COUNCIL COMMUNICATION

Number:	**26-208**	Meeting:	**June 8, 2026**
Agenda Item:	**34**	Roll Call:	**26-0681**
Submitted by:	**Carrie Kruse, Economic Development Administrator**		

AGENDA HEADING:

Authorization of Restore the Core DSM: Ground Floor Activation Program

SYNOPSIS:

"Restore the Core DSM" is proposed as a multipronged, Downtown-focused incentive program with an overall brand that can incorporate a variety of specific initiatives intended to support continued investment, activation, and vitality within Downtown Des Moines. Restore the Core DSM: Ground Floor Activation is the first proposed initiative under this broader program framework.

Restore the Core DSM: Ground Floor Activation is proposed to be supported with an initial investment of up to $7,000,000 in Metro Center Urban Renewal Area Tax Increment Financing (TIF) funds. This initial level of funding could support more than 35 projects, depending on individual project size, eligible costs, and final award amounts.

The program provides 1:1 matching reimbursement grants for permanent improvements that help bring vacant, street-level commercial spaces back into productive use. Grants are intended to help tenants and business operators overcome financial barriers associated with adapting long-vacant storefronts for new businesses and active uses.

The goals of the program are to reduce long-term ground-floor commercial vacancies, increase foot traffic, street-level activity, and overall vitality, encourage the adaptive reuse of existing commercial spaces, support new businesses entering Downtown, improve the Downtown experience for residents, employees, and visitors, and support long-term business and tax base growth within the City.

FISCAL IMPACT:

Amount: Up to a program maximum of $7,000,000. All future individual Grant Agreements recommended under the Restore the Core DSM program will be subject to further city council approval.

Funding Source: Tax increment from the Metro Center Urban Renewal Area

ADDITIONAL INFORMATION:

- Restore the Core DSM: Ground Floor Activation is structured as a 1:1 matching reimbursement grant incentive program for eligible permanent improvements to vacant, ground-floor commercial spaces within the Downtown Core.

- For properties not subject to an active Development Agreement, eligible applicants may receive reimbursement grants of up to $200,000.

- For properties subject to an active Development Agreement, eligible applicants may receive reimbursement grants of up to $100,000.

- Projects must include at least $50,000 in eligible project expenses.

- Eligible properties must be located within the Downtown Core Program Boundary, generally bounded by the Des Moines River to the east, Martin Luther King, Jr. Parkway to the south, 16th Street to the west, and Grand Avenue to the north. A map of the eligible geographic boundary is included in the Program Guidelines.

- Eligible spaces must be ground-floor commercial spaces with street-facing or otherwise publicly accessible commercial frontage. Spaces must have been vacant for at least 24 consecutive months, unless otherwise recommended as eligible by City staff.

- Spaces with existing businesses are generally ineligible unless the business is expanding into adjacent vacant space, relocating to a larger vacant ground-floor commercial space within the Downtown Core, or converting an existing ground-floor office or other passive use into an active commercial use, as determined by City staff.

- Program assistance is primarily intended for tenants and business operators activating eligible commercial spaces. Property owners and purchasers may be eligible on a case-by-case basis, particularly when they are also the business operator.

- Tenant applicants must have an executed lease, or a signed letter of intent or lease contingent upon funding approval, with a lease term of at least five (5) years. Written property owner authorization is required for tenant applicants.

- Eligible business types are those that promote positive activation, foot traffic, and public-facing activity Downtown. Examples include restaurants, retailers, personal services, sports/recreation businesses, studio or instructional services, medical offices, artisanal production/fabrication with an on-site retail sales component, and consumer repair services.

- Uses such as traditional office, liquor stores, tobacco or vape stores, gaming/gambling parlors, self-storage facilities, and other low-activation or incompatible uses are generally ineligible. A full list of eligible and ineligible business types is included in the Program Guidelines.

- Eligible expenses are generally defined as permanent improvements needed to prepare a space for occupancy. Examples include interior demolition, framing, drywall, flooring, lighting, plumbing, electrical, HVAC, grease interceptors, fire suppression systems, hood systems, storefront improvements, doors, windows, awnings, accessibility improvements, hazardous materials remediation, sales/service counters, permanent built-in fixtures, and professional services such as architectural, engineering, and permit fees.

- The program does not fund inventory, working capital, payroll, rent payments, moving expenses, decorative furniture, shelving, display racks, temporary fixtures, portable equipment, or other ineligible expenses identified in the Program Guidelines.

- Grants are reimbursement-based. Applicants may choose either 100% reimbursement at project completion or 50% reimbursement at project midpoint and 50% reimbursement at completion. The City may require additional documentation before releasing funds.

- Applicants will complete a staged review process that includes pre-qualification, staff eligibility review, a full application, funding review, and, if recommended, City Council approval of a project-specific Grant Agreement.

- Applications may be evaluated based on a range of criteria, including vacancy duration, project readiness, financial feasibility, compatibility with surrounding businesses and activity, contribution to Downtown foot traffic and street-level activity, project costs and supporting bids/estimates, overall public benefit, and alignment with program goals.

- Applicants must submit business and financial information as part of the application process. Required information may include a current business plan, resume or qualifications/experience documentation, cash flow projections, verification of match funding sources, two years of personal and business tax history, and execution of a personal guaranty.

- Grant recipients must comply with operating requirements, including being open to the public at least five (5) days per week, operating at least five (5) hours per day on open days, remaining in operation for the required program period, and meeting with City staff quarterly for three (3) years.

- All future individual project Grant Agreements will require City Council approval.

- City Manager can approve changes to the Program's administrative rules.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- City Council consideration of future Grant Agreements for individual Restore the Core DSM: Ground Floor Activation projects.

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