



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 12/19/05
702

Communication No.: 05-

Agenda Item Type: Resolution

Roll Call No.:

Submitted by: Richard Clark, Acting City Manager

SUBJECT—

Resolution Authorizing Application for Enterprise Zone Certification for the Proposed Ingersoll Enterprise Zone

SYNOPSIS—

Council is requested to designate Ingersoll an Enterprise Zone and submit an application to the State of Iowa for Enterprise Zone certification of this area. The Enterprise Zone Program is a special package of State tax incentives designed to encourage reinvestment in designated areas. The proposed Ingersoll Enterprise Zone is bounded by High Street to the north, Ingersoll Avenue to the south, 19th Street to the east, and approximately 50-60 feet east of 20th Street to the west. One percent (1%) of the land area in Polk County may be certified as Enterprise Zones. This action will increase the total acres Enterprise Zones by 5 to 3,746 acres countywide. Forty acres will remain available for future designation.

FISCAL IMPACT—

N/A

RECOMMENDATION—

Approval

BACKGROUND—

In May 1997, the Governor signed into law House File 724, as amended, which provides that certain eligible cities and counties may designate areas as Enterprise Zones and apply to the State of Iowa for Enterprise Zone certification. The intent of the legislation is to promote economic development in economically distressed areas throughout Iowa.

Beneficiaries of the Enterprise Zone Program include housing developers and office and industrial businesses. Housing developers that construct or rehabilitate housing in a certified Enterprise Zone may obtain:

- 10% income tax credit with a carry forward of 7 years.
- 100% refund of sales, service and use taxes paid on materials used and services provided, including utilities, in construction contracts.

Businesses (excluding retail or those whose entrance is limited by a cover charge or membership requirement) that locate or expand in a certified Enterprise Zone may obtain:

- 10% investment tax credit for capital investments of \$500,000 or greater with a carry forward of 7 years; applies to machinery, equipment, buildings and other improvements, and newly-acquired land.
- 3% withholding tax credit for job training.
- 13% research activities tax credit (refundable).
- 100% refund of sales, service and use taxes paid on materials used and services provided, including utilities, in construction contracts.

Housing developers must meet all of the criteria listed below.

- Build or rehabilitate a minimum of four single-family homes not to exceed \$140,000 per home or one multiple dwelling unit (3 or more units) not to exceed \$140,000 per unit.
- Homes/units must include necessary amenities and must meet U.S. Department of Housing and Urban Development housing quality and local safety standards.
- Construction or rehabilitation must be completed within two years from start of construction.

Office and industrial businesses must be located in a certified Enterprise Zone and must meet all of the following eligibility criteria. In addition, businesses cannot close or reduce their operations in one area of the State and relocate substantially the same operation into the Enterprise Zone. Businesses must:

- Make a \$500,000 capital investment. Existing businesses that have operated in the Enterprise Zone for at least five years may count up to \$250,000 of the appraised value of their investment in land and buildings to satisfy this requirement.
- Pay an average wage that is at least 90% of the average county wage or average regional wage, whichever is lower, but not less than \$7.50/hour. This is estimated to be \$14.34/hour in Polk County, as currently determined by the Iowa Department of Economic Development.
- Pay at least 80% of standard medical and dental insurance premiums for all full-time employees or provide an equivalent plan.
- Create a minimum of 10 full-time jobs and maintain these positions for at least 10 years.

On August 21, 1997, the Iowa Department of Economic Development (IDED) Board of Directors certified the Agribusiness Enterprise Zone, located in east/southeast Des Moines, and the Enterprise Community Enterprise Zone, located north of the downtown, which will be in effect until August 2007, including any future amendments to these zones. On July 22, 1999, the Board certified the Gateway Enterprise Zone, located in the Central Business District, which will be in effect until August 2009.

The City is applying to the State of Iowa to designate Ingersoll an Enterprise Zone. This area, which contains approximately five acres, meets the State's eligibility criteria for certification because 11.9% of the housing units are vacant in census tract 27, block group 3 (U.S. Census 2000), which exceeds the 10% threshold, and is a blighted area as defined in Iowa Code Section 403.17. Portions of the site are deteriorated, the area has been vacant for a minimum of five years, and there are other factors that preclude economic growth.

The IDED Board of Directors is anticipated to take action on the City's application in January 2006. Upon certification, the proposed Ingersoll Enterprise Zone will be in effect for 10 years until January 2016. Although incentives must be conferred prior to the end of the 10-year period, the benefits provided may extend beyond this timeframe.

Enterprise Zone certification will assist the City of Des Moines in attracting new investment to the Ingersoll Avenue (former Thompson Trust) site. The use of State tax incentives will act as leverage and help make projects financially feasible.