



DOWNTOWN DAVENPORT IMPACT ANALYSIS

Technical Report

July 2023

PREPARED FOR
Downtown Davenport Partnership

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INTRODUCTION AND SCOPE

OVERVIEW AND SCOPE

In January 2023, Downtown Davenport Partnership (DDP) engaged Development Strategies to provide an analysis of the fiscal contributions of Downtown Davenport (“Downtown”) compared to the city as a whole. This analysis builds upon data collected from city, state, and federal government with assumptions based on best practices, conversations with local officials, and expanded research. This document is intended to be technical in nature to ensure transparency with the analysis and establish a baseline for future updates and evaluating Downtown’s performance over time.

The primary focus of this analysis is to understand the relative positioning and trajectory of Downtown in terms of population, employment, real estate, and fiscal trends. The analysis also includes an analysis of the city’s investment in Downtown through its Urban Revitalization Tax Exemption program (URTE) and future assessment over the next 10 years. While it was beyond the scope of this analysis to provide a strategic framework, this analysis provides additional support for the goals of *Downtown Davenport Master Plan*¹ that include supporting mixed-use development and inclusive growth, while enhancing quality of life and visitor experience.

STUDY PERIOD AND GENERAL LIMITATIONS

The following analysis leverages multiple data sources, including data from Esri, U.S. Census, Bureau of Labor Statistics (BLS), Bureau of Economic Analysis (BEA), and CoStar, as well as City of Davenport tax revenues and expenditures from the Comprehensive Annual Financial Report (CAFR) reflecting FY2017 to FY2020 and Annual Comprehensive Financial Report (ACFR) reflecting FY2021 to FY2022, assessor data from the Scott County Auditor’s Office, and tax collection data from the Iowa Department of Revenue. It also includes a summary of Downtown real estate investment collected and tracked by the Downtown Davenport Partnership. A constraint to this analysis is the lag of data and the ability to understand trends within a select geography, like the Downtown study area. Esri provides population and employment estimates for 2022; however, the latest OnTheMap data, which is the primary source for neighborhood-level employment trends, is through 2019. Usually, employment changes are modest year to year, but given the impacts of the COVID-19 pandemic and subsequent economic shutdowns of 2020 and early 2021, these were not “typical” years. Beyond employment changes, the significant decrease in office space utilization post-pandemic has also changed the trajectory of downtowns across America. There is still great uncertainty with the viability of certain types of office space—and its increasing obsolescence—and how long-term office vacancy could impact property values as well as support for retail and other services. Therefore, this analysis should be considered a snapshot in time to best evaluate the relative contributions of Downtown to the city’s tax base and economy, but future study will be necessary to evaluate trends and competitive positioning in the post-pandemic era.

¹ <https://www.downtowndavenport.com/downtown-davenport-master-plan>

SUMMARY OF FINDINGS

FISCAL IMPACTS

OVERALL REVENUE

Downtown generates more than **\$7.6 million in General Fund revenue annually, in 2022 dollars, or around 4.5 percent of citywide revenue.** This is significant considering **Downtown includes less than one percent of the city's land area.**

PROPERTY TAX

Downtown has the **highest total assessed and taxable values per acre in the city;** however, given its large share of properties participating in the URTE program, it only **contributes around 3.3 percent of citywide property tax revenue, or just under \$2.9 million annually.** From 2011 to 2022, **total aggregate assessed values Downtown increased by 68 percent,** compared to only 37 percent citywide, which can be attributed to the significant amount of new real estate investment over the last decade.

Among properties currently participating in the URTE program, **by 2032 when their exemptions expire, total assessments will more than double from \$37.5 million to \$82.9 million,** generating a substantial net increase in property tax revenue.

LOCAL OPTION SALES TAX

Over the last five years, Downtown has generated an average of just over \$135 million in eligible sales annually. Total sales dropped to around \$113 million in 2020 during the height of the COVID-19 pandemic, but sales in 2022 (\$140.0 million) were effectively back to pre-pandemic levels (\$140.8 million in 2019). **With Downtown generating an average of just under \$1.4 million in local option sales tax annually, this accounts for 6.4 percent of citywide sales tax revenue.**

HOTEL/MOTEL TAX

While Downtown's 431 hotel rooms represent around 16 percent of the city's total hotel supply, given their quality and competitive positioning, they capture, on average, **just under 23 percent of total citywide room revenue and hotel/motel tax revenue.**

DEMOGRAPHICS

POPULATION

According to Esri, as of 2022, there were just under **2,500 Downtown residents.** Population growth has been strong adding more than **750 net new residents** since 2010 for an **increase of 44 percent.**

AGE AND EDUCATIONAL ATTAINMENT

Around a quarter of Downtown residents are ages 25 to 34 reflective of the large number of younger, highly-educated professionals living Downtown—around **32 percent of Downtown residents have at least a bachelor's degree compared** to 27 percent for the city as a whole.

INCOME

Downtown households have lower median earnings compared to the city as whole. Median household income Downtown (\$29,000) is about half of the city's median (\$57,000). The disparities in **per capita income are not as pronounced Downtown** (\$27,000 compared to \$34,000 citywide) as a result of a larger share of smaller households and fewer households with dependents.

EMPLOYMENT

TOTAL EMPLOYMENT

Based on the latest available data from OnTheMap, in 2019 there were around **5,900 jobs Downtown** representing around **nine percent of total citywide employment**. Downtown **lost approximately 1,160 jobs for a 16 percent decrease since 2010**, not including the large share of workers that are currently working remotely post-pandemic.

EMPLOYMENT BY SECTOR

Downtown has a **larger concentration of employment in Public Administration and Professional, Technical, and Scientific Services** compared to other parts of the city. While core office user sectors have contracted in recent years, from 2010 to 2019, **Downtown added more than 200 Accommodation and Food Services and Retail Trade jobs** highlighting its continued positioning as a cultural, recreational, and entertainment hub.

REAL ESTATE DEVELOPMENT

MULTI-FAMILY DEVELOPMENT

There has been substantial new residential development Downtown over the last decade—**since 2013, more than 800 new housing units have been delivered with more than \$336 million in total investment**. This development activity has nearly doubled the housing supply with Downtown's total supply of around 1,750 units. **Development momentum is projected to continue with nearly 650 new units planned or under construction with an estimated \$173 million in total investment**.

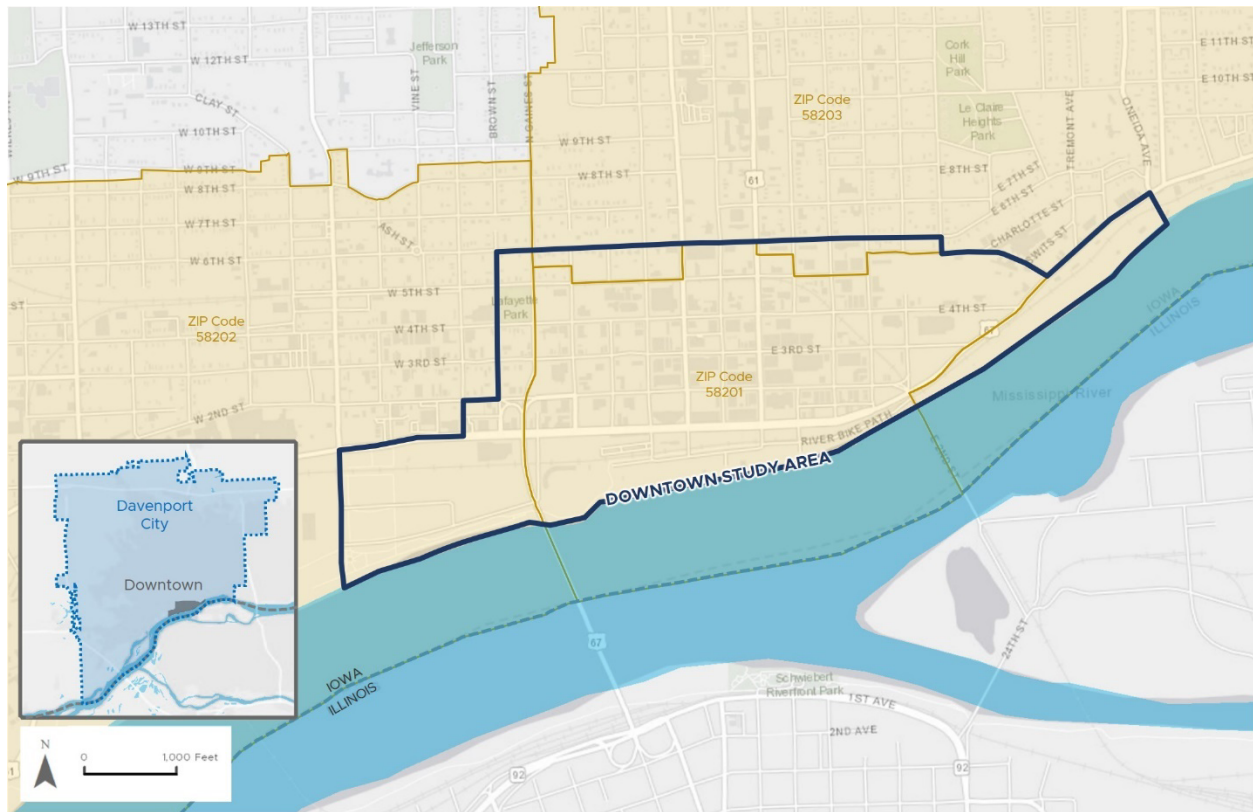
OTHER COMMERCIAL DEVELOPMENT

The office market remains uncertain with office utilization and leasing still below pre-pandemic levels, but the retail market has been resilient. **While there has not been substantial new leasing activity, with net absorption around 15,000 square feet of retail space since 2020, vacancy remains low**. Continued investments in Downtown's housing market as well as bolstering its already strong hospitality market should help sustain storefront retail and other uses.

DOWNTOWN STUDY AREA

The study area is comprised of 0.59 square miles of land area. It includes all of the zip code 58201 and portions of zip codes 58202 and 58203. The area is roughly bound by West 6th Street on the north, Marquette Street on the west, Oneida Street on the east, and the Mississippi River on the south and is generally consistent with the Downtown Davenport Partnership's Self-Supported Municipal Improvement District (SSMID) boundaries.

This study area was established to analyze socio-economic and real estate data from CoStar, Esri, and OnTheMap. This analysis did not directly utilize Census data or zip code level data, since these geographies are not consistent with the study area as presented in the map below, although in some cases Census data were pulled for these ZIP codes to verify trends.

