8,987	\$ 21,199	\$ -	\$ 112,329
net gain				\$ 515,603	\$ 88,997	\$ 5,033	\$ 170,632	\$ 780,265
note: payback is function of % difference in tax rates, higher difference, less return								
these costs do not include costs city incurred in promotion, marketing, meeting with realtors, contractors etc.								

## Conclusions

The Single Family Home Tax Rebate Program has had very beneficial fiscal impacts on the City of Urbana and associated taxing districts. Additional housing opportunities have been provided for new residents and project potential has been created for housing developers. These opportunities are translating into increasing housing, business and tax bases for the community.

The program has been tremendously popular among residents and business interests. Many individuals and community groups have expressed support for the Tax Rebate Program and have requested an additional two-year extension to the program, which is currently set to expire in December 2004. Staff will seek input from the School District, Urbana Park District, and others prior to any recommendation on the requested extension.

Attachments:

City of Urbana Housing Permits 1988-2003

Prepared by:

John G. Regetz, Economic Development Manager

---

**CITY OF URBANA HOUSING PERMITS**

<b>YEAR</b>	<b># OF BUILDINGS ADDED</b>	<b># OF UNITS ADDED</b>	<b>USE</b>	<b># OF UNITS DEMOLISHED</b>
1988	24	24	SFR	15
	15	217	MFR	43
	8	16	DUP	12
1989	14	14	SFR	24
	6	96	MFR	20
	2	4	DUP	22
1990	15	15	SFR	20
	1	17	MFR	23
	1	2	DUP	12
1991	22	22	SFR	14
	3	23	MFR	4
	0	0	DUP	4
1992	32	32	SFR	12
	1	10	MFR	7
	0	0	DUP	0
1993	26	26	SFR	21
	8	180	MFR	4
	1	2	DUP	0
1994	29	29	SFR	27
	15	234	MFR	26
	1	2	DUP	4
1995	17	17	SFR	20
	4	80	MFR	24
	2	4	DUP	0
1996	18	18	SFR	26
	6	61	MFR	19
	4	8	DUP	0
1997	25	25	SFR	20
	44	689	MFR	7
	1	2	DUP	4
1998	35	35	SFR	11
	2	36	MFR	12
	1	2	DUP	0
1999	39	39	SFR	21
	4	79	MFR	27
	0	0	DUP	2
2000	47	47	SFR	9
	6	194	MFR	2
	1	2	DUP	0
2001	83	83	SFR	19
	2	57	MFR	9
	1	2	DUP	0
2002	176	176	SFR	20
	4	62	MFR	9
	1	2	DUP	0
2003	159	159	SFR	8
	5	164	MFR	9
	3	6	DUP	25

**SFR = Single-Family Residence    MFR = Multi-Family Residence    DUP = Duplex Residence**  
 (Updated 6/23/04 Housing Units.doc)

**CITY OF URBANA HOUSING PERMITS**

<b>YEAR</b>	<b># OF BUILDINGS ADDED</b>	<b># OF UNITS ADDED</b>	<b>USE</b>	<b># OF UNITS DEMOLISHED</b>	<b>CNTY FEES OUT OF CITY</b>
2004	82	82	SFR	8	SFR-X 11
	4	60	MFR	0	
	1	2	DUP	0	

**SFR = Single-Family Residence MFR = Multi-Family Residence DUP = Duplex Residence**  
(Updated 6/23/04 Housing Units.doc)