 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: March 19, 2018
	Agenda Item No. 45 Roll Call No. <u>18-0479</u> Communication No. <u>18-148</u> Submitted by: Phillip Delafield, Community Development Director

AGENDA HEADING:

Approving submitting applications to the Iowa Economic Development Authority (IEDA) for designation of certain eligible census tracts (CTs) as “Opportunity Zones” under the federal “Tax Cuts and Jobs Act” and authorization for the Mayor to sign said applications.

SYNOPSIS:

The recently approved “Tax Cuts and Jobs Act” includes new incentives for investing in low-income communities called “Opportunity Zones.” Tax benefits revolve around a deferral of taxes on capital gains by investing in property and businesses in CTs, which have been designated as Opportunity Zones by the U.S. Treasury Department.

On February 23, 2018, the IEDA announced that it will be accepting applications for Opportunity Zones, due March 19, 2018. Of the 247 eligible Iowa CTs, only 60 can be forwarded to the U.S. Department of the Treasury.

The City Manager is recommending that the following nine (9) CTs be submitted to IEDA for designation as Opportunity Zones based on the criteria provided by IEDA in order of priority:

- CTs 11 & 26 - Drake Area
- CTs 42, 52 & 51 - Market District, Capitol East/Columbus Park/Downtown
- CT3 – Eastgate/Grandview
- CTs 49 & 50 - 6th Avenue/River Bend
- CT 7.01 - Harding Hills/River Plaza

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

Opportunity Zone Explanation

- The recently approved federal Tax Cuts and Jobs Acts creates “Opportunity Zones” which will use tax incentives to draw long-term investment to parts of America that continue to struggle with high poverty and sluggish job and business growth.
- The zones could help revitalize neighborhoods and towns that need investment by allowing corporations or individuals to invest their capital gains into an “Opportunity Zone Fund.” The investor may defer the tax on capital gains, reduce the tax on capital gains, or pay no tax on the capital gains depending on the amount of time the funds are invested in the Opportunity Zone.

- Opportunity Zones will be administered by the U.S. Department of the Treasury, and final regulations are still being written. Investment in Opportunity Zones Funds does not have to wait for an annual allocation of tax credits as many federal programs do such as Low-Income Housing Tax Credits or New Market Tax Credits.
- An Opportunity Zone designation lasts for 10 years. Designating an Opportunity Zone does not guarantee the area will attract investment.

IEDA Role

- The law directs Governors to nominate eligible CTs so long as they comply with the definition of “low-income community” or is contiguous to a low-income community. Low-Income community is defined as CTs where the poverty rate is at least 20% or the median family income does not exceed 80% of the statewide median family income, or for metro areas, the greater of 80% statewide median family income or 80% of the metro area median family income.
- The applications will be highly competitive in the state of Iowa. Of the 247 eligible CTs in the state, the governor may submit only 60 to the U.S. Department of the Treasury for designation.
- A city or town may submit more than one (1) CT for designation but must prioritize the tracts.
- IEDA has added the following criteria with which to review the Iowa applications:
 - Community vision
 - Economic hardship
 - Past successes
 - Average unemployment rate
 - Community’s plan if awarded Opportunity Zones designation

Manager’s Recommendation

- Over half of CTs within Des Moines fit the definition of a low-income community.
- It is necessary to evaluate which CTs have the greatest need for investment based on the poverty rate and unemployment data but balance that need in areas which individuals and corporations will find ready for development and provide a return on investment within the 10 year period.
- Developers are expressing interest in Opportunity Zones within Des Moines and the City has plans in place to help with development for each of the areas recommended.
- Staff is working on the applications for each of the following areas (see attached map) and will have a fuller explanation of the benefits and vision for each district for Council consideration. The following is a short summary:
 1. Drake Area – CTs 11 & 26 - The Drake Neighborhood has some of the highest unemployment in the City and worst housing conditions on its eastern end stretching to Martin Luther King Parkway. There are numerous sites around Drake University for redevelopment, particularly around Drake University including Forest and University Avenues. Drake University and Neighborhood Development Corporation will both be active in promoting the zone.
 2. Market District, Capitol East/McKinley School Columbus Park and Downtown – CTs 42, 52 & 51 - High unemployment and poverty rates still surround the downtown to the east and south. The downtown and areas surrounding downtown have numerous sites for redevelopment. An Opportunity zone could create investment in commercial real

estate ranging from retail space, to rental housing to manufacturing. The Downtown Community Alliance would actively promote the zone.

