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Title of Document: Third Amendment to the Urban Renewal Plan for the Fleur Drive Commercial Urban Renewal Area
Grantor/Grantee: City of Des Moines, Iowa
Legal Description: See page 1, below.
Prior Related Documents: See listing at page 1, below.

Third Amendment
to the
Urban Renewal Plan
for the
Fleur Drive Commercial Urban Renewal Area

Urban Design Review Board Action:	<i>09/21/2021</i>
Taxing Entities Consultation:	<i>10/12/2021</i>
City Council Approval:	<i>11/01/2021</i>

HISTORY

The Urban Renewal Plan for the Fleur Drive Commercial Urban Renewal Area and its subsequent amendments have been recorded in the records of the Recorder of Polk County, Iowa, as follows:

<u>Action</u>	<u>Date Adopted</u>	<u>Roll Call</u>	<u>Book – Page</u>
Plan Adopted	06-07-2004	04-1232	10596 – 575
1 st Amendment	08-08-2016	16-1362	16140-488
2 nd Amendment	08-14-2017	17-1427	16623-907

URBAN RENEWAL AREA

The Fleur Drive Commercial Urban Renewal Area is located east of Fleur Drive and north of McKinley Avenue, and is more specifically described as follows:

Except the West 175 feet of the South 183 feet, the Southwest 1/4 of the Southeast 1/4 of Section 20, Township 78 North, Range 24 West of the 5th P.M.; and, the entire adjoining rights-of-way of Fleur Drive and Mc Kinley Avenue, all now included in and forming a part of the City of Des Moines, Polk County, Iowa.

PURPOSE

The purpose of this Third Amendment to the Urban Renewal Plan for the Fleur Drive Commercial Urban Renewal Area is to:

- Update the Financial Condition Report to update anticipated use of tax increment funds in the future.
- Amend Appendix C – “Approved Economic and Redevelopment Activities” which provides a summary of projects proposed to receive tax increment revenues from the Fleur Drive Commercial Urban Renewal Area.

**THIRD AMENDMENT TO THE FLEUR DRIVE COMMERCIAL
URBAN RENEWAL PLAN**

1. Replace *Appendix A - Financial Condition Report* with the attached Appendix A (Rev. 3) - Financial Condition Report.
2. Replace *Appendix C – Approved Economic Development and Redevelopment Activities* with the attached and amended *Appendix C – Approved Economic Development and Redevelopment Activities (3rd Amendment)*, which adds the section entitled *Agreement with McKinley Manor, LLC (d/b/a Percy's Landing Senior, LP)* to allow for an economic development grant of \$30,000 paid annually from the Fleur Drive Commercial TIF District over a 6-year period and 100% of the Annual Incremental Tax generated by the senior housing development to be paid to the developer for 10 years (or until the expiration of the Plan).

**APPENDIX A (Rev. 3) – FINANCIAL CONDITION REPORT – FLEUR DRIVE
COMMERCIAL URBAN RENEWAL AREA**

Shading indicates new and/or amended text

The City has, by Ordinance No. 14,345 passed June 7, 2004, designated the Fleur Drive Commercial Urban Renewal Area as an urban renewal area in which "Tax Increment Financing" as defined in Chapter 403, Code of Iowa, may be utilized. The expected financial undertakings and tax increment revenue with regard to this urban renewal area are discussed in this Financial Condition Report.

Introduction

Urban renewal is one of the few ways an Iowa municipality can undertake and financially assist community revitalization and economic development. In Des Moines, especially in the older areas with limited redevelopment opportunities, urban renewal is an important way cities can assist the private sector in the creation and retention of jobs and in the development and redevelopment of blighted, vacant and underutilized parcels that would not occur without the City's assistance.

Urban renewal can provide flexibility in phasing development over a long-term period. In Iowa, a city may designate an "urban renewal area" by following the requirements specified in Chapter 403, Code of Iowa, upon finding that the area qualifies for designation as a slum area, a blighted area or an economic development area as those terms are defined in Iowa Code §403.17. The Fleur Drive Commercial Urban Renewal Area was designated by the City as an urban renewal area upon a finding by the City Council that the area qualified as a blighted area and as an economic development area appropriate for commercial enterprises.