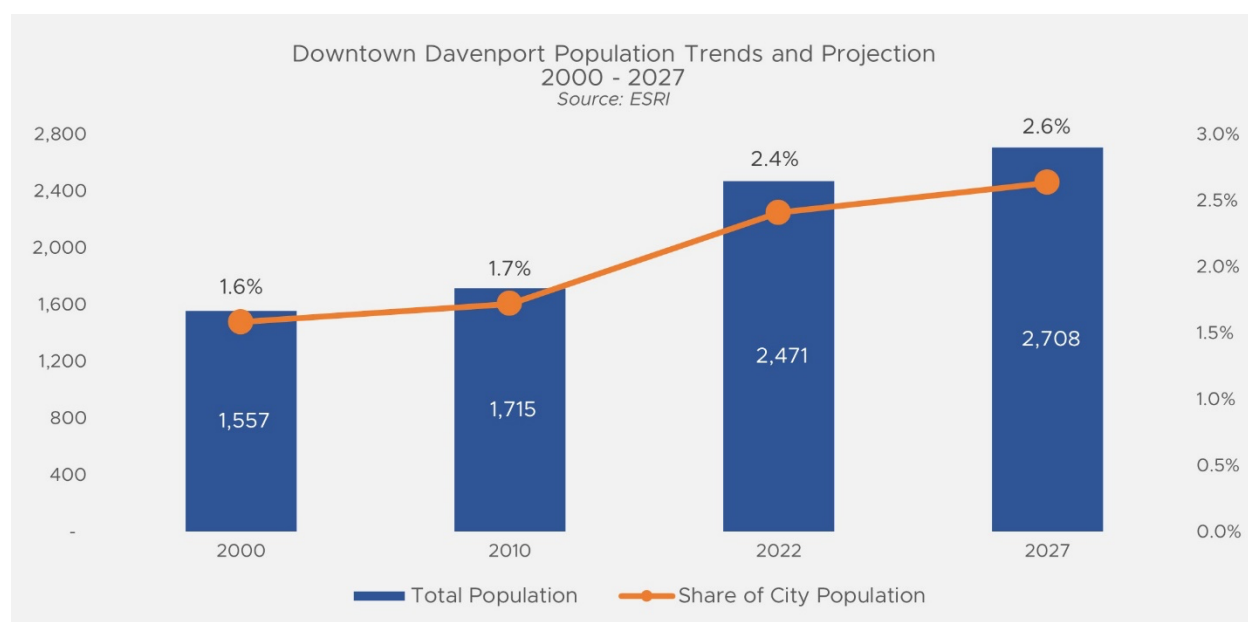


DEMOGRAPHIC OVERVIEW

POPULATION

Downtown has experienced steady population growth since 2000, exceeding regional growth trends. From 2000 to 2010, Downtown had very modest growth adding around 150 net new residents for a growth rate of nearly 10 percent, exceeding city and regional growth of around one percent. Downtown's rate of growth increased substantially from 2010 to 2022—adding more than 750 net new residents for a total rate of growth of 44 percent, well above regional population growth of around three percent. This is also significant considering that Davenport's citywide population declined by approximately three percent during this time period, losing around 10,000 residents. Downtown's growth as a residential neighborhood can be attributed to the significant investment in multi-family housing and continued diversification of storefront commercial spaces with bars, restaurants, services, and other amenities over the last decade. As presented in the map on the following page, Downtown was the only neighborhood in the urban core that experienced population growth, whereas most other areas, including the areas to the west, had population losses.

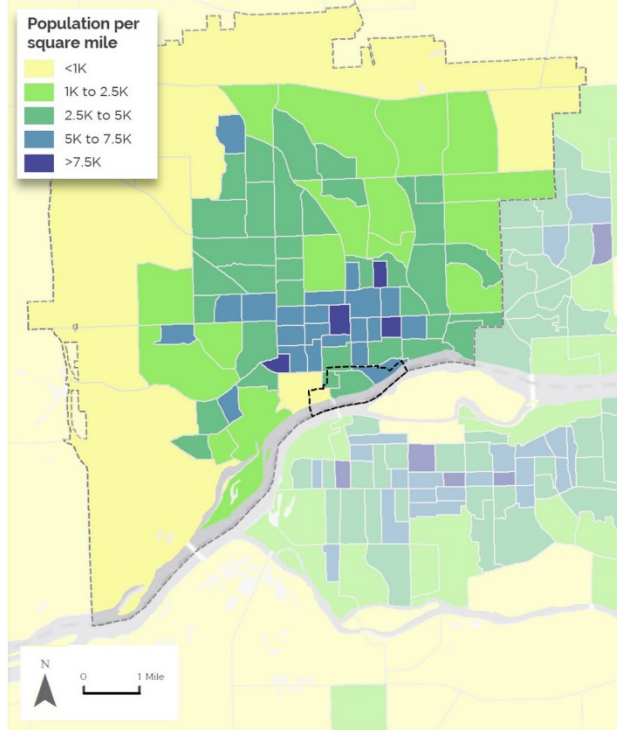
Given the city's overall decline in population with Downtown's increase, its share of the citywide population increased from 1.7 percent to 2.4 percent from 2010 to 2021, as presented in the following chart.



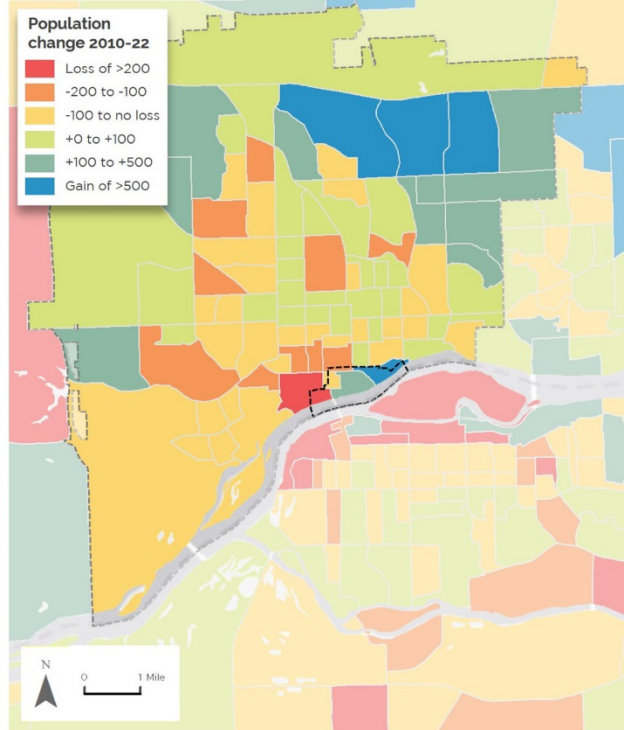
In 2022, the population density of Downtown was around 4,200 residents per square mile, compared to around 1,600 residents per square mile citywide. As presented later in this report, fiscal revenue generated Downtown is significantly higher from a density perspective, as well. In other words, more revenue is generated Downtown on a per square mile basis compared to other parts of the city.

Maps of Downtown and citywide population density and population change are presented on the following page.

POPULATION DENSITY 2021



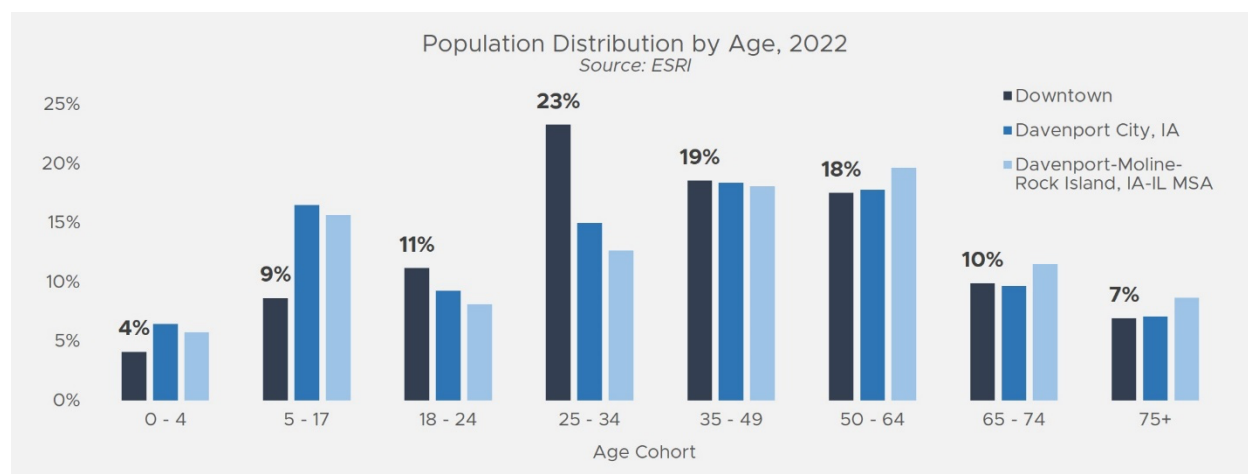
POPULATION CHANGE 2020-22



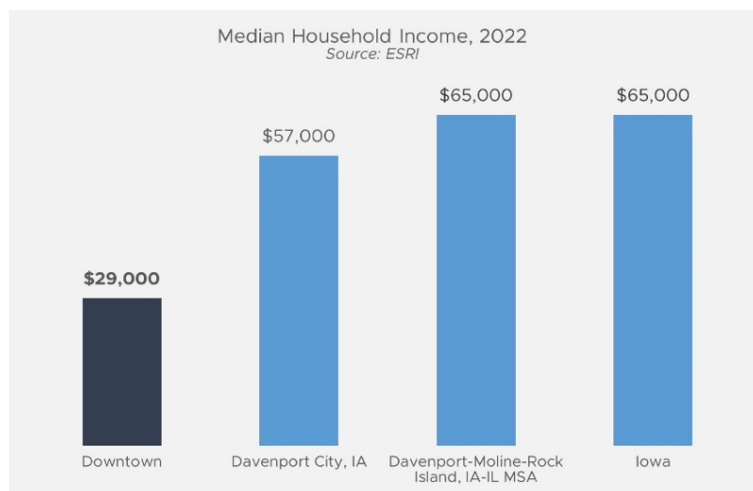
SOCIOECONOMIC CONDITIONS

The average composition of Downtown households differs from the city as a whole. In 2022, average household sizes Downtown are smaller—1.71 persons compared to the citywide average of 2.31 persons per household—and 76 percent of households Downtown only have a single person, compared to 34 percent citywide (Esri).

Downtown is also home to a notably higher share of residents between the ages of 25 and 34, a number reflective of the large number of young professionals and low share of those younger than 18 years of age living there. About one-fourth of the residents Downtown are in this age group compared to 15 percent in the rest of the city. As a result of this relatively young population, Downtown has a much higher share of non-family households (78 percent) compared to the city average (58 percent).



Downtown households have significantly lower earnings, on average, than households in the rest of the city. The median household income for Downtown residents (\$29,000) is almost half of the citywide median (\$57,000), although this in part can be attributed to Downtown's relatively higher concentration of affordable housing, including Heritage High-Rise (60 units) and Lend a Hand Apartments (100 units).



Given the addition of more than 800 new housing units Downtown since 2013, the relatively low median income can, in part, be attributed to the demographic data not “catching up” to market realities. The vast majority of these new units are only be affordable to households earning \$50,000 or more, while the Esri data indicates that only around 350 Downtown households earn more than \$50,000. Over time, Downtown's median household income will more than likely increase given continued investments in the multi-family housing stock.

TAPESTRY ANALYSIS

Just as market segmentation is used to determine tendencies to buy different types of consumer products—including products as diverse as cars, computers, and dish soap—data on market segments can be used to identify demand for different types of housing products at a particular location. The segments present in Davenport and the surrounding area are identified using Esri's Community Tapestry™ data, which uses algorithms to link demographic, geographic, and psychographic data to create 67 unique household profiles, or segments. In other words, these segments are essentially 67 household groupings, each with their own unique combination of demographic (income, age, etc.), geographic, and psychographic (values, culture, etc.) characteristics.

This type of data is best used to understand higher-level metrics related to household types and neighborhood preferences within a particular region, but when highlighting a specific neighborhood, such as the Downtown study area, there are some constraints. According to Esri, Downtown primarily comprises of two household types—Social Security Set² (56.8 percent of Downtown households) and Set to Impress³ (36.0 percent of Downtown households). These two household types basically represent lower-income households, including a large proportion of seniors (those aged 65 and older) and younger householder (aged 20 to 35) who work in service industries as well as administrative support and sales jobs. The remaining group is Hometown Heritage⁴ (7.2 percent of Downtown households), which consist of moderate- to low-income working class households. At a high-level, this is a general cross-section of the composition of Downtown households and informs the median household income of just under \$29,000. At the same time, the proportion of moderate to higher-income households supporting new market rate development may be under-counted considering the more than 800 market rate units were delivered Downtown since 2013, based on DAP's construction tracking records, and these units would only be affordable to moderate to higher-income households, including professionals and retirees.

