

.....
Date May 21, 2012.....

**RESOLUTION SETTING DATE OF PUBLIC HEARING ON THE PROPOSED
FIRST AMENDMENT TO THE URBAN RENEWAL PLAN FOR THE
SOUTHSIDE ECONOMIC DEVELOPMENT DISTRICT URBAN RENEWAL AREA**

WHEREAS, on December 6, 2010, by Roll Call No. 10-2019, the City Council approved a Resolution of Necessity for the Southside Economic Development District Urban Renewal Area finding that the Area constitutes an economic development area appropriate for redevelopment for commercial use; and,

WHEREAS, on December 6, 2010, by Roll Call No. 10-2020, the City Council approved the Southside Economic Development District Urban Renewal Plan which seeks to enhance private development of this commercial, office and retail urban renewal area through provision of economic development financial assistance that will be provided in part with tax increment financing revenues to be generated in the proposed urban renewal area; and,

WHEREAS, the City Manager recommends that the Resolution of Necessity for the Southside Economic Development District Urban Renewal Area be amended to add slum and blight as a basis for the designation of such Area as an urban renewal area and that corresponding amendments be made to the urban renewal plan for such Area, all as set forth in the Amended Resolution of Necessity and the First Amendment to the Southside Economic Development District Urban Renewal Plan, which are now on file and available for public inspection in the office of the City Clerk; and,

WHEREAS, the Urban Design Review Board is scheduled to review the proposed First Amendment at its regular meeting on June 5, 2012, and should be prepared to submit its report and recommendation to the City Council before the date proposed for public hearing by the City Council; and,

WHEREAS, the City Plan and Zoning Commission is scheduled to review the proposed First Amendment at its regular meeting on June 7, 2012, and should be prepared to submit its report and recommendation to the City Council before the date proposed for public hearing by the City Council.

NOW THEREFORE, BE IT RESOLVED, by the City Council of the City of Des Moines, Iowa, as follows:

1. A public hearing shall be held before the City Council to consider the proposed Amended Resolution of Necessity and the proposed First Amendment to the Southside Economic Development District Urban Renewal Plan at 5:00 p.m. on June 25, 2012, in the City Council Chamber, at City Hall, 400 Robert D. Ray Drive, Des Moines, Iowa.
2. The City Clerk is authorized and directed to publish notice of said public hearing in the form attached hereto as Exhibit "B" in the Des Moines Register on June 12, 2012.
3. The proposed First Amendment is hereby submitted to the City Plan and Zoning Commission for its review and recommendation as to the First Amendment's conformity with the Des Moines 2020 Community Character Land Use Plan, as revised to date, with said written recommendation requested to be received by the City Council prior to the date of public hearing.

(continued)

Date May 21, 2012

4. The proposed First Amendment is hereby submitted to the Urban Design Review Board for its review and recommendation, with said written recommendation requested to be received by the City Council prior to the date of public hearing.

5. The City Manager or his designee is hereby designated as the City's representative to the consultation proceedings with the Des Moines Independent School District, Polk County and the Des Moines Area Community College. The consultation meeting shall be held at least 7 days prior to the date of public hearing at a time and location to be determined by the City Manager in accordance with Iowa Code Section 403.5(2). The City Manager shall cause notice of the consultation meeting, a copy of the First Amendment (Exhibit "A"), and a copy of the Notice of Public Hearing (Exhibit "B") to be mailed to each such affected taxing entity.

MOVED by _____ to adopt.

FORM APPROVED:

(Council Communication No. 12-248)

Roger K. Brown

Roger K. Brown

Assistant City Attorney

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Exhibits:

A - First Amendment to Urban Renewal Plan

B - Notice of Public Hearing

1 - Amended Resolution of Necessity

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
GRIESS				
HENSLEY				
MAHAFFEY				
MEYER				
MOORE				
TOTAL				

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

MOTION CARRIED

APPROVED

Mayor

City Clerk

Exhibit "A"

Prepared by: Rita Conner, Office of Economic Development – City of Des Moines, 400 Robert D. Ray Drive, Des Moines, Iowa 50309 515-237-4019

Return to: City Clerk - City of Des Moines, 400 Robert D. Ray Drive, Des Moines, Iowa 50309

Related Documents: Southside Economic Development District Urban Renewal Plan recorded on January 6, 2012, in Book14115, commencing at Page 1.

Legal Description: The Southside Economic Development District Urban Renewal Area is described on page 2, below.