As part of the designation of an urban renewal area, the city council must adopt an urban renewal plan. The plan text includes a legal description and map of the area; a description of existing land uses and conditions; the actions the city proposes to undertake in the area such as public improvements, public services, the sale or purchase of property; and any conditions the city may want to impose on the development projects. The Des Moines City Council adopted the original Urban Renewal Plan for the Fleur Drive Commercial Urban Renewal Area on June 7, 2004, by Roll Call No. 04-1232. That plan is referred to in this report as the "Fleur Drive Commercial Urban Renewal Plan". If the city wants to undertake an action not specified in the urban renewal plan, it must adopt the proposed change by an amendment. Before the urban renewal plan or any amendment can be adopted by the city council, notice of a public hearing on the plan or amendment must be published in the newspaper.

In addition, if the urban renewal area uses tax increment financing, a consultation and comment period with other taxing entities is offered prior to the public hearing. This document has been prepared in response to this consultation requirement for amendment of the Urban Renewal Plan for the Fleur Drive Commercial Urban Renewal Area.

Tax Increment Financing

Tax increment financing ("TIF") is a financing tool that is only available in designated urban renewal areas. It allows the use of a portion of the future property tax revenues of all taxing

jurisdictions (the "Tax Increment Revenue") created by an increase in the total assessed value of all the taxable property within the urban renewal area, to be used to fund obligations incurred by the city in implementing the urban renewal plan.

The Tax Increment Revenue can only be used for the activities or items authorized in the urban renewal plan. Prior examples of the use of Tax Increment Revenues in the Fleur Drive Commercial Urban Renewal Area are listed in Appendix C – Approved Economic Development and Redevelopment Activities.

If the Tax Increment Revenue is not used to pay eligible expenses incurred in the implementation of the urban renewal plan, the revenue is released back to general revenues of the local taxing jurisdictions. On March 24, 1997, the Des Moines City Council adopted a policy that commencing in FY1997/98, the City will use, and has used, no more than 75% of the total annual Tax Increment Revenues generated by all urban renewal areas. This assures that the local taxing entities receive the benefit of at least 25% of any future growth in the valuation of taxable properties in the urban renewal areas utilizing tax increment financing.

Current TIF Bonding and Outstanding Indebtedness

Overall, as of July 1, 2021, the City of Des Moines has approximately \$489.6 million in general obligation debt. Of this debt, approximately \$77.7 million is being serviced with Tax Increment Revenues from various urban renewal areas. The State of Iowa Constitutional debt-limit for general debt obligations by the City of Des Moines is approximately \$716.4 million. The Fleur Drive Commercial Urban Renewal Area does not have any outstanding debt arising from the issuance of tax increment notes or bonds.

The existing and proposed financial obligations incurred by the City of Des Moines in the implementation of the Fleur Drive Commercial Urban Renewal Plan are summarized in Appendix C – Approved Economic Development and Redevelopment Activities. All the financial obligations identified in Appendix C are subject to appropriation and do not constitute debt for purposes of the State of Iowa Constitutional debt-limit until funds for the payment of the obligation are appropriated through the annual budget process.

Property Tax Assessments and Revenues

The base assessed value used to calculate the Tax Increment Revenue for the Fleur Drive Commercial Urban Renewal Area is approximately \$9.1 million. The total taxable value of all property within the Urban Renewal area as of January 1, 2020, is approximately \$18.1 million, resulting in a new increment valuation of approximately \$9.0 million, which would generate approximately \$337,325 of Tax Increment Revenue in FY2021/22.

Future Financial Condition

Shown below is a table that projects estimated property tax revenues and expenditures from the Fleur Drive Commercial Urban Renewal Area. In this Financial Condition Report, the estimated property tax revenues are based on a property tax levy rate of \$40 / \$1,000. This levy rate reflects the tax levy rate after subtracting payment of the 'protected debt levies' (various levies not subject to allocation to Tax Increment Revenue.)

The revenue projections shown are based on increases in property tax revenues conservatively estimated with an annual growth rate of 1.5% plus estimates for valuation added by new projects. The Tax Increment Revenue generated by the assessed value existing on any January 1st is paid and collected in the fiscal year commencing 18 month later.

