



Council Communication

Office of the City Manager

Date

October 9, 2006

Agenda Item No. 38

Roll Call No. 06-

Communication No. 06-649

Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Resolution authorizing application for Enterprise Zone Certification for the Hawthorne Park Enterprise Zone.

SYNOPSIS:

Recommend City Council to designate approximately 2.06 acres located at 1005 Maury Street as the Hawthorne Park Enterprise Zone and to submit the application to the State of Iowa for Enterprise Zone certification.

FISCAL IMPACT:

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

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 criteria listed below.

- 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 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 19th to 20th Streets (certified on January 19, 2006 and in effect until January 2016)
- Forest Avenue Enterprise Zone, located between the vacated alley east of 21st and 23rd 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 17th to 19th Streets (certified on April 28, 2006 and in effect until April 2016).
- River South One Enterprise Zone, located between Indianola Avenue and SE 4th 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 1st Street and between Jackson and Granger Avenues (certified on April 28, 2006 and in effect until April 2016).
- High Street North Enterprise Zone, located at 1815 to 1823 High Street and 611 19th Street (certified on September 21, 2006 and in effect until September 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 Hawthorne Park Enterprise Zone. This area contains approximately 2.06 acres and is located at 1005 Maury Street. It meets the State's eligibility criteria for certification because the per capita income is \$10,876 in the area (Block Group 4 of Census Tract 52), which is less than the maximum of \$12,648, and 30.2% of the families are below poverty level, which is greater than the minimum of 12%. All data is derived from the 2000 Census.

Developer Richard Helgeson is in the process of purchasing this City-owned site. As of August 8, 2006, he was the successful bidder and entered into a purchase agreement, which is contingent on the developer obtaining Iowa Finance Authority (IFA) low-income housing tax credits. Mr. Helgeson is proposing to build a 58-unit affordable, assisted living apartment building. One hundred percent (100%) of the units will be affordable at 50% area median income (AMI) and 40% of the units will be affordable at 40% AMI. The Capitol East Neighborhood Association and the McKinley School/Columbus Park Neighborhood Association support this project.

The IDED Board of Directors is anticipated to take action on the City's application in October 2006. Upon certification, the proposed Enterprise Zone will be in effect for 10 years until 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 Enterprise Zone is critical to assist in obtaining IFA low-income housing tax credits. 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: 9/11/06

Roll Call Number: 06-1781

Action: Application for Enterprise Zone Certification for the High Street North Enterprise Zone generally located at 1815 to 1823 High Street and 611 19th Street. Moved by Vlassis to adopt. Motion Carried 6-0.

Date: 2/20/06

Roll Call Number: 06-355

Action: Proposed Forest Avenue - 5.59 acres generally between the vacated alley, east of 21st Street and 23rd Street on the north and south sides of Forest Avenue. Moved by Hensley to adopt. Motion Carried 7-0.

Date: 2/20/06

Roll Call Number: 06-356

Action: Proposed High Street – 5.08 acres generally between High and Ingersoll from 17th to 19th Street. Moved by Hensley to adopt. Motion Carried 7-0.

Date: 2/20/06

Roll Call Number: 06-357

Action: Proposed River South One – 23.84 acres generally between Indianola Avenue and SE 4th and north of Jackson Avenue and E. Livingston. Moved by Hensley to adopt. Motion Carried 7-0.

Date: 2/20/06

Roll Call Number: 06-358

Action: Proposed River South Two – 4.88 acres generally between Indianola Avenue, SE 1st, Jackson and Granger. Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: 8/17/06

Roll Call Number: N/A

Action: Plan & Zoning Commission approved the rezoning from R1-60 to Planned Unit Development and amended the Des Moines 2020 Community Character Plan future land use designation from park/open space to high density residential. The Commission also approved the PUD Concept Plan for development of a three-story, 58-unit multi-family assisted living facility. They recommended vacation and conveyance of a 10 foot by 280 foot strip of right-of-way along the west side of SE 11th Street and a 10 foot by 280 foot strip of right-of-way along the east side of SE 10th Street.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The closing on the sale of property is scheduled for September 1, 2007.