

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	October 27, 2008
	Agenda Item No. 60 Roll Call No. <u>08-</u> Communication No. <u>08-640</u> Submitted by: Matthew A. Anderson, Economic Development Administrator	

AGENDA HEADING:

Resolution authorizing applications for Enterprise Zone certification as follows:

- a. Drake Park / Sherman Hill / Woodland Heights Enterprise Zone
- b. McKinley / SW 9th/ Army Post Road Enterprise Zone
- c. 24th Street Enterprise Zone
- d. SE 14th Street Enterprise Zone

SYNOPSIS:

Recommend Council designation of the above-referenced areas as Enterprise Zones for submission to the State of Iowa for Enterprise Zone certification.

FISCAL IMPACT: NONE

Amount: The Enterprise Zone Program is a special package of State tax incentives designed to encourage reinvestment in economically distressed areas. There is no fiscal impact to the City of Des Moines general fund.

Funding Source: N/A

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 who's 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 \$14.33/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 2017)
- Enterprise Community Enterprise Zone, located north of the downtown (certified on August 21, 1997 and in effect until August 2017)
- 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 1815-1823 High Street and 611 19th Street (certified on September 20, 2006 and in effect until September 2016)
- Hawthorn Park Enterprise Zone, located at 1005 Maury Street, (certified on November 15, 2006 and in effect until November 2016)

In 2006, the Iowa Legislature declared 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 four proposed Enterprise Zones.

The Drake Park/ Sherman Hill /Woodland Heights Enterprise Zone area contains approximately 664.84 acres and meets the State's eligibility criteria for certification in Census Tract 26 by having a family poverty rate of 22.1%, which is greater than the requirement of 12% or higher, a per capita income of \$12,126, which is less than the requirement of \$12,648 or less, and a housing vacancy rate of 10%, which meets the required minimum of 10% or greater; and in Census Tract 27 by having a family poverty rate of 23.1%, which is greater than the requirement of 12% or higher and is a blighted area as defined in Iowa Code Section 403.17. The general boundary of the area is University Avenue to Woodland Avenue and Grand Avenue, between 28th Street and Keo Way.

The McKinley / SW 9th / Army Post Road area contains approximately 477.71 acres, and meets the State's eligibility criteria for certification by having a family poverty rate of 12.2 %, which is greater than the required maximum of 12 %, and is a blighted area as defined in Iowa Code Section 403.17. The general boundary of the area is McKinley Avenue to Army Post Road, between SW 9th Street and SW 5th Street.

The 24th Street Enterprise Zone contains approximately 1.55 acres and meets the State's eligibility criteria by having greater than 10% of the housing units vacant in the proposed area, and is a blighted area as defined by Iowa Code Section 403.17. The area is located at 2501 24th Street, which is north of Hickman Road and west of the Des Moines River. This zone is proposed as an alternate geographic unit., in that the eligibility criteria are tied to the condition of the property and not to the specific census block where the property is located. The site is proposed as an Enterprise Zone at the request of Oak Point, L.L.L.P. (Joseph Waldman, owner /developer), who is proposing a reuse of the former nursing home site, constructing 36 affordable housing units.

The SE 14th Street Enterprise Zone contains approximately 18.35 acres and meets the State's eligibility criteria by having a property value that is 75% or less of the citywide average for the classification based on the most recent property tax valuations, and is a blighted area as defined by Iowa Code Section 403.17. The area is generally located at 5409-5515 SE 14th Street, which is north of Watrous Avenue and south of the Des Moines River. This zone is being proposed as an alternate geographic unit, in that the eligibility criteria are tied to the condition of the property and not to the specific census block where the property is located. The site is proposed as an Enterprise Zone at the request of Hubbell Realty Company, who is proposing construction of 84 affordable housing units on the property.

The IDED Board of Directors is anticipated to take action on the City's applications in mid November. Upon certification, the proposed Enterprise Zones will be in effect for 10 years until November 2018.

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 these areas. 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: October 9, 2006

Roll Call Number: 06-1985

Action: Application for Enterprise Zone Certification for the Hawthorne Park Enterprise Zone.
(Council Communication No. 06-649)

) Moved by Vlassis to adopt. Motion Carried 6-0.

Date: September 11, 2006

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. (Council Communication No. 06-557) Moved by Vlassis to adopt. Motion Carried 6-0.

Date: February 20, 2006

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.

Date: February 20, 2006

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: February 20, 2006

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: February 20, 2006

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.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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