More important than the specific Tapestry profile for Downtown is understanding where other Tapestry groups are living in the region who have consumer and housing preferences for urban neighborhoods and Downtown living—assuming the right types of real estate products are delivered. Understanding the housing preferences for these groups could help inform future demand, and price points, for new housing development Downtown over the next decade. The following maps identify key Tapestry groups in the

² https://downloads.esri.com/esri_content_doc/dbl/us/tapestry/segment45.pdf

³ https://downloads.esri.com/esri_content_doc/dbl/us/tapestry/segment54.pdf

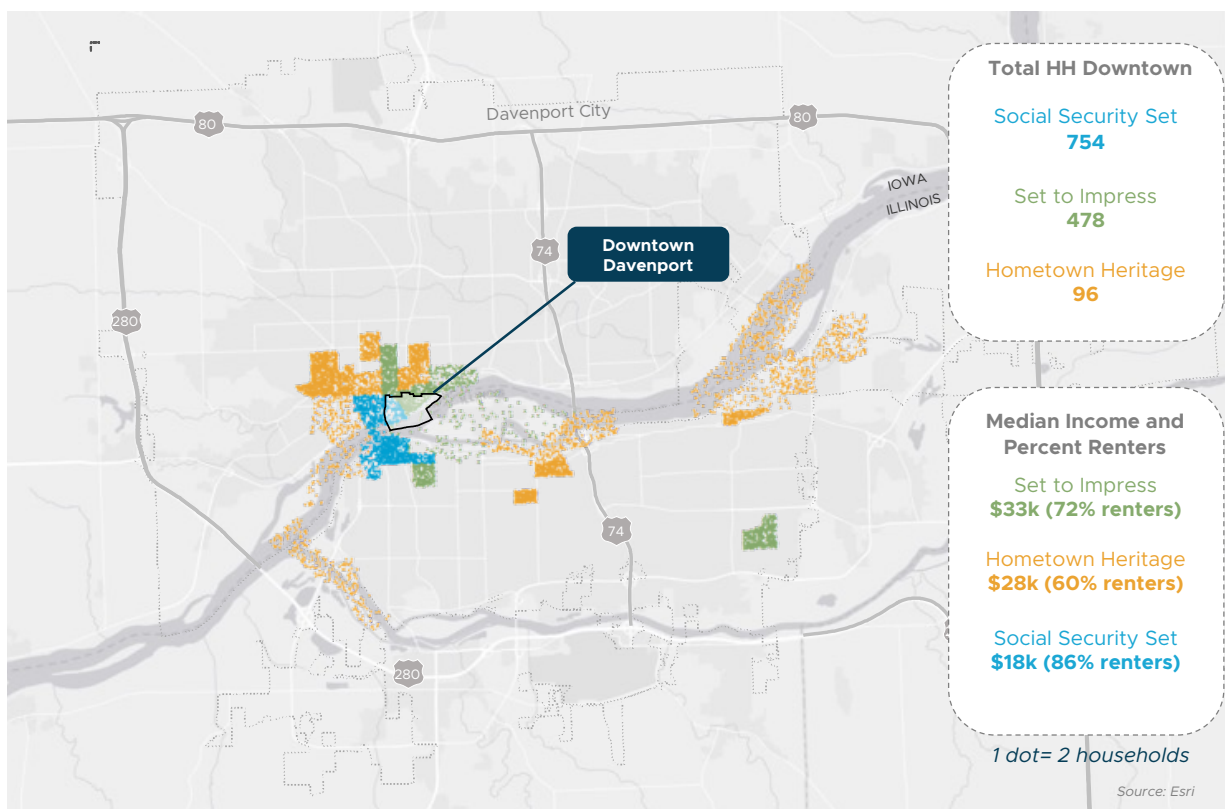
⁴ https://downloads.esri.com/esri_content_doc/dbl/us/tapestry/segment39.pdf

region, including Old & Newcomer,⁵ Young & Restless,⁶ In Style,⁷ and Bright Young Professionals⁸ as well as Set to Impress who currently comprises a large share of Downtown households. In total, there are just over 18,500 households within these groups that could provide demand for future housing development Downtown, especially since approximately 11,000 are renter-occupied households.

Tapestry Groups Living in Davenport Region with Preferences for Urban Neighborhoods

Tapestry Group	Share of Households in MSA	Total Households	Percent Renter Households	Median Household Income	Average Age	General Description
Old & Newcomer	3.9%	6,147	54.8%	\$44.9K	39.4	Wide age-range and work in sales, admin, and professional sectors
Young & Restless	1.2%	1,943	86.9%	\$40.4K	29.8	Younger, well-educated and highly mobile
Set to Impress	1.9%	2,937	72.3%	\$32.8K	33.9	Younger households working in service sector or admin jobs who prefer urban areas
In Style	3.5%	5,549	32.2%	\$73.0K	42.0	Established professional households, many without children
Bright Young Professionals	1.2%	1,935	57.2%	\$54.0K	33.0	Highly-educated and generally live on urban outskirts, but enjoy city life

Source: Esri

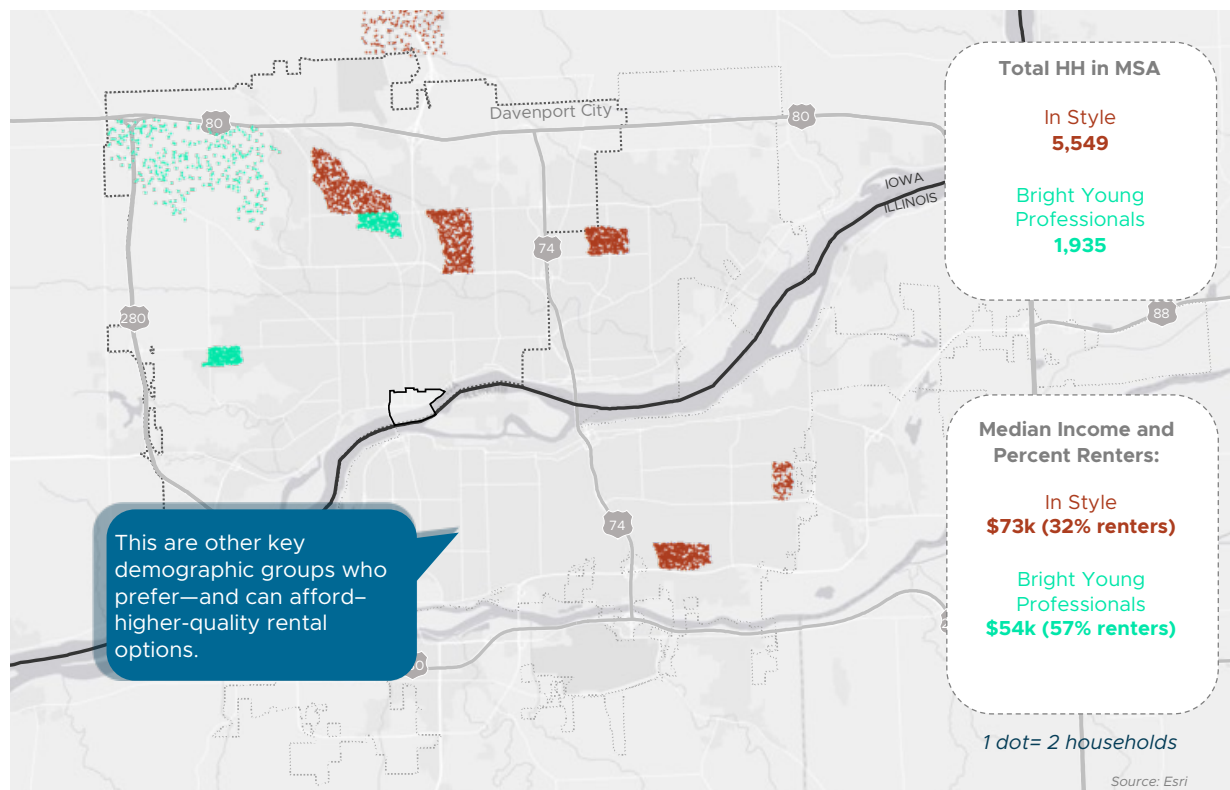
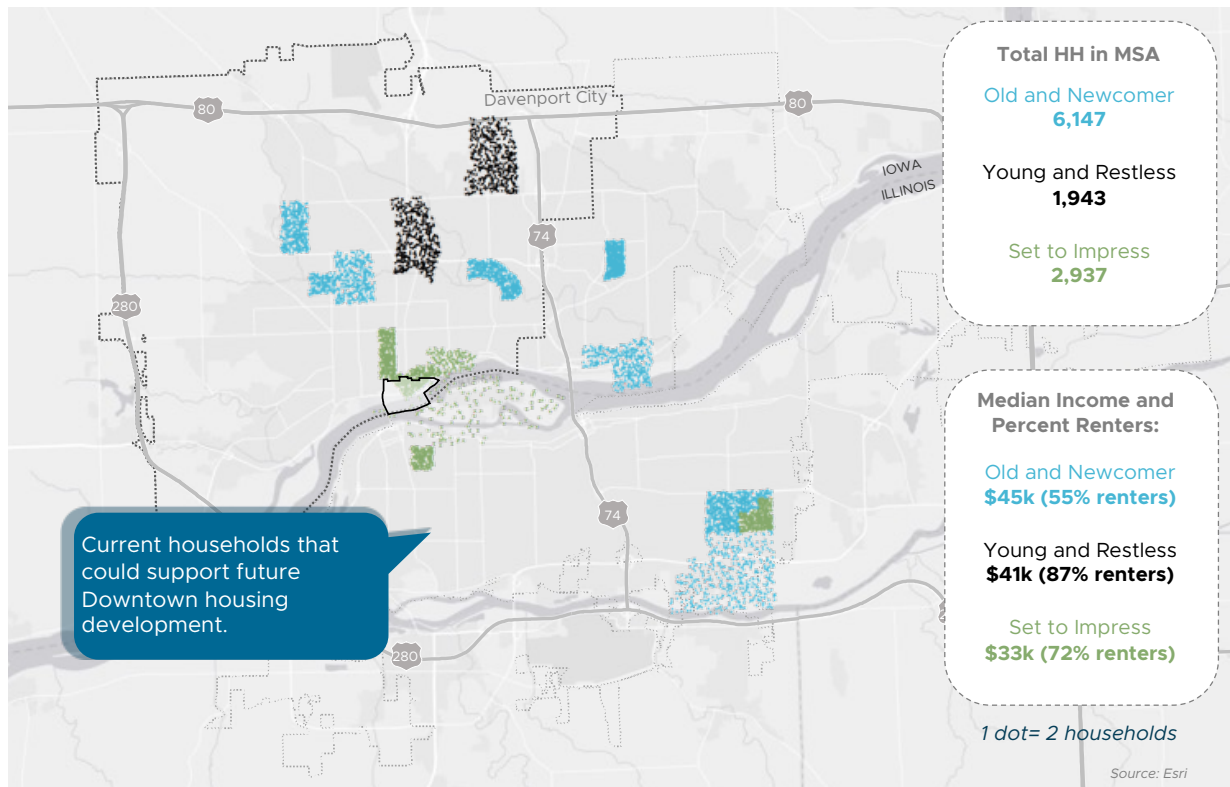