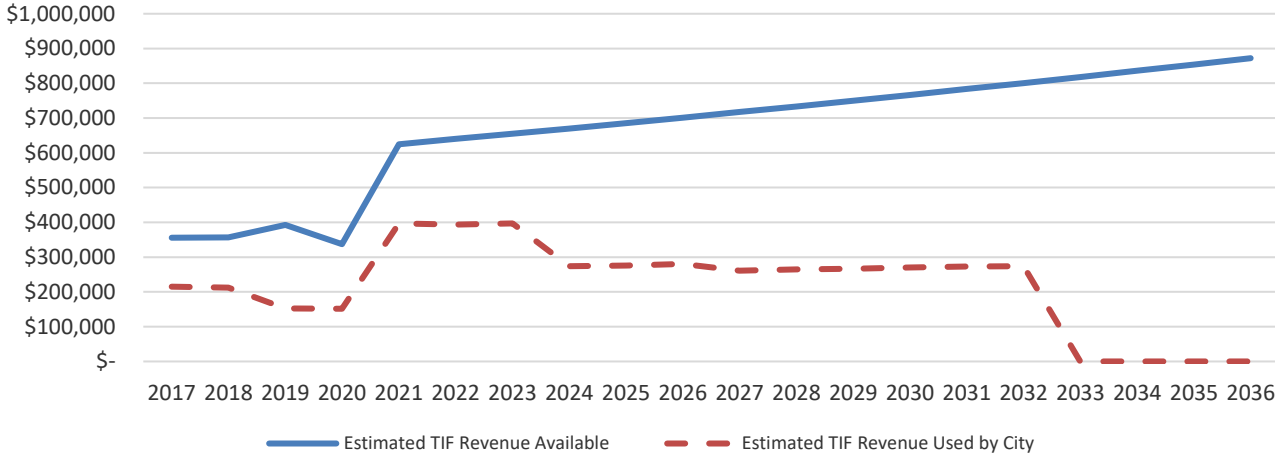
The following table and graphic represent new and updated information formulated for this amendment.

Assessment Year	Base Valuation	Total Assessed Valuation	New Increment Valuation	TIF Valuation Used	Estimated TIF Revenue Available	Estimated TIF Revenue Used by City	Percent Valuation Used
2017	9,063,480	17,767,500	8,704,020	5,259,082	355,999	215,099	60%
2018	9,063,480	17,767,500	8,704,020	5,173,063	356,454	211,851	59%
2019	9,063,480	18,673,000	9,609,520	3,724,832	392,837	152,271	39%
2020	9,063,480	18,093,000	9,029,520	4,063,284	337,325	151,796	45%
2021	9,063,480	24,688,395	15,624,915	9,925,000	624,997	397,000	64%
2022	9,063,480	25,058,721	15,995,241	9,850,000	639,810	394,000	62%
2023	9,063,480	25,434,602	16,371,122	9,925,000	654,845	397,000	61%
2024	9,063,480	25,816,121	16,752,641	6,850,000	670,106	274,000	41%
2025	9,063,480	26,203,363	17,139,883	6,900,000	685,595	276,000	40%
2026	9,063,480	26,596,413	17,532,933	7,000,000	701,317	280,000	40%
2027	9,063,480	26,995,359	17,931,879	6,525,000	717,275	261,000	36%
2028	9,063,480	27,400,290	18,336,810	6,625,000	733,472	265,000	36%
2029	9,063,480	27,811,294	18,747,814	6,675,000	749,913	267,000	36%
2030	9,063,480	28,228,463	19,164,983	6,750,000	766,599	270,000	35%
2031	9,063,480	28,651,890	19,588,410	6,825,000	783,536	273,000	35%
2032	9,063,480	29,081,669	20,018,189	6,850,000	800,728	274,000	34%
2033	9,063,480	29,517,894	20,454,414	-	818,177	-	0%
2034	9,063,480	29,960,662	20,897,182	-	835,887	-	0%
2035	9,063,480	30,410,072	21,346,592	-	853,864	-	0%
2036	9,063,480	30,866,223	21,802,743	-	872,110	-	0%

The graphic below shows the projected property tax revenues and expenditure estimates detailed in the table above. Note: The Tax Increment Revenue generated by the assessed value existing on any January 1st is paid and collected in the fiscal year commencing 18 month later.

