



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

98-563

SYNOPSIS -

AGENDA:

At Council's direction, staff reviewed the Tax Increment Finance (TIF) Study Committee's report recommendations. I submit the following comments and policy recommendations (attached), and ask that Council receive and file these recommendations and undertake final consideration during the budget deliberations.

DECEMBER 21, 1998

SUBJECT:

TAX INCREMENT
FINANCING COMMITTEE
REPORT

FISCAL IMPACT -

The attached spreadsheet compares the fiscal impacts of the proposed TIF policy to the current TIF policy.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

Receive and file staff's responses to the TIF Study Committee Report and undertake final consideration during the budget deliberations.

SUBMITTED BY:

ERIC A. ANDERSON
CITY MANAGER

BACKGROUND -

At the City Council's direction, and under the leadership of Christine Van Meter from the Polk-Des Moines Taxpayers Association, the TIF Study Committee, comprised of Jacquie Easley, Bill Knapp II, Bob Mahaffey, Bob Mickle, and Alice Rodine, prepared an extensive analysis and comprehensive list of TIF recommendations, project standards, and policies.

Subsequent to the Committee's presentation to the City Council on Monday, November 30, 1998, staff-in conjunction with Ken Haynie, the City's bond counsel-reviewed the Report and discussed possible ramifications of these proposals on the City's ability to effectively

issue debt and finance projects.

I have included the Committee's recommendations in their entirety, with the exception of the three items discussed below.

Further, I recommend that the City review the attached TIF policy no less frequently than every five years.

Minimum Assessment Agreements

The Committee's Report requires the City to prepare minimum assessment agreements for all TIF financed projects. On the whole, minimum assessment agreements would provide the City adequate assurance that a project will produce benefits at or above the anticipated level, and staff embraces the concept. However, minimum assessments could endanger the use of tax-exempt bonds, thereby increasing the cost of debt issuance. I therefore recommend that the City retain discretion to judge each individual situation as to its financial appropriateness for minimum assessment agreements. The Report highlights the benefits of these agreements and Council policy should encourage minimum assessments wherever feasible.

City Policy for Interest on Idle TIF Funds

The Report proposes allocating interest on idle TIF funds to the General Fund annually. I recommend compliance of this proposal but ask Council to reserve the right to use interest in an alternative manner if specifically requested and formally approved as such in budget adoption.

TIF Funded Economic Development Projects

The Committee's Report recommends a minimum number of new and retained jobs and wage requirements for economic development projects. This policy is in conflict with the City's current policy. To insure conformity between the policies, and based on staff's analysis that the current City policy provides more stringent guidelines, I recommend the use of the current policy. The current policy states that all non-supervisory and non-management personnel must have an average wage of \$9 per hour including benefits. These projects should generate a minimum of 15 new or retained jobs.

I would like to add my thanks to the members of the Committee for their diligence and insight. Their policy analysis and recommendations will assure that TIF will benefit taxpayers located outside the TIF Districts in addition to taxpayers located within the TIF Districts, to ensure equity throughout the City.

As a final comment, it is recommended that the two downtown tax increment districts (Capitol Center and Riverpoint Capitol Center) be combined, which will allow for more streamlined accounting and financial reporting as contemplated in the recommended TIF report.

Attachments