⁵ https://downloads.esri.com/esri_content_doc/dbl/us/tapestry/segment38.pdf

⁶ https://downloads.esri.com/esri_content_doc/dbl/us/tapestry/segment52.pdf

⁷ https://downloads.esri.com/esri_content_doc/dbl/us/tapestry/segment17.pdf

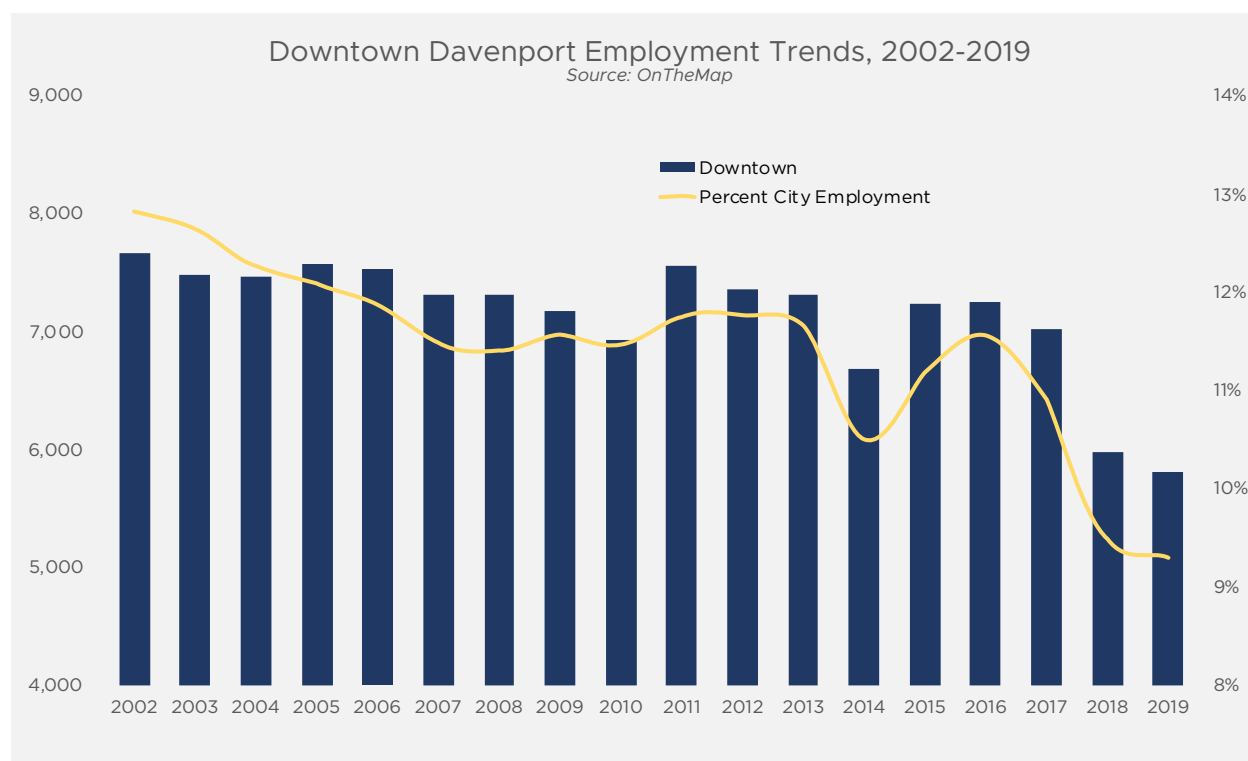
⁸ https://downloads.esri.com/esri_content_doc/dbl/us/tapestry/segment35.pdf



ECONOMIC OVERVIEW

EMPLOYMENT TRENDS

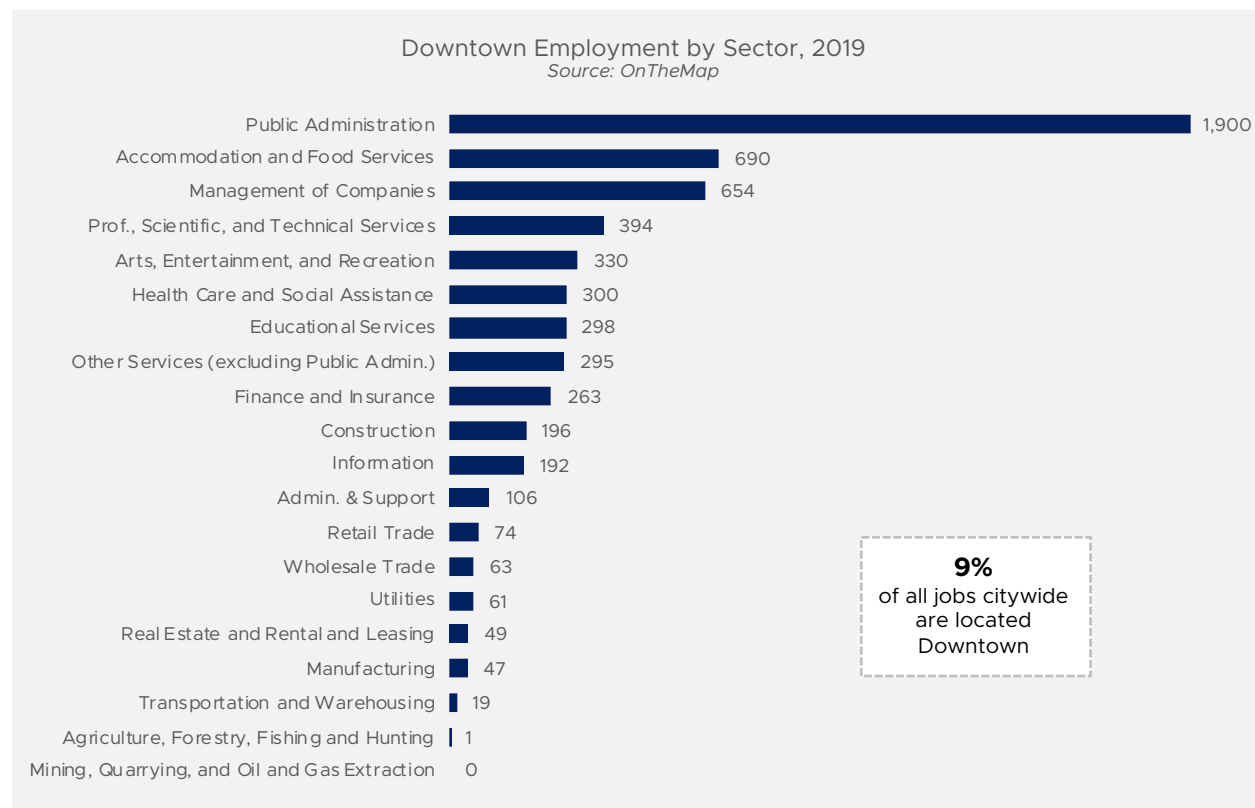
Based on data from OnTheMap, there were just over 5,900 jobs located Downtown in 2019, representing around 9 percent of total citywide employment.⁹ Since 2010, Downtown lost approximately 1,160 jobs, for a decrease of 16 percent. Though employment data is not available for demonstrating impacts from COVID-19, vacancy data from CoStar indicates that there have not been significant permanent job losses since 2019, although continued downsizing, reconfigurations of leased space, and decreasing office utilization by major anchor tenants should be expected moving forward as work-from-home practices continue.



⁹ OnTheMap data does not include self-employed workers or uniformed military personnel, although these workers represent a very small share of employment overall. Additionally, OnTheMap data represents place of work, not necessarily where the work is performed. For example, if a construction company has a home office outside of Downtown, these workers would not be included in the total even if they are working on a Downtown project.

EMPLOYMENT BY SECTOR

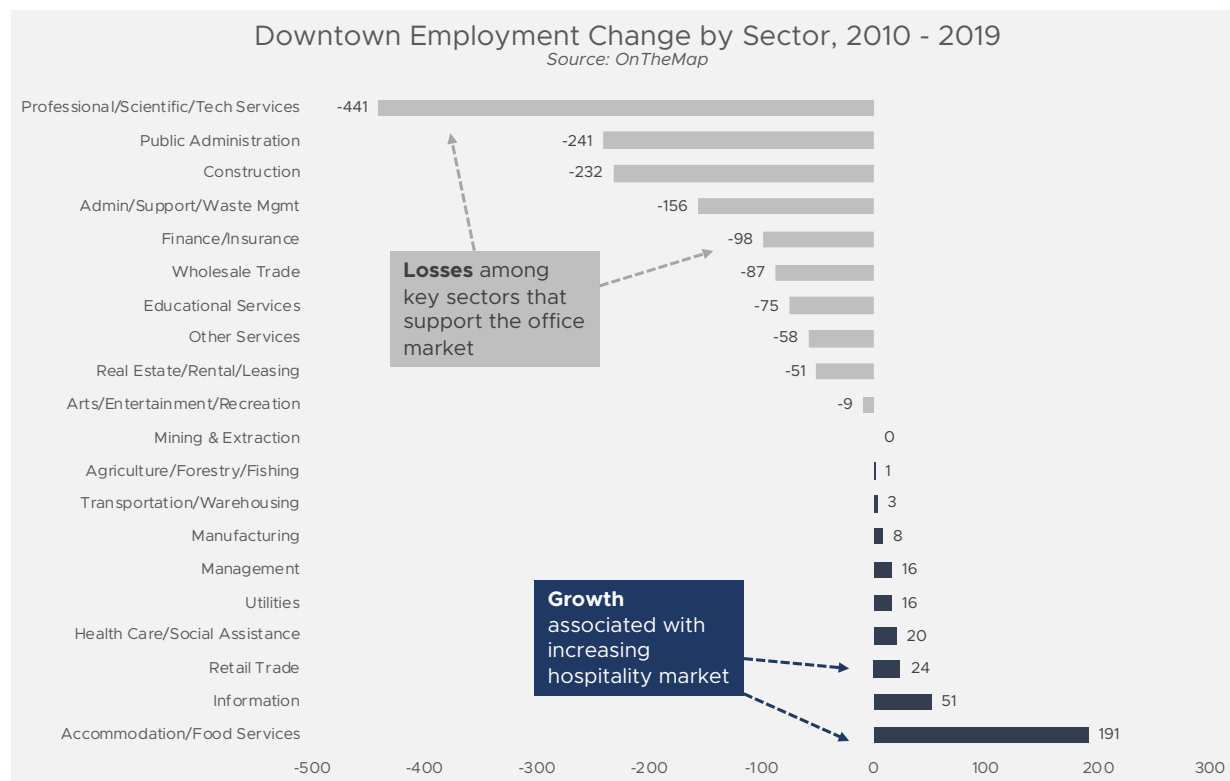
The graph below shows the employment count of workers by industry sectors in Downtown Davenport. While nine percent of the city's jobs are located in Downtown, the proportion of jobs by economic sector highlights the relative positioning of Downtown. Most jobs in Downtown are in Public Administration, followed by Accommodation and Food Services, Management of Companies and Enterprises, and Professional, Scientific, and Technical Services. Other key sectors with concentrations above the citywide average include Arts, Entertainment, and Recreation; Information; Finance and Insurance; and Other Services.



