

**OFFICE OF THE CITY MANAGER
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-048
FEBRUARY 5, 1996 AGENDA**

| SUBJECT: | TYPE: | PREPARED BY: | SUBMITTED BY: |
|------------------------------------|---|---|----------------------------------|
| HIATT SQUARE URBAN RENEWAL PLAN | ◆ RESOLUTION ORDINANCE RECEIVE/FILE | SCOTT STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR | ERIC A. ANDERSON CITY MANAGER |

SYNOPSIS —

On the February 5, 1996, Council agenda are several roll calls relating to the proposed Hiatt Square Urban Renewal Area which is located in the vicinity of E. 14th Street and E. University Avenue:

- Resolution of necessity to identify the area as being eligible for urban renewal designation;
- Receive and file the Plan & Zoning Commission recommendation;
- Open and close a public hearing on the Hiatt Square Urban Renewal Plan; and
- Ordinance to designate the area as a tax increment financing district.

This area is also located within the Capitol Park Neighborhood, as designated by the City Council, and contains a part of the E. University Avenue corridor that is being targeted for various public improvements to improve its safety and appearance.

FISCAL IMPACT —

No expenditures are shown in the plan other than allocating up to \$2,000 annually for landscaping and infrastructure improvements starting in 1997. These funds will be generated from the tax increment revenues on a cash-available basis with no bonding.

At this time, the Hiatt Square urban renewal area generates about \$13,000 in property tax revenues each year. With the proposed development of an Osco Drug store at the southwest corner of E. 14th Street and E. University Avenue, property tax revenues will *increase* by an additional \$20,000+ per year after the three-year 100 percent tax abatement is completed in 1998. At that time, it is anticipated that an amendment will be made to the plan to utilize the additional TIF funds.

RECOMMENDATION —

Acceptance and approval of:

- Resolution of Necessity for designating the Hiatt Square Urban Renewal Area as a blighted area;
- Receive and file Plan & Zoning Commission's recommendation;
- Hiatt Square Urban Renewal Plan; and
- First reading of ordinance to designate the Hiatt Square Urban Renewal Area as a tax increment financing (TIF) district and waiver of subsequent readings.

BACKGROUND —

Purpose

The purpose of the Hiatt Square Urban Renewal Plan is to provide for the development of a neighborhood commercial project area which is consistent with the City's Comprehensive Plan as it is amended by the Capitol Park Neighborhood Action Plan. This proposed area, zoned for retail and highway-oriented commercial uses, has a mixture of residences and small commercial operations interspersed with vacant parcels which has deterred commercial growth.

The urban renewal plan and the tax increment financing have a ten-year duration which expires on December 31, 2006.

Urban Renewal Plan Activities

Property Acquisition and Disposition:

Map 5 of the urban renewal plan designates the properties which may be acquired. It is the City's intent that if any acquisitions are undertaken, the developer and the City would have an executed agreement that all City costs will be reimbursed.

Other:

The plan allows the City to provide relocation assistance; undertake acquisition, demolition, and site preparation; rezone property; and construct infrastructure on public property in the area.

Tax Increment:

The Hiatt Square Urban Renewal Area is proposed for designation as a tax increment financing (TIF) district. The use of the TIF revenues is on a cash-available basis with no bonding to be used to finance projects with future projected revenues. The urban renewal plan contains a financial condition report which provides general details on the overall financial condition of the urban renewal area with regard to TIF-urban renewal-related debt and anticipated property tax revenues.

The TIF revenues will be used for public improvements after project-specific approval of the City Council. At this time, an annual TIF payment of \$500-\$2,000 will be made to assist in leveraging other sources of funding for landscaping, street and sidewalk improvements, etc. in the urban renewal area.

Consultation:

A recent change in the Code of Iowa, Chapter 403 (Urban Renewal), requires cities to undertake consultation with other governmental entities receiving property tax revenues from an urban renewal area that utilizes tax increment financing when an urban renewal plan is created.

The consultation with the other governmental entities—Polk County, the Des Moines Independent School District, and Des Moines Area Community College—was held on January 4, 1996. Representatives from Polk County and the School District attended; both verbally indicated no opposition to the proposed plan, and a letter from the County indicating the same was received.

Review of the Proposed Plan

Capitol Park Neighborhood Association:

The Capitol Park Neighborhood Association has informally reviewed this plan. Their suggestion that the City Council request the Association's opinion on the uses of the tax increment funds and to

balance the needs of the neighborhood, as expressed in the Capitol Park Neighborhood Action Plan with the East University Beautification Project, has been incorporated into the urban renewal plan.

Urban Renewal Board:

The Urban Renewal Board, at its January 9, 1996, meeting, recommended adoption of the plan but noted:

- the Urban Renewal Board objection to having out-of-town workers constructing projects in urban renewal areas because it removes money from the local economy, *although the development of the Osco Drug store will use local construction workers*; and
- that TIF improvements should be undertaken with local workers.

Plan & Zoning Commission:

The Plan & Zoning Commission met on February 2, 1996 and will forward its recommendation under separate communication.