First Amendment
to the
Southside Economic Development District
Urban Renewal Plan

Approval Proceedings:

Reviewed by Urban Design Review Board on June 5, 2012
 Review by Plan and Zoning Commission on June 7, 2012
 Approved by City Council by Roll Call No. 12-_____ passed June 25, 2012

HISTORY

The Southside Economic Development District Urban Renewal Area contains approximately 913 acres within the area bounded by Army Post Road on the north, SE 14th Street on the east, County Line Road on the south, and SW 9th Street on the west, and is more specifically described as follows:

Beginning at a point at the intersection of the South line of Polk County, and the West right-of-way line of SW 9th Street; thence North along the West right-of-way line of SW 9th Street to its intersection with the North right-of-way line of Army Post Road; then east along the North right-of-way line of Army Post Road and continuing along the North right-of-way line of E. Army Post Road to its intersection with the East right-of-way line of SE 14th Street; thence South along the East right-of-way line of SE 14th Street to its intersection with the South line of Polk County; thence West along the South line of Polk County to its intersection with the West right-of-way line of SW 9th Street, being the Point of Beginning, all now include in the City of Des Moines, Polk County, Iowa.

The Southside Economic Development District Urban Renewal Plan (the "Plan") was adopted on December 6, 2010, by Roll Call No. 10-2020. The plan has been recorded in the land records of the Polk County Recorder as follows:

<i>Amendment</i>	<i>Roll Call No.</i>	<i>Adopted Date</i>	<i>Recorded Book</i>	<i>Beginning at Page</i>
Urban Renewal Plan	10-2020	12/6/2010	14115	001

PURPOSE

The purpose of this First Amendment to the Southside Economic Development District Urban Renewal Plan is to update the Plan to reflect that the Southside Economic Development District Urban Renewal Area is designated as an urban renewal area pursuant to Iowa Code Chapter 403 on the basis that the Area is an economic development area appropriate for redevelopment for commercial use, and on the basis that it is a slum and blight area.

AMENDMENT

1. Amendments to Section A of the Southside Economic Development District Urban Renewal Plan.

Amend Subsections 2 and 3 of Section A of the Plan to read as follows:

2. Purpose of the Plan

This Urban Renewal Plan (the "Plan") is intended to guide the redevelopment of and stimulate private economic investment activities within the District through the provision of infrastructure improvements and economic development financial assistance that is provided, in part, with the tax increment revenues generated in the urban renewal area.

The District is located at the southeast entrance to the City of Des Moines, at the junction of Army Post Road and SE 14th Street. SE 14th Street is one of the City's primary transportation corridors, carrying over 30,000 vehicles per day. The prominent location provides opportunities for high visibility, making it an optimum area for commercial businesses. The location has helped the area serve as a regional retail and recreation center for decades, but increased regional retail competition and aging of buildings and amenities have contributed to decreased occupancies, lower valuation and difficulty attracting new tenants and patrons. Encouraging new private development in the area, and providing strategic use of public economic development tools is anticipated to create new investment, providing resources to assist with needed revitalization and the elimination of slum and blight conditions. The City of Des Moines believes that the designation of the District as an urban renewal area and the adoption and implementation of this Plan has the potential to revitalize the District and strengthen and revitalize the local economy through:

- A. Providing for planned and unified development of quality commercial, office and retail businesses, and the physical and economic enhancement of the District.
- B. Creation of a safe and attractive physical environment through the construction and installation of necessary infrastructure and other public improvements or actions supportive of the District.
- C. Retention and creation of quality permanent employment opportunities for residents.
- D. Expansion of the property tax base of the District, and subsequently contributing to the economic betterment of the entire City of Des Moines.
- E. Creation of financial incentives as necessary to encourage new and existing businesses to invest and expand in the District.
- F. The elimination of slum and blight conditions in the District.

3. Authority to Adopt and Implement An Urban Renewal Plan

The State of Iowa has provided Iowa cities with the power to adopt and implement urban renewal plans through Chapter 403, Urban Renewal Law, Code of Iowa. If a slum, blighted or economic development area or combination of the three, as defined in Section 403.17, Code of Iowa, exists within the municipality; the municipality may designate such an area for urban renewal through the process provided for in Chapter 403.

In accordance with the Iowa Code requirements, it has been determined that the Southside Economic Development District Urban Renewal Area qualifies for designation as an urban renewal area on the basis that it qualifies as both:

- a) An economic development area due to its appropriateness for development of commercial, office and retail business enterprises; and also as,
- b) A slum and blighted area.