EMPLOYMENT TRENDS BY SECTOR

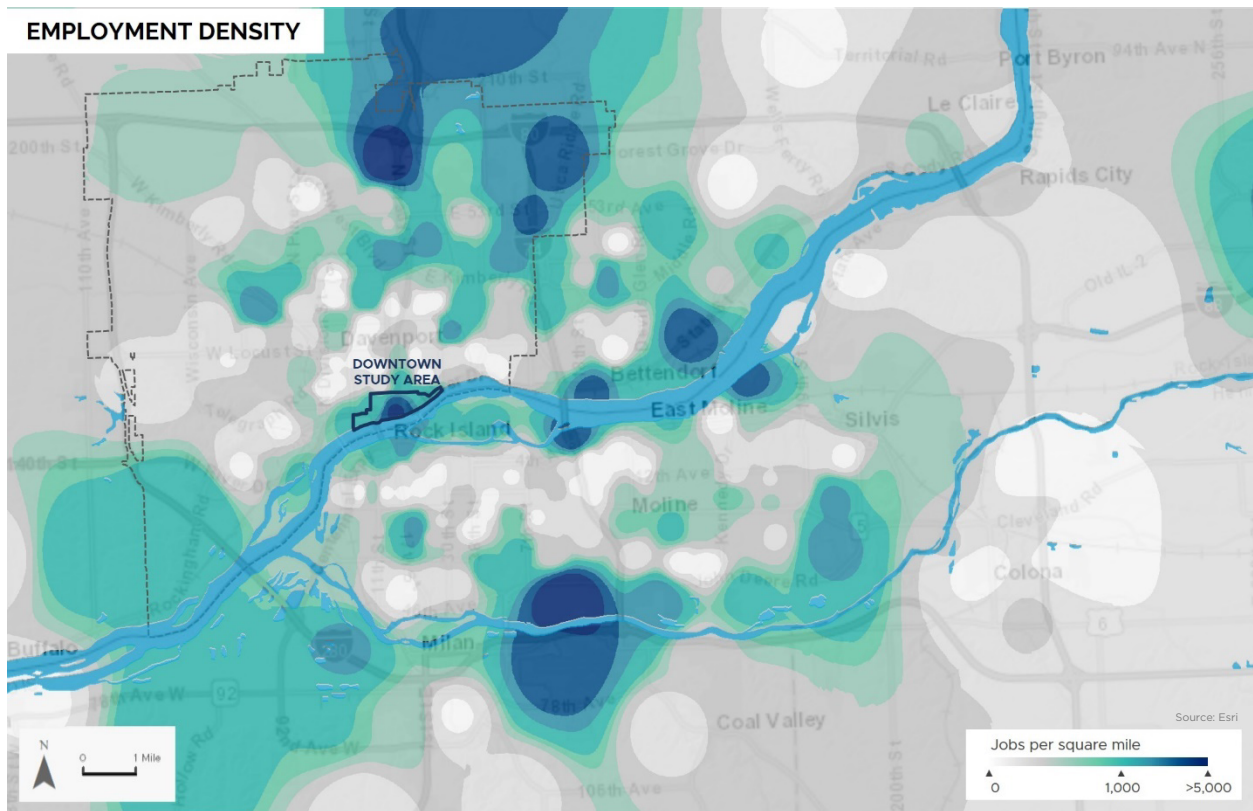
As presented in the following chart, since 2010 Downtown lost close to 450 jobs in the Professional, Scientific, and Technical Services. Other industries with significant losses were Public Administration (-241) and Construction (-219). The loss of Professional, Scientific, and Technical Service jobs can be attributed to the obsolescence of the existing building stock and continued shift of Downtown's professional sector workforce moving to suburban locations. The decline of administrative support jobs can, in part, be attributed to automation and national shifts in office sector employment in downtown areas.

Conversely, hospitality sector experienced considerable net job growth (+173), highlighting Downtown's strength in Hospitality and Service. Other growing sectors saw little to moderate growth over the decade, combinedly adding just about 150 jobs.



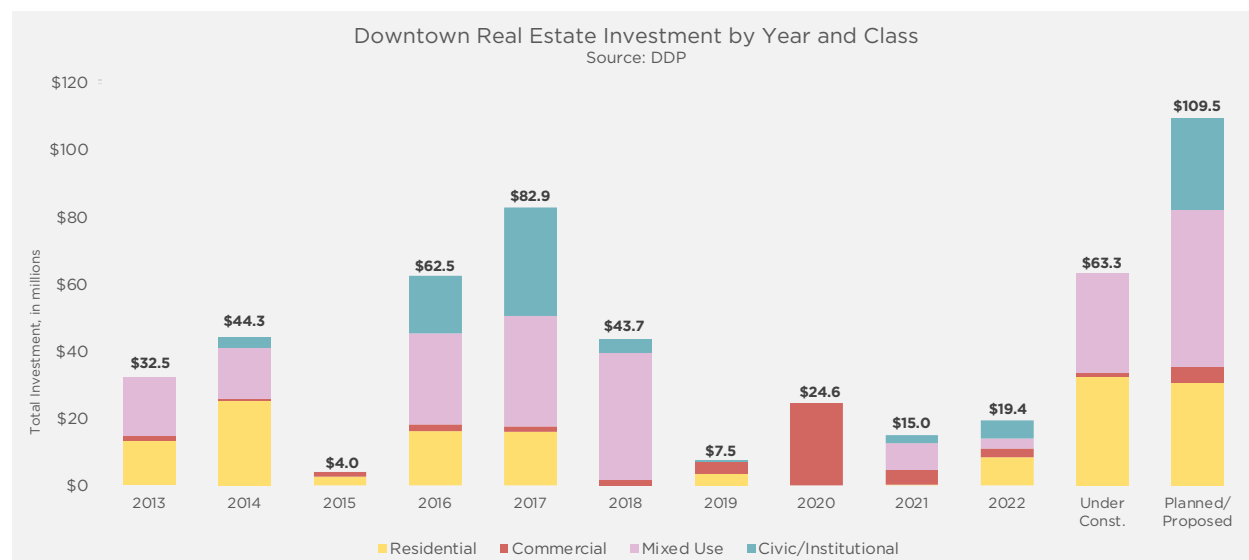
EMPLOYMENT DENSITY

Despite recent losses in employment, Downtown Davenport still has one of the highest concentrations of jobs (employment density) in the region. North Davenport has the second highest employment density due to the concentration of industrial and hospitality uses. However, Downtown has a considerably higher density with about 4,200 jobs per square mile compared to around 3,100 jobs per square mile in North Davenport.



REAL ESTATE OVERVIEW

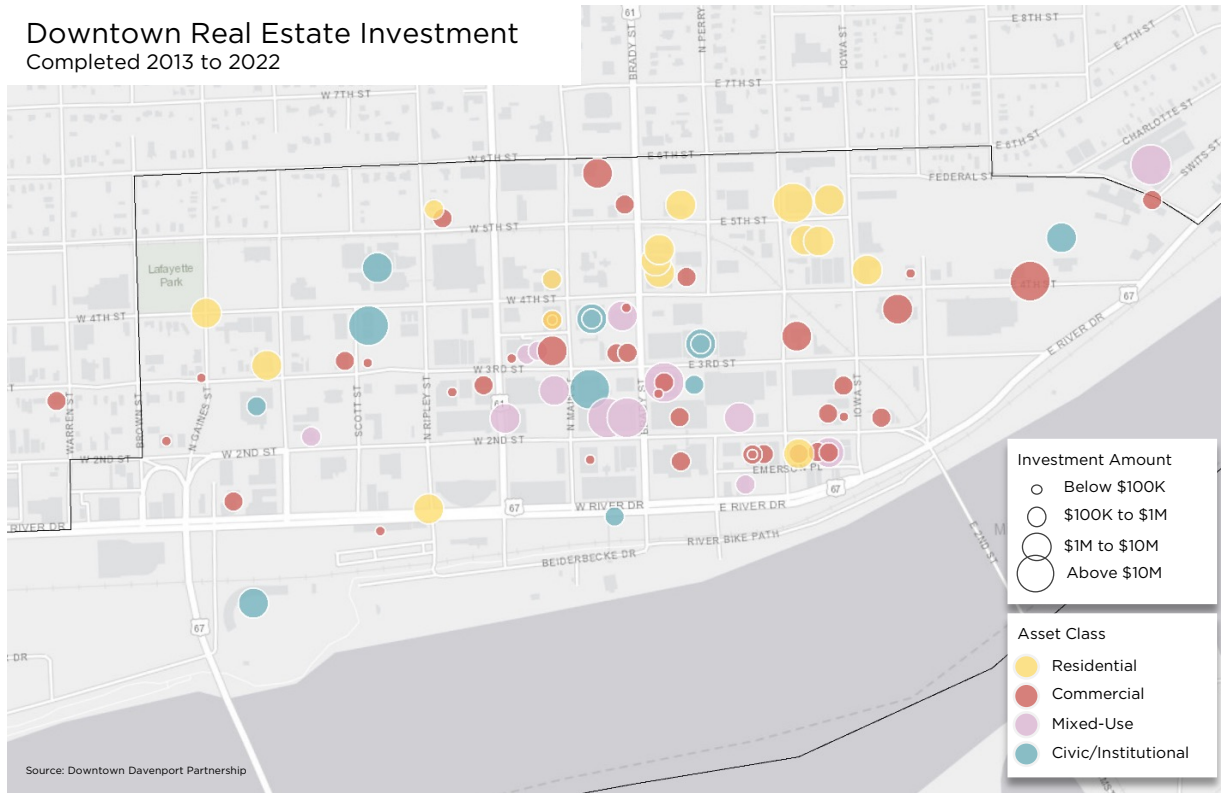
Based on data provided by DDP, from 2013 to 2022, there has been \$336 million in real estate development completed Downtown with \$63 million in projects under construction and \$110 million in planned or proposed projects. This is compared to around \$410 million of documented investments that Downtown attracted in the prior 20-year period. The combined \$509 million in total real estate investment from 2013 to 2023 is shown by year and asset class below.



More than two-thirds of the investment (68 percent) in Downtown was in residential and mixed-use development, with the delivery of more than 800 new housing units through new construction or adaptive reuse of historic buildings. This development momentum will continue over the near- and mid-term with just under 300 residential units currently under construction and around 350 units in the pipeline.

Downtown Real Estate Investment by Asset Class, 2013 to 2022						
Class	Completed	Share	Under Construction	Share	Planned/Proposed	Share
Residential	\$85,910,000	25.5%	\$32,550,000	51.4%	\$30,900,000	28.2%
Commercial	\$43,590,000	13.0%	\$1,335,000	2.1%	\$4,410,000	4.0%
Mixed Use	\$141,860,000	42.2%	\$29,400,000	46.5%	\$46,950,000	42.9%
Civic/Institutional	\$64,928,000	19.3%	-	0.0%	\$27,200,000	24.8%
Total	\$336,288,000		\$63,285,000		\$109,460,000	

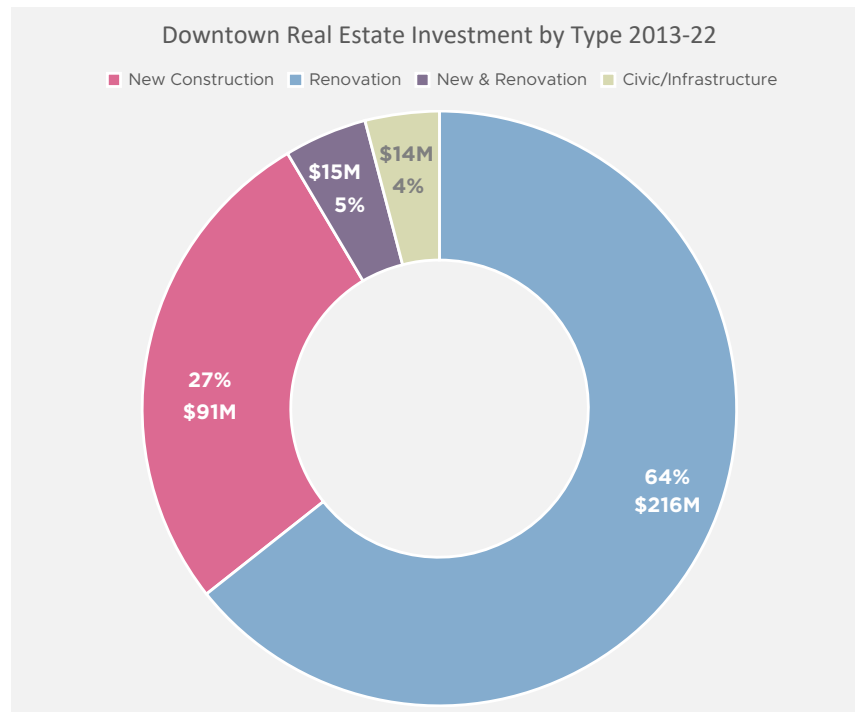
Downtown Real Estate Investment Completed 2013 to 2022



Downtown Real Estate Investment Under Construction & Proposed/Planned



Looking at the type of real estate investment Downtown received in the past ten years reveals that a majority (64 percent, \$216 million) of the investments was in renovations showcasing continued investments in the Downtown's historic assets. Slightly more than a quarter (27 percent) of the investments Downtown in the past ten years has been in new construction, valued at around \$91 million.



