

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: January 9, 2012
	Agenda Item No. 26 Roll Call No. <u>12-0044</u> Communication No. <u>12-016</u> Submitted by: Terrance N. Vorbrich, Acting Economic Development Administrator

AGENDA HEADING:

Resolution authorizing application to the Iowa Economic Development Authority to certify the expansion of the River South Enterprise Zone.

SYNOPSIS:

Recommend approval of the submission of the River South Enterprise Zone Expansion application to the State of Iowa for certification. The River South Enterprise Zone was created in January 2010 by combining two previously approved smaller zones. The application proposes expanding the current River South Enterprise zone, located south of the Des Moines and Raccoon Rivers between SE 14th Street and SW 9th Street. The expanded zone would incorporate additional area to the south of the current boundary, allowing the benefits of the program to be available to more properties in need of revitalization. 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.

FISCAL IMPACT:

Amount: N/A

Funding Source: The Enterprise Zone Program is a special package of State tax incentives designed to encourage reinvestment in economically distressed areas. These are State of Iowa benefits and have no fiscal impact of the City of Des Moines general fund.

ADDITIONAL INFORMATION:

In 1997, state law approved the creation of enterprise zones (EZ) for certain eligible cities and counties. EZs promote economic development in economically distressed areas throughout Iowa. Beneficiaries of the Enterprise Zone Program include housing, office and industrial businesses.

Housing developers that construct or rehabilitate housing in an EZ may obtain:

- 1.) 10% income tax credit with a carry forward of 7 years.
- 2.) 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 these criteria in order to receive the EZ benefits.

- 1.) 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.
- 2.) Homes/units must include necessary amenities and must meet U.S. Department of Housing and Urban Development housing quality and local safety standards.
- 3.) Construction or rehabilitation must be completed within two years from start of construction.

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

- 1.) 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.
- 2.) 3% withholding tax credit for job training.
- 3.) 13% research activities tax credit (refundable).
- 4.) 100% refund of sales, service and use taxes paid on materials used and services provided, including utilities, in construction contracts.

Office and industrial businesses to be located in an EZ must meet all of the following eligibility criteria and cannot close or reduce their operations in one area of Iowa to relocate the same operation into the EZ.

- 1.) Make a \$500,000 capital investment. Existing businesses that have operated in the EZ 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.
- 2.) Pay an average wage that is at least 90% of the average county wage, as currently determined by the state of Iowa.
- 3.) Pay at least 80% of standard medical and dental insurance premiums for all full-time employees or provide an equivalent plan.
- 4.) Create a minimum of 10 full-time jobs and maintain these positions for at least 10 years.

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

- 1.) *Agribusiness Enterprise Zone* located in east/southeast Des Moines (certified August 21, 1997 and in effect until August 2017)
- 2.) *Enterprise Community Enterprise Zone* located north of the downtown (certified August 21, 1997 and in effect until August 2017)
- 3.) *Gateway Enterprise Zone* located in the Central Business District (certified July 22, 1999 and in effect until August 2019)
- 4.) *Ingersoll Enterprise Zone* located between High Street and Ingersoll Avenue from 19th to 20th Streets (certified January 19, 2006 and in effect until January 2016).
- 5.) *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 April 28, 2006 and in effect until April 2016).
- 6.) *High Street Enterprise Zone* located between High Street and Ingersoll Avenue from 17th to 19th Streets (certified April 28, 2006 and in effect until April 2016).
- 7.) *River South Enterprise Zone* located directly south of the Des Moines River, west of SE 14th Street, north of Hartford (certified 2/18/2010 and in effect until 2/18/2020).
- 8.) *High Street North Enterprise Zone* located at 1815-1823 High Street and 611 19th Street (certified September 20, 2006 and in effect until September 2016)

- 9.) *Hawthorn Park Enterprise Zone* located at 1005 Maury Street, (certified November 15, 2006 and in effect until November 2016)
- 10.) *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 October 27, 2008 and in effect until October 27, 2018)
- 11.) *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 October 27, 2008 and in effect until October 27, 2018)
- 12.) *SE 14th Enterprise Zone* located at 5409-5515 SE 14th Street (certified October 27, 2008 and in effect until October 27, 2018)
- 13.) *24th Street Enterprise Zone* located at 2501 24th Street (certified October 27, 2008 and in effect until October 27, 2018)
- 14.) *NE Hubbell Avenue-Broadway Enterprise Zone* located between Hubbell Avenue, NE 38th Street, Highway 65 and Interstate 80 (certified September 17, 2009 and in effect until September 17, 2019)

PREVIOUS COUNCIL ACTION(S):

Date: January 25, 2010

Roll Call Number: 10-154

Action: Authorizing application to the Iowa Department of Economic Development for Enterprise Zone Certification for the following: ([Council Communication No. 10-038](#)) [Proposed](#) River South Enterprise Zone. **Moved by Meyer to adopt. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The IEDA Board of Directors is anticipated to take action on the City's application in January 2012.

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