2. Amendments to Section A of the Southside Economic Development District Urban Renewal Plan.

Amend Section B of the Plan by adding a new subsection 6 stating as follows:

6.) Slum and Blight Conditions

Historic Fort Des Moines is located in the District, which served as the site for graduation of the first commissioned African American officers in the US Army. Constructed in the early 1900's, several of the original Fort Des Moines Historic Buildings are vacant and in severely dilapidated condition. The District also includes a number of commercial buildings that were constructed in the early to mid 1970's. Their aging construction has resulted in a decline in their valuation, and contributed to chronic vacancies over much of the last two decades. Also present in the District are single family residential properties in below normal and poor condition, and several multifamily housing buildings in need of reinvestment and improvements. Collectively, these blighted conditions contribute to disinvestment and further deterioration in the District, and must be acknowledged as part of the urban renewal plan to promote and facilitate new investment

3. Replace Financial Condition Report

Replace Attachment B, Financial Condition Report with the attached Attachment B, Financial Condition Report dated June, 2012.

Attachment B

FINANCIAL CONDITION REPORT

Introduction

This report has been prepared for use in the tax increment finance consultation process as directed by Iowa Code, Chapter 403 Urban Renewal, which requires cities to undertake a consultation with other governmental entities receiving property tax revenues from an urban renewal area that utilizes tax increment financing when the urban renewal plan is created or amended. The proposed First Amendment to the Southside Economic Development District Urban Renewal Plan has been distributed in advance of the consultation meeting with representatives of Polk County, the Des Moines Independent School District and Des Moines Area Community College.

Urban Renewal History

Urban renewal was created by the federal government in the 1950's to assist cities in renewing their older central districts by providing for the removal of slum and blight conditions. It also proved to be a vital tool for redeveloping areas of cities where private sector interest had not responded, and where intervention was needed to appropriately plan and facilitate investment in new housing, businesses, and public infrastructure. Public and private partnerships have been achieved through the use of urban renewal, resulting in substantial increases in taxable valuation, employment, services and amenities that would have otherwise not occurred. With the evolution of cities in the last 50 years, urban renewal has been an invaluable tool to help local government respond to the need to broaden economic reinvestment in all sectors.

By Iowa Code, Chapter 403, urban renewal areas are required to contain one or more of the following conditions:

- Slum and/or blighted areas
- Economic Development Opportunities

In 2010, at the time the Southside Economic Development District Urban Renewal Plan was approved by City Council, economic development was the sole basis for the plan. The First Amendment to the plan proposes to extend the basis for the plan to include existing slum and blight conditions in the plan area. The intent for extending the basis is to acknowledge these conditions and facilitate new investment that will address these conditions.

Tax Increment Financing

Tax increment financing (TIF) is an economic development tool available only in designated urban renewal areas. A tax increment is basically the property tax revenue generated by the cumulative general ad valorem tax levy on the difference between the taxable value of all property in the TIF district at the base valuation date, and the taxable value of the properties in any subsequent year. The base valuation date is

January 1 of the calendar year immediately proceeding the calendar year that the municipality first certifies an indebtedness to be paid by the tax increment revenue.

The municipality may use the tax revenue created by the tax increment for financing the objectives and projects identified in the urban renewal plan, such as land acquisition and the provision of new infrastructure improvements.

Utilization of TIF is most effective in areas where development and creation of new tax increment will occur after the designation of the district. TIF can only be used for activities or items in the urban renewal plan. For example, a municipality may issue bonds to up-front the costs of constructing needed infrastructure. The tax increment from the district could then be used to pay off the bonds. This can also be accomplished through a development agreement where a private entity provides the infrastructure and receives financial assistance for their overall project from the City funded by the incremental tax revenues created by their investment. If the revenues are not utilized for any of these eligible costs, the increment is returned to general revenues of the several taxing entities.

A tax increment finance district, necessary for utilizing the tax increment in the District, was created for the Southside Economic Development District Urban Renewal Area to facilitate the objectives of the Plan.

This financial condition report summarizes the anticipated growth in revenues from, and expenditures anticipated for the Southeast Economic Development District Urban Renewal Area.

Indebtedness and Bonding

The current general obligation debt for the City of Des Moines is \$360,000,000. The State of Iowa Constitutional debt ceiling limit for general debt obligations by the City of Des Moines is approximately \$558,200,000.

No bonds are currently anticipated for this plan area. The preferred methodology for economic development assistance to projects will be to have the private sector up-front the costs of their development, and negotiate financial assistance to be paid by the City from the future incremental tax revenue created when additional taxable value is added to the District. The future revenues of the district have been projected conservatively, using existing valuation. Individual projects will be evaluated based on costs of extending improvements, anticipated new increment to be added, and the amount and timeframe of the expected increment to be realized.