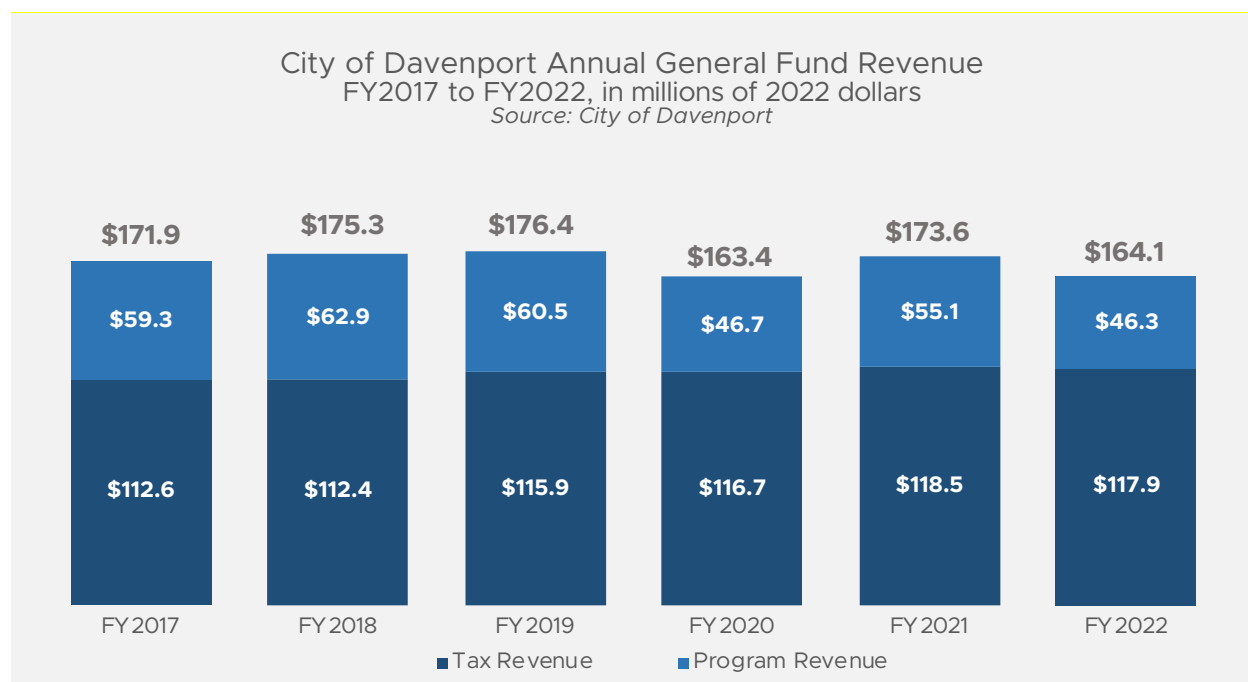
Renovations constitute half (53 percent) of the investments under construction, and 58 percent of the investments that have been planned or proposed.

Downtown Real Estate Investment by Type, 2013 to 2022						
Type	Completed	Share	Under Construction	Share	Proposed/Planned	Share
New Construction	\$91,317,000	27.2%	\$30,000,000	47.4%	\$19,000,000	17.4%
Renovation	\$216,221,000	64.3%	\$33,285,000	52.6%	\$63,260,000	57.8%
New & Renovation	\$15,200,000	4.5%	-	0.0%	-	0.0%
Civic/Infrastructure	\$13,550,000	4.0%	-	0.0%	\$27,200,000	24.8%
Total	\$336,288,000		\$63,285,000		\$109,460,000	

GENERAL FUND REVENUE ANALYSIS

The city of Davenport generates revenue from a number of sources with various taxes generating, on average, about 68 percent of total General Fund revenues over the last five years with the remaining revenue from charges for services (e.g., licensing and permit fees), operating grants, and capital grants. These funds are used to support “Governmental Activities” including General Government (e.g., administration) as well as Public Safety, Public Works, Culture & Recreation and Community & Economic Development. When adjusting to constant 2022 dollars,¹⁰ overall revenues and expenditures have generally remained consistent over the last six years despite little to no employment or population growth in the city and COVID-19 pandemic and subsequent economic shutdowns. Overall revenue in FY2022 (\$164.1 million) is still lower than pre-pandemic levels in FY2019 (\$176.4 million) and has experienced a slight decline from FY2021 when total revenue was just under \$174 million. Some of these discrepancies can be attributed to higher-than-average inflation over the last several years with actual collections in FY2022 exceeding collections from FY2019.¹¹

The following analysis describes each of these revenue sources and the methodology to estimate how much revenue was generated within and from Downtown Davenport. To account for the fluctuations in General Fund revenue collections as a result of COVID-19 and inflation, we have relied upon a blended average across this six-year period for understanding the relative contributions of Downtown.



¹⁰ All adjustments were calculated using the Bureau of Labor Statistics' Consumer Price Index Inflation Calculator (https://www.bls.gov/data/inflation_calculator.htm)

¹¹ General Fund revenue based on City of Davenport's Comprehensive Annual Financial Reports (FY2017, FY2018, FY2019, FY2020) and Annual Comprehensive Financial Reports (FY2021, FY2022). These documents are referred herein as "ACFR" reflecting the latest Government Finance Officers Association of the United States and Canada (GFOA) modification.

Average Annual General Fund Revenues City of Davenport FY2017-FY2022, in 2022 dollars	
Government Revenue	
1. Property Tax	\$86,675,000
2. Local Option Sales Tax	\$21,254,000
3. Hotel/Motel Tax	\$3,063,000
4. Franchise Tax	\$4,090,000
5. Other Revenue	\$584,000
Sub-Total	\$115,665,000
Program Revenue	
1. Charges for Service	\$14,269,000
2. Operating Grants/Contributions	\$30,914,000
2. Capital Grants/Contributions	\$9,935,000
Sub-Total	\$55,118,000
Total General Fund Revenue	\$170,783,000

1. PROPERTY TAX

Property (real estate) taxes are levied on non-exempt land and improvements (e.g., structures and other facilities). Exempt property owners include, for example, government and churches, as well as not-for-profit real estate owners. Private, for-profit real estate owners are subject to the real estate property tax even if their tenants might include non-profits.

All property taxes in Iowa are based on the market value of the property as determined by the property tax assessor's office. Property tax rates are applied to the "net taxable value" of the property, which is determined by applying a rollback to the assessed value (land and improvements) of 63.75 percent for multi-family properties and 90.0 percent for commercial properties. Additionally, some properties have exemptions, including the urban Revitalization Tax Exemption, Homestead Tax Credit, Military Tax Exemption, and Business Property Tax Credit, which further reduces the property's overall tax burden. This is why the net taxable value is lower than the total assessed value and varies from property to property. These programs generally apply to privately-owned properties, while publicly-owned properties, religious uses, and some institutional uses are tax exempt regardless of assessed value.

Methodology for Determining Total Assessed and Taxable Values

In order to understand the share of citywide property tax revenue generated Downtown, assessment data for all parcels citywide for 2003, 2011, and 2022 were obtained from the Scott County Auditor's office ("Auditor's office"). The Auditor's office also provided a geodatabase (GIS shapefile) of all parcels within the city for 2011 and 2022—a shapefile for 2003 was not available. In order to analyze assessment trends within a targeted geography, such as the Downtown study area, the assessment data files must be "joined" or linked to the parcel shapefiles; however, there were some constraints and limitations to the data.

A significant number of parcels in the city have multiple assessment records as well as differing parcel numbers. Assessor's data is maintained to administer taxation, and therefore, is curated to be best useful for that objective. Hence, assessments of uses such as condominiums—which often have multiple housing units on a single parcel—are recorded with different parcel numbers and assessed values despite sharing the same physical geography. The geodatabase, which is designed to analyze spatial mapping data, has only one record and number for each parcel. For instance, the geodatabase indicated 419 physical parcels in the Downtown

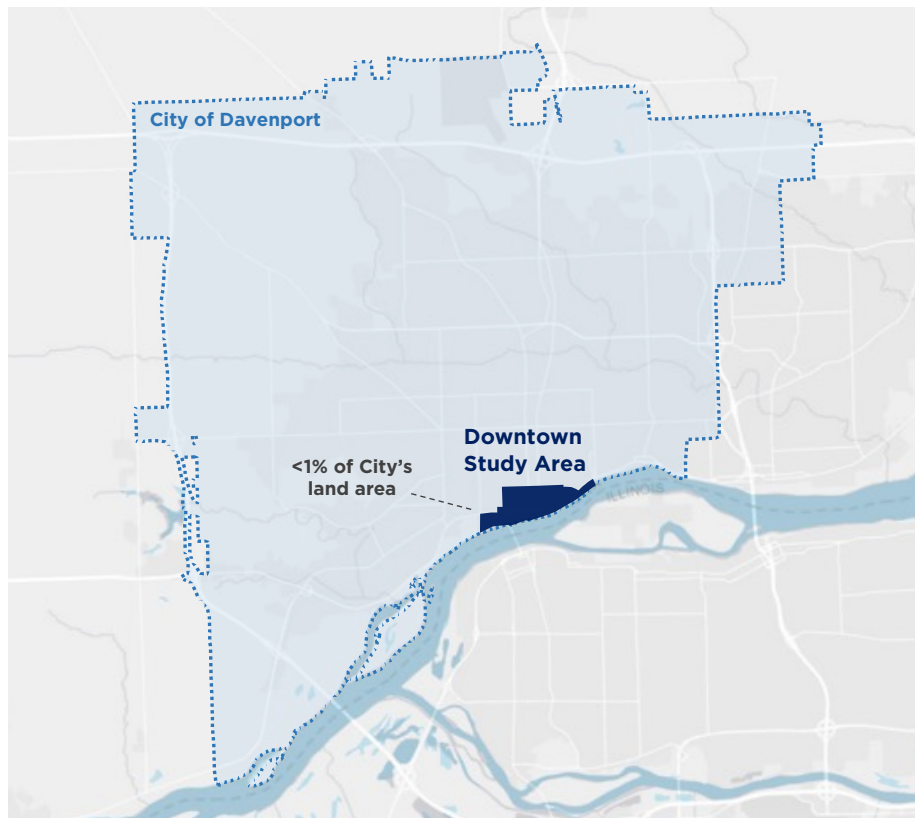
study area in 2022, while the assessment dataset indicated 542 parcels. In addition, the assessed value dataset did not include property location information (such as X-Y coordinates) or addresses to allow us to use alternative methods to precisely map total assessments at the parcel level. Finally, without access to the 2003 shapefile, we could not precisely analyze assessment trends within the same study area.

Given these constraints, we had to rely upon the Auditor's office tax district designations to identify those records that were likely to fall within the study area. However, not all of the parcels in the Downtown study area have a designation of "DADDS" or "DAEX", and through the process of analyzing the shapefile data, 87 parcels within the study area had the designation of "DAD"; therefore, we manually added these records for 2003, 2011 and 2022. Additionally, some of the "DADDS" and "DAEX" designations included records that we not real estate assessments, but included utility record, which were excluded. While we are confident that this methodology and analysis best captures the relative contributions of Downtown's real estate to the city's annual property tax revenues, there is a chance some records are not accounted for given these constraints with the data.