This information will change as future projects, subject to the urban renewal amendment process with the individual review of each amendment and projects by the City Council and other authorities as directed by the Code of Iowa, are approved.

Projected Available TIF Revenues and Expenditures Assessment Years 2017-2036 (Paid and Collected in FY2018/19 to FY2037/38)



**APPENDIX C - APPROVED ECONOMIC DEVELOPMENT AND REDEVELOPMENT
ACTIVITIES (3RD AMENDMENT)**

Shading indicates new and/or amended text

Agreement with Raccoon Valley Investment Company, L.C.

Original Agreement:

Redevelopment of an existing neighborhood commercial retail center located east of Fleur Drive and north of McKinley Avenue, for commercial retail and residential uses in phases in accordance with the Urban Renewal Agreement with Raccoon Valley Investment Company, L.C., approved by the City Council on June 7, 2004, by Roll Call No. 04-1236, as amended by the First Amendment to the Agreement approved by the City Council on March 7, 2005, by Roll Call No. 05-555. The Agreement, as so amended, provides for an economic development grant for each phase to be paid in thirty semi-annual installments each December 1 and May 15, with each semi-annual installment equal to one-half of the following percentage of the Annual Incremental Tax generated by that phase of the improvements:

<u>Years</u>	<u>Percentage</u>
Years 1-3	100%
Years 4-10	75%
Years 11-15	50%

Phase 1 consists of the Starbucks Restaurant at 4503 Fleur Drive, for which a Certificate of Completion was issued on January 8, 2007, by Roll Call No. 07-049, and the grant installments commenced in FY2008/09.

Phase 2 consists of the Hy-Vee Grocery Store at 4605, 4701 and 4707 Fleur Drive, for which a Certificate of Completion was issued on January 26, 2009, by Roll Call No. 09-109, and the grant installments commenced in FY2010/11.

Second Amendment to the Agreement:

Phase 3 consists of the redevelopment of a vacant building at 4519 Fleur Drive for restaurant use in accordance with the Second Amendment to the Agreement approved by the City Council on May 23, 2016 by Roll Call No. 16-1413, which provides for an economic development grant to be paid in semi-annual installments each December 1 and May 15, commencing on December 1st of the second calendar year after the calendar year in which the Phase 3 improvements are substantially complete, with each installment equal to one half of the Annual Incremental Tax generated by that phase of the improvements. The final payment will be the payment due May 15, 2028. A Certificate of Completion was issued on January 9, 2017 by Roll Call 17-0045. Phase 3 consists of a Restaurant at 4519 Fleur with the grant installments scheduled to commence in FY2018/19.

Third Amendment to the Agreement:

The development of a vacant parcel east of the 4500 block of Fleur Drive for hotel use in accordance with a proposed Agreement with Raccoon Valley Investment Company, L.C., which provides for an economic development grant to be paid in semi-annual installments each December 1 and May 15 commencing on December 1st of the second calendar year after the calendar year in which the hotel improvements are substantially complete, with each semi-annual installment equal to one half of the

following percentage of the Annual Incremental Tax generated by that phase of the improvements. The final payment will be the payment due May 15, 2034.

<u>Years</u>	<u>Percentage</u>
Years 1-15	100%

Agreement with McKinley Manor, LLC (d/b/a Percy’s Landing Senior, LP)

Original Agreement:

Renovation to the currently vacant former Percy Hoak Elementary School Building located at 1801 McKinley Avenue, to utilize the building for 21 new senior housing apartment units on a project to be known as Percy’s Landing; in accordance with the Urban Renewal Agreement with McKinley Manor, LLC (d/b/a Percy’s Landing Senior, LP), approved by the City Council on April 5, 2021, by Roll Call No. 21-0542.

The Agreement provides for an economic development grant of \$30,000 paid annually from the Fleur Drive Commercial TIF District over a 6-year period (totaling \$180,000), and an overlapping 10-year, project-generated economic development grant, paid in thirty semi-annual installments each December 1 and May 15, with each semi-annual installment equal to one-half of the following percentage of the Annual Incremental Tax generated by that phase of the improvements:

<u>Years</u>	<u>Percentage</u>
Years 1-10	100%