Property Tax Assessments and Revenue

The City anticipates designating January 1, 2012 as the base valuation date for the Southeast Economic Development District Urban Renewal Area prior to December 31, 2012. Any increase in the property tax assessment over the existing assessment on the base valuation date may be captured for use in the Southeast Economic Development District by the City.

The total Southside Economic Development District property tax assessment for the area is approximately \$74 million as of January 1, 2010. The base value will be formally determined by the Polk County Assessor's Office after the first certification of indebtedness for the District.

All taxes levied by the other taxing jurisdictions on the tax assessment base will continue to be distributed to them in the ordinary course. A portion of the future taxes upon any increased valuation created within the District may be drawn upon by the City to fund urban renewal activities under this Plan. If the adoption and implementation of this Plan serves its intended purpose of accelerating the rate of development and redevelopment in the area, the loss of a portion of that growth in the tax base will be largely offset by an increase in the rate of the growth. Therefore, it is expected that the creation of the Southside Economic Development District Urban Renewal Area should have no material detrimental impact on the provision of services by each of the affected taxing entities.

Future Financial Condition

It is anticipated that the property values will increase in this urban renewal area, primarily due to the anticipated economic development activity. The City will undertake future projects in cooperation with the private sector to enhance this area, which may include public infrastructure and development financial assistance as warranted and negotiated through the City Manager and the Office of Economic Development. It is anticipated that all development agreements will be reviewed and approved by the City Council. The terms of such agreements will be constructed to maximize the ability to successfully implement the objectives of the Plan, provide for quality building construction and site development, the construction of public improvements necessary for the development of commercial and light industrial uses and the creation of jobs. Performance standards and objectives will be incorporated into all agreements that must be satisfied before any use of public revenues. All use of tax increment financing will be subject to annual cash flow from the district.

Property valuations and revenues for the next twenty years have been estimated for a 20 year time frame. The estimates are based on the following assumptions:

- 1.5% annual growth rate in the area's land and building assessments after any current tax abatements are taken into account.
- A \$38/1000 levy rate, after the protected certified debt service levy is subtracted from the overall tax rate.
- Follow Council policy adopted 3-24-97 that allows the City to expend up to 75% of the annual aggregated tax increment revenues from all TIF areas generated after January 1, 1996.
- The base value of the area is based upon the January 1, 2010, valuations, assuming that the City will certify debt for collection in FY2012-2013
- The District boundary includes a substantial amount of publically owned and non taxable land; new valuation added to taxable areas would alter the projected TIF

revenues, which have been conservatively estimated using the current base valuation.

Below is a table that projects the growth in estimated property valuation, the available tax increment revenues and estimated tax increment usage from the Southside Economic Development District based upon these assumptions. The actual expenditure of tax increment for undertakings pursuant to this Plan may occur at an earlier or later date than is shown in this table, subject economic conditions and the rate new development occurs in the District.

Projected TIF Revenues for Southside Economic Development District

Fiscal Year	Total Tax Valuation (74,811,137 base)	Accumulated Increment Added	Projected TIF Revenues	Projected TIF Usage
2011-2012	74,811,137	n/a	n/a	n/a
2012-2013	75,933,304	1,122,167	43,607	32,705
2013-2014	77,072,304	2,261,167	87,869	65,902
2014-2015	78,228,388	3,417,251	132,794	99,596
2015-2016	79,401,814	4,590,677	178,394	133,795
2016-2017	80,592,841	5,781,704	224,677	168,508
2017-2018	81,801,734	6,990,597	271,655	203,741
2018-2019	83,028,760	8,217,623	319,337	239,503
2019-2020	84,274,191	9,463,054	367,734	275,801
2021-2022	85,538,304	10,727,167	416,858	312,643
2022-2023	86,821,379	12,010,242	466,718	350,039
2023-2024	88,123,699	13,312,562	517,326	387,995
2024-2025	89,445,555	14,634,418	568,694	426,520
2025-2026	90,787,238	15,976,101	620,831	465,623
2027-2028	92,149,047	17,337,910	673,751	505,313
2028-2029	93,531,282	18,720,145	727,465	545,599
2029-2030	94,934,252	20,123,115	781,984	586,488
2030-2031	96,358,265	21,547,128	837,321	627,991
2031-2032	97,803,639	22,992,502	893,489	670,117
2032-2033	99,270,694	24,459,557	950,498	712,874
2033-2034	100,759,754	25,948,617	1,000,836	756,273

Urban Renewal Plan Amendment Activities

The proposed First Amendment to this urban renewal plan proposes extending the basis of the plan to include existing slum and blight conditions within the plan area. The activities undertaken by the plan will acknowledge and incorporate these conditions and facilitate new investment to respond to these conditions.