Downtown's Property Tax Contribution

According to the 2022 parcel assessment dataset, total assessment of parcels in the Downtown Study Area was about \$205 million, representing 2.7 percent of the city's total assessed values. Overall, total assessment per acre in Downtown of about \$542,000 per acre is nearly three times higher than the city's average of \$184,000 per acre. Although growth in assessed values Downtown was low between 2003 and 2011 compared to the city, total assessments grew by around 68 percent (\$83 million) between 2011 to 2022, outpacing the city's change of around 37 percent during the same period, as presented on the following page.

However, as explained previously, given exemptions, the taxable value reflects the share of property tax payments, not assessed value. In 2022, the total taxable value Downtown was \$162.7 million, compared to \$4.9 billion citywide; therefore, Downtown generated 3.3 percent of the city's property tax, or just under \$2.9 million.



City of Davenport

2022 TOTAL
ASSESSMENT
\$7.5 billion

AREA
63.8 sq. mi

ASSESSMENT PER
ACRE
\$184k/acre

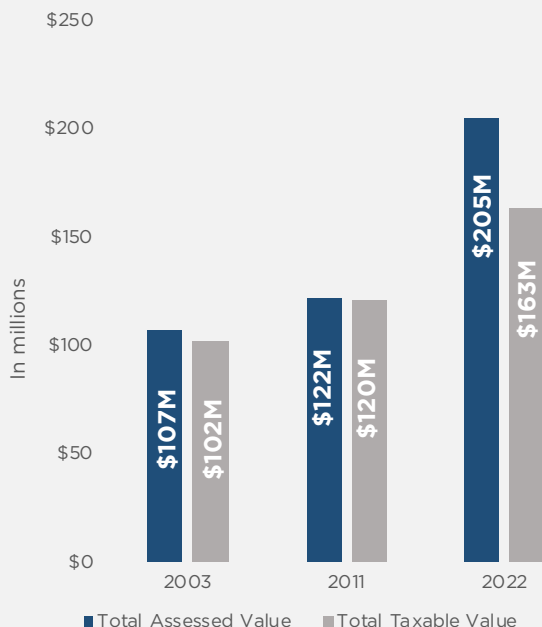
Downtown Study Area

2022 TOTAL
ASSESSMENT
\$205 million
(2.7% share of City)

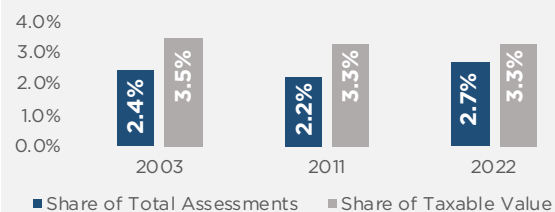
AREA
0.59 sq. mi

ASSESSMENT PER
ACRE
\$542k/acre

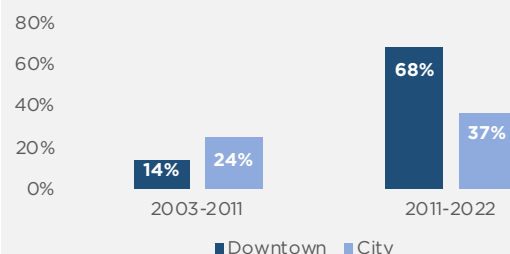
Downtown Davenport Total Assessed and Taxable Values, 2003-2022



Downtown Davenport
Share of Citywide Total Assessed and
Taxable Values

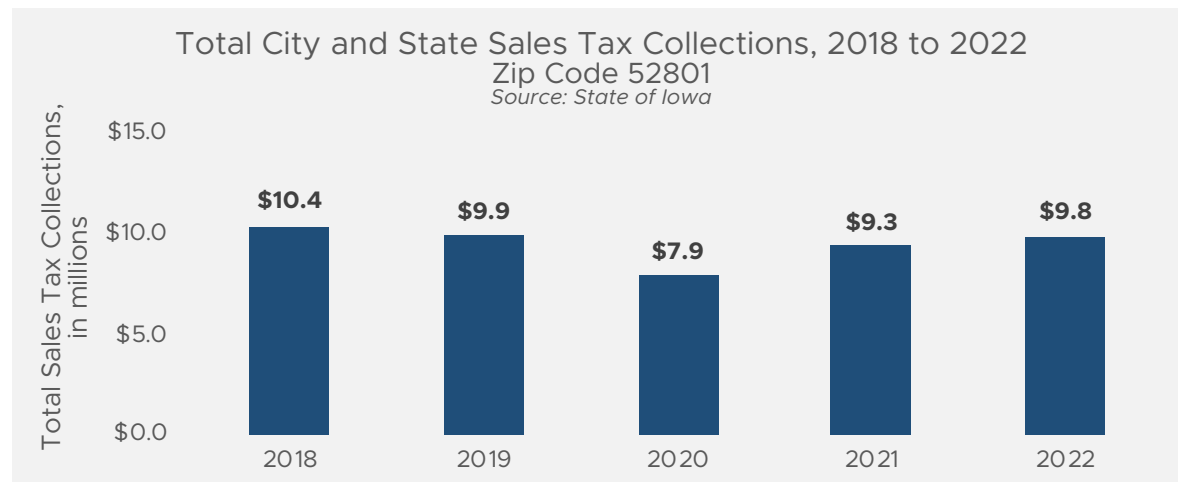


City vs. Downtown Change in Total
Assessed Values



2. LOCAL OPTION SALES TAX

The city captures a 1.0 percent local option sales tax on all eligible sales (sales tax is collected by the state, which includes the 1.0 percent local option and a 6.0 percent state sales tax for a total of 7.0 percent). From FY2018 to FY2022, the city received an average of just under \$21.3 million annually in local option sales tax, in 2022 dollars. Based on data from the Iowa Department of Revenue, the state collected between \$7.9 million and \$10.4 million in total sales tax, in 2022 dollars, in the 52801 zip code for an annual average of around \$9.5 million. When factoring for inflation, eligible retail sales in the Downtown study area have more or less recovered from the decline in spending during the COVID-19 pandemic and are effectively back to pre-pandemic levels as presented in the table below.



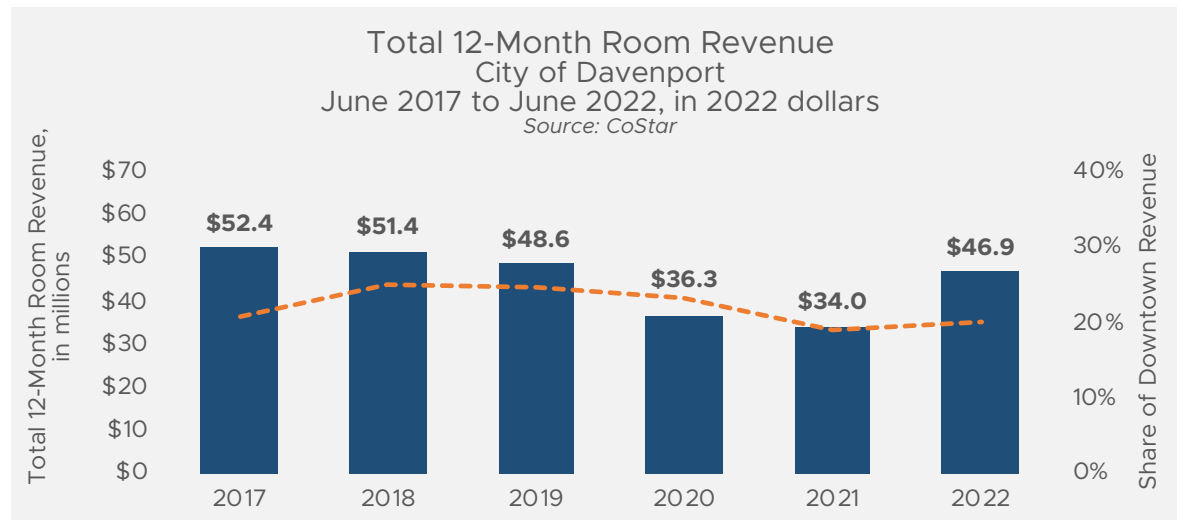
The city receives $1/7^{\text{th}}$ of total sales tax collections for an average annual collection of just under \$1.4 million [$\$9.5 \text{ million} \times 1/7$].¹² Therefore, from FY2018 to FY2022, Downtown captured an average of around 6.4 percent of citywide sales tax revenue annually.¹³

¹² While the sales tax data used in this analysis is based on calendar year, given the adjusted five-year annual average, this should adequately account for any differences between calendar and fiscal year.

¹³ Since the Downtown study area includes a few blocks beyond the 52801 zip code, the proportion of citywide sales tax generated Downtown should be considered understated.

3. HOTEL/MOTEL TAX

The city imposes a 7.0 percent tax on hotel and motel room sales with an average annual collection of just under \$3.1 million from FY2017 to FY2022 resulting in average annual room revenue of around \$44 million [$3.1 \text{ million} \div 7.0 \text{ percent}$], which is generally consistent with average annual hotel revenue data from CoStar of around \$45 million over this time period.



During this time period, according to CoStar, the share of room revenue generated Downtown was between 19.2 and 25.1 percent, averaging 22.3 percent; therefore, Downtown generated a proportional amount of hotel/motel tax for the city, or an annual average of \$695,265.

4. FRANCHISE UTILITY TAX

The franchise utility tax is charged against natural gas usage. The General Fund collected \$4.1 million in franchise taxes in FY2017 to FY2022, or about 2.4 percent of all General Fund revenues. Because of the range of utility usage among the wide variety of residential and commercial users, it is very difficult to approximate franchise taxes for geographic areas smaller than the city itself. Thus, the estimate of franchise tax payments in Downtown and in the rest of the city is based, here, on real estate property assessed valuations. This is a proxy for the amount of floor area and value of real estate and, therefore, a proxy for the likely amount of utility usage taking place. Downtown encompasses 2.7 percent of the city's assessed valuation as of 2022, which is significant given Downtown's small proportion of land area compared to the city as a whole. Thus, franchise utility taxes generated Downtown are assumed to equal 2.7 percent of the total collected. Downtown, therefore, generates approximately \$110,400 in annual franchise utility taxes.

5. OTHER REVENUE

A small proportion of General Fund revenue (0.34 percent) comes from three various categories: Gain on sale of capital assets, Miscellaneous, and Transfers. From FY2017 to FY2022, the city averaged around \$584,000 in revenue between these three categories. Because there is little basis for estimating these categories, this study assumes that Downtown's share of Other Revenue is based on the share of the sum of population and jobs located Downtown compared to the share of population and jobs located throughout the city, or 4.7 percent.

NON-TAX GENERAL FUND SOURCES

The city's ACFR also includes three non-tax sources of revenue which, together, generated just under 32.3 percent of General Fund revenue from FY2017 to FY2022, or \$55.1 million. These sources include program revenue, operating grants and contributions and capital grants and contributions (which typically come from state or federal sources). Because there is little basis for estimating how and where these revenues are generated, this study assumes that, like "other revenue," Downtown's share of non-tax revenues is based on the share of the sum of population and jobs located Downtown compared to the share of population and jobs located throughout the city. As noted above, Downtown has 4.7 percent of the combined population and job counts in the city, so it is assumed that Downtown also is responsible for an average of 4.7 percent of the non-tax revenues for the General Fund, or an average of \$2.6 million annually.

