



**Council
Communication**
Office of the City Manager

Date

January 25, 2010

REVISED

Agenda Item No. 50

Roll Call No. 10-

Communication No. 10-038

Submitted by: Matthew Anderson, Economic
Development Administrator

AGENDA HEADING:

Resolution authorizing application to the Iowa Department of Economic Development to certify the expansion of S.E. Agribusiness Enterprise Zone and the creation of a new River South Enterprise Zone that will include the former River South 1 and River South 2 Enterprise Zones.

SYNOPSIS:

Recommend the above-referenced Enterprise Zone applications for submission to the State of Iowa for Enterprise Zone certification, expanding the current S.E. Agribusiness Enterprise Zone from 2,524 acres to a total of **3,037.62** acres, and creating a new River South Enterprise Zone by combining the former River South 1 and River South 2 Enterprise Zones, including a total of **399.95** acres.

FISCAL IMPACT:

Amount: N/A

Funding 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 of the City of Des Moines general fund.

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 \$14.33/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 2019)
- 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)
- Drake Park/Sherman Hill/Woodland Heights Enterprise Zone located between 28th Street and Keo Way from University Avenue to Woodland Avenue and Grand Avenue (certified on October 27, 2008 and in effect until October 27, 2018)
- McKinley/SW 9th/Army Post Road Enterprise Zone located between SW 9th Street and SW 5th Street, from McKinley Avenue to Army Post Road (certified on October 27, 2008 and in effect until October 27, 2018)
- SE 14th Enterprise Zone located at 5409-5515 SE 14th Street (certified on October 27, 2008 and in effect until October 27, 2018)
- 24th Street Enterprise Zone located at 2501 24th Street (certified on October 27, 2008 and in effect until October 27, 2018)
- NE Hubbell Avenue-Broadway Enterprise Zone located between Hubbell Avenue, NE 38th Street, Highway 65 and Interstate 80 (certified on September 17, 2009 and in effect until September 17, 2019)

The IDED Board of Directors is anticipated to take action on the City's application in February 2010. 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: August 24, 2009

Roll Call Number: 09-1560

Action: Application for Enterprise Zone Certification for proposed NE Hubbell/Broadway Enterprise Zone. (Council Communication No. 09-608) Moved by Kiernan to adopt. Motion Carried 7-0.

Date: October 27, 2008

Roll Call Number: 08-1909

Action: Authorizing Application for Enterprise Zone Certification for Drake Park/Sherman Hill/Woodland Heights. Moved by Vlassis to adopt. Motion Carried 7-0.

Date: October 27, 2008

Roll Call Number: 08-1910

Action: Authorizing Application for Enterprise Zone Certification for McKinley/SW 9th/Army Post Road. Moved by Vlassis to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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