CITY OF DES MOINES

Agenda Item:

42

COUNCIL COMMUNICATION
City Manager's Office

GENERAL INFORMATION

Agenda Date: 12/05/05 Communication No.:05-685

Agenda Item Type: Resolution Roll Call No.:

Submitted by: Richard Clark, Acting City Manager

SUBJECT—

Tax Increment Needs for Fiscal Year 2006-2007.

SYNOPSIS—

Staff has computed the Fiscal Year 2007 request based on existing commitments, Council resolutions and anticipated TIF reimbursed expenses. Based on the current assessed value information, the City of Des Moines TIF request is $24,010,440**.** This request uses 63% of available TIF valuations.

This action directs the City Manager or his designee to notify the County Auditor of the City's need for $24,010,440 of tax increment-generated revenue for FY07. In case of subsequent adjustments in tax increment valuations, this action also authorizes the City Manager or his designee to adjust the TIF needs requirement so as to be in compliance with the Council's TIF policy.

FISCAL IMPACT—

Based on the projected TIF need, 37% of taxable valuation generated in TIF areas will be ***returned*** to the taxing jurisdictions. Assuming the current property tax rates, the returned valuation will generate about $18,600,000 in tax revenues, of which about $4,700,000 will be returned to the City of Des Moines general operations.

RECOMMENDATION—

Approval

BACKGROUND—
The City is required to submit its tax increment financing (TIF) needs to the Polk County Auditor on an annual basis. Council approved the tax increment financing needs for FY06 on December 6, 2004 by Roll Call No. 04-2624. The TIF needs for FY07 total $24,010,440. The request is in conformance with the Council's adopted policy on use of tax increment funds and is based on the Polk County Auditor's preliminary taxable valuation figures which**,** when finalized, will be certified to the State of Iowa.

The tax increment uses for FY 06/07 are composed of the following:

Annual Principal and Interest Payments………………………………$16,273,088

(based on current CIP the annual payment for bond financing of $6,125,000 for MLK; $500,000 for SE Ag Park; $1,000,000 for Western Gateway; $120,000 for Principal Park/Sec Taylor Stadium; $650,000 for Skywalks; $150,000 for Downtown Streets; $10,000 for street markings; debt service payments of $13,488,741 for previously issued general obligation debt, and $1,000,000 for debt service payments for previously issued parking system debt.)

Cash Financing…………………………………………………….... $7,737,352

Airport Business Park (Grant Agreement)	$ 637,583
Airport Commerce Park South (Grant Agreement)	515,104
Airport Commerce Park West (Grant Agreement)	523,697
Iowa Events Center (28E Agreement)	450,000
600 East Locust Building (Grant Agreement)	27,281
Temple for Performing Arts (Grant Agreement)	31,000
Hubbell Riverpoint at SW 7th (Grant Agreement)	36,775
Project Implementation/Administration	750,000
Wells-Fargo (Grant Agreement)	970,233
Allied/Nationwide (Grant Agreement)	1,028,971
Kenyon Building - 301 Grand Avenue (Grant Agreement)	20,000
MLK Rise Loan Payment	555,968
Court Ave. between 4th –5th Sts.	50,000
Court Ave. Partners- Housing	500,000
East Village Sq. Housing (Grant Agreement)	1,166,517
Kemin (Grant Agreement)	224,559
Nesbitt (Grant Agreement)	249,664

At the Budget Workshop on November 16, 2005, Council also asked for information on those projects that are no longer being financed with TIF. There are currently three bond issues that were not originally sold with a plan of using tax increment revenues to fund annual principal and interest payments. However, subsequent to the sales the City Manager directed that the use of tax increment funds be incorporated into the budget.

The 2001A bond issue included bonding for Court Avenue ($2,540,000) and 11th/12th Street Realignment ($1,650,000). The debt service levy was initially utilized to fund annual principal and interest payments. The funding source was changed to tax increment in FY02. The annual principal and interest payments are in the range of $250,000 annually. The debt will be retired at the end of FY2020.

The 2001C bond issue was for the Wells Fargo project ($4,235,000). Again, the debt service levy was initially utilized to fund annual principal and interest payments. The funding source was changed to tax increment in FY02. The annual principal and interest payments are in the range of $925,000. The debt will be retired at the end of FY2007.

The 2002B bond issue was a refinancing of the 1992B bond issue to finance a portion of the Sec Taylor Stadium improvements ($4,400,000). Hotel/Motel tax was initially utilized to fund annual principal and interest payments. A portion of the funding source ($212,000) was changed to tax increment in FY03. The annual debt service for the 2002B bond issue is in the range of $450,000. The debt will be retired at the end of FY2012.

The Iowa Event Center project originally required a $4.5 million commitment to be paid over 10 years with a funding source of hotel/motel tax proceeds. Subsequently, the funding source was changed to tax increment funds. The commitment will be met at the end of FY2012.