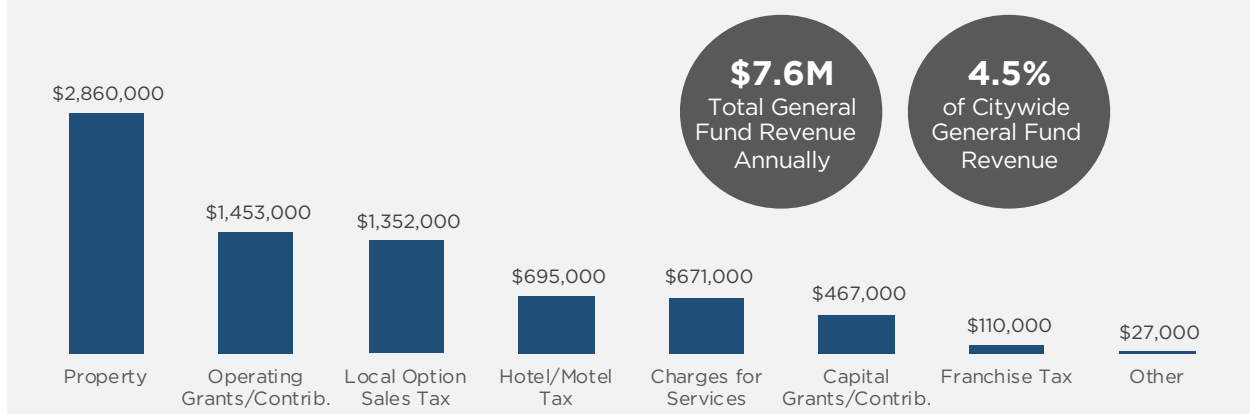
SUMMARY: TAX REVENUE ANALYSIS

Downtown Davenport is estimated to have contributed approximately \$7.6 million of the \$170.8 million in average annual General Fund revenues from FY2018 to FY2022. Downtown's share, therefore, was around 4.5 percent of the General Fund with contributions ranging from a low of 2.7 percent from sales taxes to a high of 22.7 percent from hotel/motel taxes. Downtown's single largest dollar contribution of \$2.9 million came from property taxes, or around 3.3 percent of all citywide property taxes collected. The smallest contribution came from other taxes of just over \$27,000.

Average Annual General Fund Revenues, FY2018-FY2022
City of Davenport and Estimated Downtown Revenues, in 2022 dollars

General Fund Sources	Downtown	Rest of City	Total City	Share of Downtown Revenue	Notes
Tax Revenue					
Property	\$ 2,860,259	\$ 83,814,266	\$ 86,674,526	3.3%	Share of total taxable values Downtown
Local Option Sales Tax	\$ 1,351,972	\$ 19,901,645	\$ 21,253,617	6.4%	Share of estimated citywide retail sales Downtown
Hotel/Motel Tax	\$ 695,265	\$ 2,367,576	\$ 3,062,841	22.7%	Share of estimated citywide hotel room revenue
Franchise Tax	\$ 110,443	\$ 3,980,042	\$ 4,090,485	2.7%	Share of total assessed valuation as a proxy for floor area and utility usage
Other	\$ 27,427	\$ 556,132	\$ 583,559	4.7%	Based on combined share of Downtown population and employment
Subtotal General Fund Taxes	\$ 5,045,367	\$ 110,619,661	\$ 115,665,028	4.4%	Total weighted share of Downtown's contribution
Program Revenue					
Charges for Services	\$ 670,648	\$ 13,598,456	\$ 14,269,104	4.7%	Based on combined share of Downtown population and employment
Operating Grants/Contrib.	\$ 1,452,968	\$ 29,461,254	\$ 30,914,222	4.7%	
Capital Grants/Contrib.	\$ 466,953	\$ 9,468,221	\$ 9,935,175	4.7%	
Subtotal Non-Tax General Fund	\$ 2,590,570	\$ 52,527,931	\$ 55,118,501	4.7%	Total weighted share of Downtown's contribution
TOTAL GENERAL FUND REVENUES	\$ 7,635,937	\$ 163,147,593	\$ 170,783,529	4.5%	Total weighted share of Downtown's contribution

Total Estimated General Fund Revenue Generated Downtown by Category
Average Annual, FY2018-FY2022, in 2022 dollars



TAX ABATEMENT ANALYSIS

Urban Revitalization Tax Exemption

The Urban Revitalization Tax Exemption (URTE) is a program administered by the City of Davenport to encourage private investments in targeted areas of the city by providing an exemption on the increase in property taxes resulting from the increasing value of the improvements. A property owner and/or developer can qualify to apply for the URTE exemption from the City's assessor's office if their property lies within the Central City or North Corridor URTE District boundaries, receives a permit from the City's Building Department for an improvement, and their application receives approval from the City Council.¹⁴

The amount of the improvement value that is exempted follows a URTE Schedule provided by the City's Community and Economic Development Department. The exempted value differs by Schedule Category (based on the location of the property), land use, and the assessment year when the exemption was approved. For example, exemption schedule 'C3' has 100 percent exemption in improvement value for 10 years for residential and multi-residential properties, while exemption schedule 'C1' has the exempted value change over a period of ten years from 80 percent in the first year to 20 percent in the tenth year for commercial and industrial properties.¹⁵

URTE Analysis Methodology

Though the URTE program, the city has effectively invested potential property tax revenue to encourage property owners to invest in their properties, which has catalyzed new investment Downtown and over the long-term will generate substantially more tax revenue for the city. The following analysis represents a snapshot in time of properties participating the program and how their contributions to property tax revenue will increase over the next 10 years.

The Department of Community and Economic Development provided data on all participating URTE properties in the Downton study area, including parcel number, current ownership, property address, URTE schedule designation, approved exemption amount (at 100 percent), base value at the start of the abatement, the year in which the exemption sunsets, and general comments.

Given the complexities of the program, the following assumptions were made:

- ☐ This analysis only included URTE approved properties as of December 2022 that are currently receiving tax exemptions;
- ☐ Assessed Land Values were assumed to be frozen for the analysis period 2018 to 2032.
- ☐ No adjustments were made to the Assessed Building and Dwelling Value after 2022 and these values were assumed to be static through 2032. For years 2018 to 2022, the values were used based on data from the Scott County Assessor's website;
- ☐ Some parcels within the dataset have had exemption adjustments that were inconsistent with originally approved schedule. These changes were likely as a result of additional improvements on the property, corrections made after review, or court decisions. After 2022, it was assumed that no properties will receive any such adjustments; and,
- ☐ Some mixed-use properties have varying exemptions applied based on the use mix, categorized as 'dual class'. The total exemption amount was assumed to change according to the assigned URTE schedule category, and an assumption that they are predominantly of residential use.

¹⁴ https://www.davenportiowa.com/programs_events/grants_programs

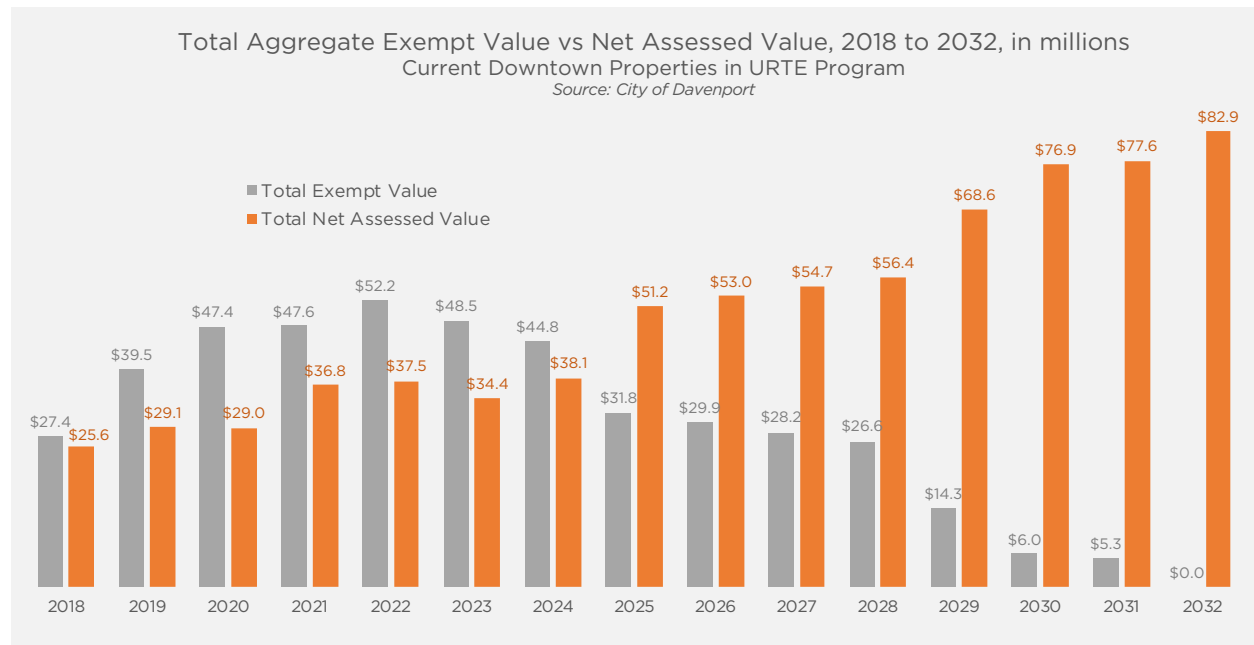
¹⁵ URTE Schedule:

https://cdnsm5-hosted.civiclive.com/UserFiles/Servers/Server_6481372/File/Departments/CPED/Economic%20Development/2022/URTE/URTE_application2023_12092022.pdf

Given complexities of the tax exemption schedule with considerable variation on a property-by-property basis—due to additional tax credits, differing levy rates by use and value, and other state and local incentives and tax policies that are uniquely applied on a case-by-case basis by the Assessor’s office—this analysis does not forecast future tax revenue for the city, but the anticipated gain in assessed value through 2032.

Results

As of 2022, there were 70 Downtown properties currently in the URTE program with a total net assessed value of \$37.5 million and an exempt value of \$52.2 million. Over time, these properties will reach the end of the ten-year exemption period (assumed in this analysis to be the year 2032) and will be subject to full property tax. By 2032, the total net assessed value for these properties are projected to be \$82.9 million—implying that total Downtown property tax revenue for these properties could more than double. The graph below traces the decline of total exempt values while the net assessed values increases over the next ten years.



CONCLUSIONS

Despite Downtown containing less than one percent of the city's total land area, it generates 4.5 percent of the city's total General Fund revenue. This highlights the significance of Downtown in supporting the overall prosperity of the city, and without a strong Downtown, the city would be adversely impacted. Based on the analysis in this report, the future competitiveness of Downtown and its relative contribution to citywide revenues will depend on the following key factors that are embedded in the *Downtown Davenport Master Plan*.

KEY FACTORS FOR FUTURE PROSPERITY

1. Population Growth

Over the last two decades, Downtown's population grew at a much faster rate than the region's as a whole and Downtown still represents one of the fastest growing neighborhoods citywide. **Increasing Downtown's population will have a proportional increase in revenue generation** from new real estate development.

2. Hospitality and Retail Spending

Downtown is home to more than 430 hotel rooms, and while this represents only 16 percent of the city's hotel supply, given their competitive positioning and quality, they generate nearly a quarter of the city's room revenue. **Maintaining and bolstering Downtown as a visitation, cultural, and recreational hub will not only grow revenue share**, but also make the region more competitive as a tourism destination. Additionally, enhancing the retail experience Downtown will also attract regional visitors and further support Downtown's small businesses.

3. Real Estate Development

Given the large share of properties utilizing the Urban Revitalization Tax Exemption (URTE) program, Downtown will continue to generate increasing net new property tax revenue over the next decade coupled with more than \$172 million in new investment for current and planned real estate development projects. While the office market and declining daytime workforce is a concern in the post-pandemic era, **continued investments in residential and hospitality-based real estate development uses will drive economic and fiscal activity over the next decade, emphasizing the importance of place-based investments in parks, open space, and recreational amenities.**