3. Eastgate/Grandview – CT 3 - Grand View University has the potential to take advantage of the Opportunity Zone to capitalize startups businesses that would complement the University's research and provide services to residents and students alike. Redevelopment of Eastgate could include a variety of retail, housing, manufacturing and even public assets.
4. 6th Avenue/River Bend – CTs 49 & 50 - The River Bend Neighborhood continues to have the highest unemployment rates and concentrations of poverty in the City. Through work of the neighborhood organization and the 6th Avenue Corridor Mainstreet Organization (6AC), development sites have been acquired, cleared and are ready for redevelopment. In addition, the Pillars of Promise proposal to develop a new YMCA and community center on the site of the Grubb YMCA may be able to make use of an Opportunity Zone for raising funds. Mercy Hospital, the 6AC, and Pillars of Promise would be active in promoting the zone.
5. Harding Hills/River Plaza – CT 7.01 - Community Development staff are working with RDG, the Douglas Avenue Coalition, corridor businesses, and neighborhood residents to develop a plan for revitalization of Douglas Avenue. Redevelopment of the Harding Hills and River Plaza areas as mixed-use districts with commercial, residential, and recreational uses is a focus of the plan. Broadlawns Hospital is also located within this CT, and the VA Hospital is immediately adjacent – both present additional opportunities to attract investors to this area.

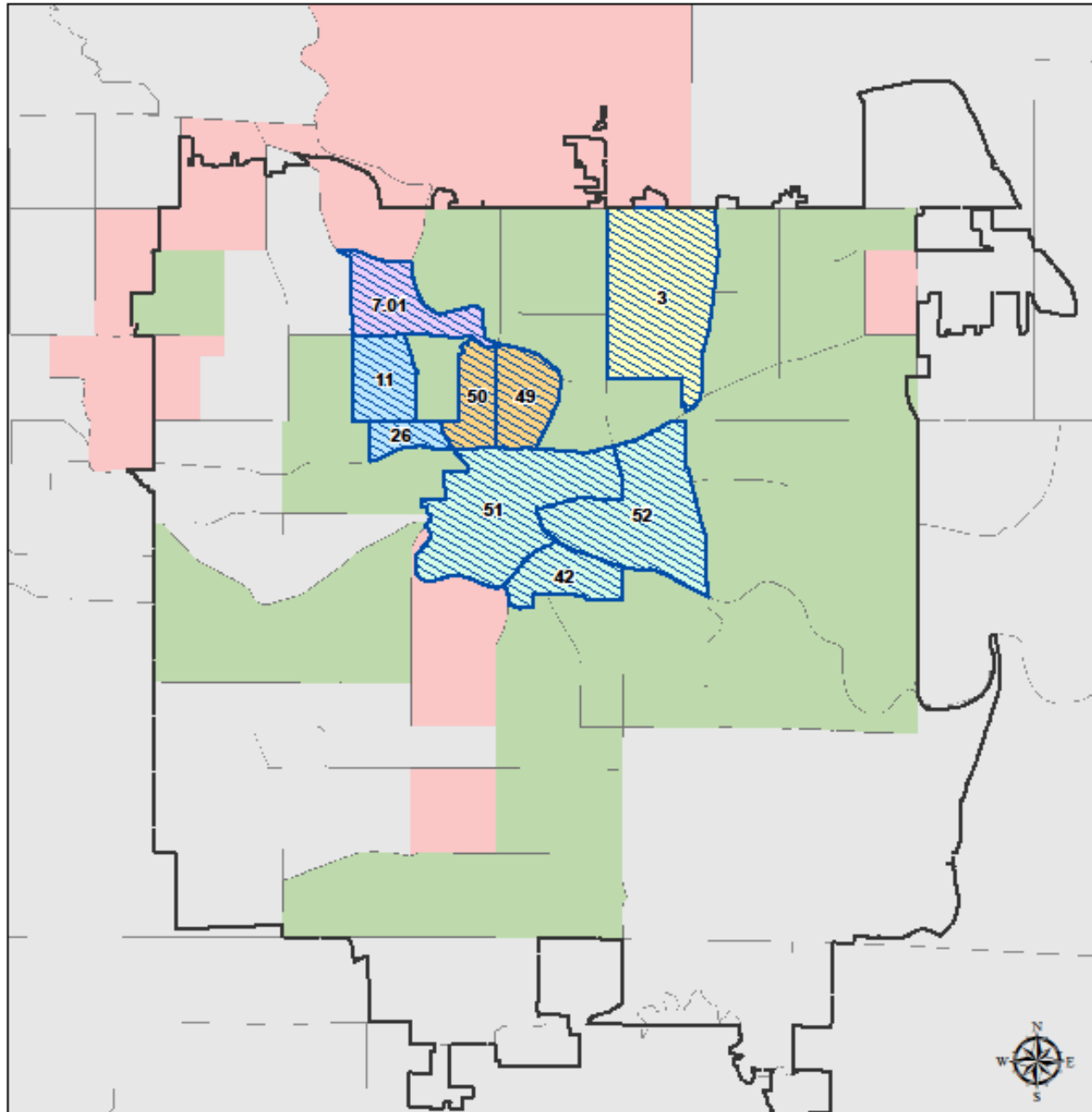
PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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Opportunity Zone Nominations (2018)



- Census Tract
- Eligible Low Income Tracts
- Eligible Contiguous Tracts
- Recommended Tracts
- # Tract Number
- Drake Zone
- Market District/Columbus Park/Downtown Zone
- 6th Ave/River Bend Zone
- Harding Hills/River Plaza Zone
- Eastgate/Grand View Zone