



# Council Communication

Office of the City Manager

Date

September 11, 2006

Agenda Item No. 42

Roll Call No. 06-

Communication No. 06-557

Submitted by: Richard A. Clark, City Manager

## AGENDA HEADING:

Resolution Authorizing Application for Enterprise Zone Certification for the High Street North Enterprise Zone

## SYNOPSIS:

Designation of approximately 0.87 acres located at approximately 1815 to 1823 High Street and 611 19<sup>th</sup> Street as the High Street North Enterprise Zone and submission of the application to the State of Iowa for Enterprise Zone certification.

## FISCAL IMPACT: NONE

The Enterprise Zone Program is a special package of State tax incentives designed to encourage reinvestment in economically distressed areas.

Amount:

Funding Source:

## ADDITIONAL INFORMATION:

In May 1997, the Iowa Legislature enacted and the Governor signed into law House File 724, as amended, which provides that certain eligible cities and counties may designate areas as enterprise zones and apply to the State of Iowa for enterprise zone certification. The intent of the legislation is to promote economic development in economically distressed areas throughout Iowa.

Beneficiaries of the Enterprise Zone Program include housing developers, and office and industrial businesses. Housing developers that construct or rehabilitate housing in a certified Enterprise Zone may obtain:

- 10% income tax credit with a carry forward of 7 years.
- 100% refund of sales, service and use taxes paid on materials used and services provided, including utilities, in construction contracts.

Businesses (excluding retail or those whose entrance is limited by a cover charge or membership requirement) that locate or expand in a certified Enterprise Zone may obtain:

- 10% investment tax credit for capital investments of \$500,000 or greater with a carry forward of 7 years; applies to machinery, equipment, buildings and other improvements, and newly-acquired land.

- 3% withholding tax credit for job training.
- 13% research activities tax credit (refundable).
- 100% refund of sales, service and use taxes paid on materials used and services provided, including utilities, in construction contracts.

Housing developers must meet all of the following criteria:

- Build or rehabilitate a minimum of four single-family homes not to exceed \$140,000 per home OR one multiple dwelling unit (3 or more units) not to exceed \$140,000 per unit.
- Homes/units must include necessary amenities and must meet U.S. Department of Housing and Urban Development housing quality and local safety standards.
- Construction or rehabilitation must be completed within two years from start of construction.

Office and industrial businesses must be located in a certified Enterprise Zone and must meet all of the following eligibility criteria. In addition, businesses cannot close or reduce their operations in one area of the State and relocate substantially the same operation into the Enterprise Zone. Businesses must:

- Make a \$500,000 capital investment. Existing businesses that have operated in the Enterprise Zone for at least five years may count up to \$250,000 of the appraised value of their investment in land and buildings to satisfy this requirement.
- Pay an average wage that is at least 90% of the average county wage or average regional wage, whichever is lower, but not less than \$7.50/hour. This is estimated to be \$14.67/hour in Polk County, as currently determined by the Iowa Department of Economic Development.
- Pay at least 80% of standard medical and dental insurance premiums for all full-time employees or provide an equivalent plan.
- Create a minimum of 10 full-time jobs and maintain these positions for at least 10 years.

The IDED Board of Directors has certified the following enterprise zones in Des Moines:

- Agribusiness Enterprise Zone, located in east/southeast Des Moines (certified on August 21, 1997 and in effect until August 2007)
- Enterprise Community Enterprise Zone, located north of the downtown (certified on August 21, 1997 and in effect until August 2007)
- Gateway Enterprise Zone, located in the Central Business District (certified on July 22, 1999 and in effect until August 2009)
- Ingersoll Enterprise Zone, located between High Street and Ingersoll Avenue from 19<sup>th</sup> to 20<sup>th</sup> Streets (certified on January 19, 2006 and in effect until January 2016)
- Forest Avenue Enterprise Zone, located between the vacated alley east of 21<sup>st</sup> and 23<sup>rd</sup> Streets on the north and south sides of Forest Avenue (certified on April 28, 2006 and in effect until April 2016).
- High Street Enterprise Zone, located between High Street and Ingersoll Avenue from 17<sup>th</sup> to 19<sup>th</sup> Streets (certified on April 28, 2006 and in effect until April 2016).
- River South One Enterprise Zone, located between Indianola Avenue and SE 4<sup>th</sup> Street and north of Jackson and East Livingston Avenues (certified on April 28, 2006 and in effect until April 2016).
- River South Two Enterprise Zone, located between Indianola Avenue and SE 1<sup>st</sup> Street and between Jackson and Granger Avenues (certified on April 28, 2006 and in effect until April 2016).

In 2006, the Iowa Legislature declared that there is no longer a limit as to the number of acres that can be designated as enterprise zones in a county, provided that the area meets two of the five distress criteria. The City is applying to the State of Iowa for enterprise zone certification for the High Street North Enterprise Zone. This area contains approximately 0.87 acres and is generally located at 1815 to 1823 High Street and 611 19<sup>th</sup> Street. It meets the State's eligibility criteria for certification because 11.9% of the housing units are vacant in the area (Block Group 3 of Census Tract 27), which is greater than the required 10%, and it is a blighted area as defined in *Iowa Code* Section 403.17 due to the deteriorated condition of the site and lower assessed value than other properties in the immediate vicinity.

The IDED Board of Directors is anticipated to take action on the City's application in September/October 2006. Upon certification, the proposed Enterprise Zone will be in effect for 10 years until September/October 2016. Although incentives must be conferred prior to the end of the 10-year period, the benefits provided may extend beyond this timeframe.

Enterprise Zone certification will assist the City of Des Moines in attracting new investment to this area. The use of State tax incentives will act as leverage and may reduce the amount of City funds required for redevelopment.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: February 20, 2006

Roll Call Number: 06-355

Action: Application for Enterprise Zone Certification for the following: ([Council Communication No. 06-076](#)) Proposed Forest Avenue - 5.59 acres generally between the vacated alley, east of 21<sup>st</sup> Street and 23<sup>rd</sup> Street on the north and south sides of Forest Avenue. Moved by Hensley to adopt. Motion Carried 7-0

Date: February 20, 2006

Roll Call Number: 06-356

Action: Application for Enterprise Zone Certification for the following: ([Council Communication No. 06-076](#)) Proposed High Street – 5.08 acres generally between High and Ingersoll from 17<sup>th</sup> to 19<sup>th</sup> Street. Moved by Hensley to adopt. Motion Carried 7-0.

Date: February 20, 2006

Roll Call Number: 06-357

Action: Application for Enterprise Zone Certification for the following: ([Council Communication No. 06-076](#)) Proposed River South One – 23.84 acres generally between Indianola Avenue and SE 4<sup>th</sup> and north of Jackson Avenue and E. Livingston. Moved by Hensley to adopt. Motion Carried 7-0.

Date: February 20, 2006

Roll Call Number: 06-358

Action: Application for Enterprise Zone Certification for the following: ([Council Communication No. 06-076](#)) Proposed River South Two – 4.88 acres generally between Indianola Avenue, SE 1<sup>st</sup>, Jackson and Granger. Moved by Hensley to adopt. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S): NONE**

Date:

Roll Call Number:

Action:

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**