

**OFFICE OF THE CITY MANAGER
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-494
NOVEMBER 18, 1996 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
TAX INCREMENT NEEDS FOR FY1997-98	◆ RESOLUTION ORDINANCE RECEIVE/FILE	RICHARD CLARK DEPUTY CITY MANAGER

SYNOPSIS —

The City is required to submit tax increment financing needs to the County Auditor by December 1st each year. Research and Budget staff have computed the need based on existing City commitments, Council resolutions, and anticipated tax increment expenditures to determine the need in 1997-98. The tax increment need in 1997-98 will be \$7,608,094, which is a reduction of \$1,196,627 from the prior year. This need will require 43 percent of available tax increment valuations and will, therefore, conform with Council's *50 percent policy*. Based on this tax increment need, \$260,988,263 of valuations will be returned to taxing jurisdictions. These valuations will generate about \$10,129,000 in tax revenues for all of the taxing jurisdictions, assuming the current property tax rate.

FISCAL IMPACT —

The recommendation represents a \$1.2 million decrease in tax increment revenue requirements compared to the current year. However, the approximate 13 percent reduction in valuations of downtown parcels by the City Assessor, has been partially offset by new construction and the expiration of tax abatement schedules resulting in an overall decrease in tax increment valuations of 9.2 percent. Thus, the amount of valuations to be returned to taxing jurisdictions will decrease \$14.2 million compared to the current year. The City's General Fund will be impacted \$119,000.

RECOMMENDATION —

Notify the County Auditor the need for \$7,608,094 of tax increment-generated revenue for tax increment needs for the 1997-98 fiscal year.

BACKGROUND —

During the 1996 Legislative Session, a change in State Law occurred which requires municipalities to submit to the County Auditor, by December 1st, the tax increment needs for the following fiscal year. This information is used by the County Auditor to estimate the increment valuations necessary to generate the tax increment revenue need identified by the municipality. Estimated increment valuations in excess of the valuations required for municipal tax increment needs are considered *excess valuations*, and are made available to the respective taxing jurisdictions to generate tax revenue for that jurisdiction.

Several years ago, Council imposed a *50 percent policy* which sets a goal to return a minimum 50 percent of tax increment valuations to the taxing jurisdictions for general taxing purposes. Since the policy's inception, Council has met the goal each year. Council will adhere to the policy with this recommendation by returning an estimated 57.1 percent to the taxing jurisdictions in the 1997-98 fiscal year.

Most of the requested tax increment funds are for principal and interest payments for existing debt for urban renewal, economic development, and CIP projects previously approved by Council. In addition to these costs, the recommendation provides for cash financing for five projects and debt financing for one project approved by Council previously. However, the projects have been structured so that 1997-98 reflects the first year tax increment funding required to meet the City's obligation for these projects.

Saddlery Brew Pub	\$200,000 (cash)
Amphitheater	\$ 60,000 (cash)
Gateway East	\$ 50,000 (cash)
Equitable Of Iowa	\$275,000 (cash)
AE Dairy	\$ 35,500 (cash)
Roadside Housing	\$303,000 (debt)

There are two additional projects which have not yet been presented to Council but which are anticipated in the coming months. These projects are listed below along with the financing method proposed:

Court Avenue Streetscape	\$175,000 (cash)
Central Place	\$260,000 (debt)

The cash financing and projected debt service costs for these projects amount to \$845,000 of the total need.