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Title of Document: Second Amendment to the Northeast Gateway 1 Urban Renewal Plan
Grantor/Grantee: City of Des Moines, Iowa
Related Documents: Northeast Gateway Revitalization Plan

Second Amendment
to the
Urban Renewal Plan
for the
Northeast Gateway 1 Urban Renewal Area

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

HISTORY

The Urban Renewal Plan for the Northeast Gateway 1 Urban Renewal Area Plan and its subsequent amendments have been recorded in the land records of the Polk County Recorder as follows:

<u>Action</u>	<u>Date Adopted</u>	<u>Roll Call</u>	<u>Book – Page</u>
Plan Adopted	03-20-2017	17-0529	16439 – 717
1 st Amendment	05-22-2021	17-0908	16502 - 525

PURPOSE

The purpose of this Second Amendment to the Urban Renewal Plan for the Northeast Gateway 1 Urban Renewal Area is to:

- ❑ Update Attachment B: the “Financial Condition Report” to update anticipated use of tax increment funds in the future.

- ❑ Update Attachment C: “Approved Economic Development and Redevelopment Activities” which provides a summary of projects proposed to receive tax increment revenues from the Northeast Gateway 1 Urban Renewal Area.

SECOND AMENDMENT TO THE NORTHEAST GATEWAY 1
URBAN RENEWAL PLAN

1. Replace: *Attachment B - Financial Condition Report* with the attached *Attachment B – Financial Condition Report (2nd Amendment)*.

2. Replace: *Attachment C – Approved Economic Development and Redevelopment Activities (1st Amendment)* with the attached and amended *Appendix C – Approved Economic Development and Redevelopment Activities*, which adds the section entitled ILEX Group, Inc. and JE Northridge 2021, LLC, to allow for ten semi-annual economic development grant payments equal to 100% of the project generated tax increment following construction of two warehouse buildings at 4600 NE 14th Street, Des Moines.

Attachment B – Financial Condition Report (2nd Amendment)
Northeast Gateway I Urban Renewal Area

Shading indicates new and/or amended text

The City has, by Ordinance, designated the Northeast Gateway I 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 Northeast Gateway 1 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.

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. If the city wants to undertake an action not specified in the urban renewal plan, it must adopt the proposed change by an amendment to the urban renewal plan. 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 creation of the Urban Renewal Plan for the Northeast Gateway 1 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. 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% 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 Northeast Gateway 1 Urban Renewal Area does not have any outstanding debt arising from the issuance of tax increment notes or bonds.

Property Tax Assessments and Revenues

The base assessed value used to calculate the projected Tax Increment Revenue for the Northeast Gateway 1 Urban Renewal Area is approximately \$15.6 million. The total taxable value of all property within the Urban Renewal area as of January 1, 2020, is approximately \$19.8 million, resulting in a new increment valuation of approximately \$4.3 million, which would generate approximately \$170,000 of Tax Increment Revenue in FY2021/22.

Future Financial Condition

Shown below is a table that projects estimated increment valuations in the Northeast Gateway 1 Urban Renewal Area. In this Financial Condition Report, the estimated Tax Increment Financing valuation used is 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%. The Tax Increment Revenue generated by the assessed value existing on any January 1st is paid and collected in the fiscal year commencing 18 months later. The “TIF Valuation Used” in the financial projection below will be updated to reflect any projects as they are approved and added to the plan.

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	15,565,140	16,857,940	1,292,800	-	52,876	-	0%
2018	15,565,140	18,039,680	2,474,540	534,105	101,339	21,873	22%
2019	15,579,950	19,144,606	3,564,656	803,216	145,723	32,835	23%
2020	15,579,950	19,842,300	4,262,350	918,000	170,494	36,720	22%
2021	15,579,950	20,489,935	4,909,985	1,147,500	196,399	45,900	23%
2022	15,579,950	21,147,284	5,567,334	1,377,000	222,693	55,080	25%
2023	15,579,950	21,814,493	6,234,543	1,377,000	249,382	55,080	22%
2024	15,579,950	22,141,710	6,561,760	1,606,500	262,470	64,260	24%
2025	15,579,950	22,473,836	6,893,886	1,606,500	275,755	64,260	23%
2026	15,579,950	22,810,943	7,230,993	1,836,000	289,240	73,440	25%
2027	15,579,950	23,153,108	7,573,158	1,836,000	302,926	73,440	24%
2028	15,579,950	23,500,404	7,920,454	-	316,818	-	0%
2029	15,579,950	23,852,910	8,272,960	-	330,918	-	0%
2030	15,579,950	24,210,704	8,630,754	-	345,230	-	0%
2031	15,579,950	24,573,864	8,993,914	-	359,757	-	0%
2032	15,579,950	24,942,472	9,362,522	-	374,501	-	0%
2033	15,579,950	25,316,609	9,736,659	-	389,466	-	0%
2034	15,579,950	25,696,359	10,116,409	-	404,656	-	0%
2035	15,579,950	26,081,804	10,501,854	-	420,074	-	0%
2036	15,579,950	26,473,031	10,893,081	-	435,723	-	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.

**Attachment C – Approved Economic Development and Redevelopment
Activities (2nd Amendment)**

Northeast Gateway I Urban Renewal Area

Shading indicates new and/or amended text

The following listing provides a summary of projects approved by the Des Moines City Council for receipt of tax increment funding in accordance with the terms and conditions contained in the specific project development agreement.

Thompson Properties, L.C.

New construction of a 50,000 square-foot operations and warehouse center for Heating and Cooling Supply Company to be located at 1105 and 1125 East Broadway Avenue. The Urban Renewal Development Agreement with Thompson Properties, L.C. was approved by the City Council on March 20, 2017 by Roll Call No. 17-0535, and provides for twenty semi-annual economic development grant payments equal to 100% of the project generated tax increment. Payments will continue until the entire twenty payments are completed or until the total amount paid equals \$350,000 at a net-present-value discounted at 6%, whichever occurs first.

ILEX Group, Inc. and JE Northridge 2021, LLC

New construction of two speculative warehouses, which buildings are expected to contain 164,026 and 186,350 square feet, respectively, to be located at 4600 NE 14th Street. The Urban Renewal Development Agreement with ILEX Group, Inc. and JE Northridge 2021 Group, LLC, was approved by the City Council on June 28, 2021, Roll Call No. 21-0983 and provides for ten semi-annual economic development grant payments equal to 100% of the project generated tax increment, following anticipated tax abatement on a sliding scale for a ten-year period. Economic development grant payments will continue until the entire ten payments are completed or until the total amount paid equals \$3,100,000 at a net-present-value discounted at 4.5% (\$4,300,997.00 cash basis), whichever occurs first.