

# **CITY OF DES MOINES, IOWA**

## **Tax Increment Financing Policy**

### **PURPOSE**

The fundamental purpose of Tax Increment Financing (TIF) is to reduce blight and/or encourage development or redevelopment within established Urban Renewal Areas with designated tax interment financing (TIF) districts. The policies contained herein are established in an effort to sustain, develop, and expand the City of Des Moines' economic base by leveraging private investment for development and provide a mechanism for essential public improvements within specific targeted areas. This policy is designed to be consistent with Chapter 403 of the Code of Iowa, and provide flexibility to the city consistent with the city's Strategic Plan and Comprehensive Plan.

It is the policy of the City of Des Moines to consider the judicious use of TIF for those projects that demonstrate a substantial and significant public benefit. Even though this policy is intended to provide direction and clarify the process, it is not intended to resolve all the details and complexities of tax increment financing arrangements. This policy shall not be construed as obligating the City to use TIF for any or all projects that satisfy the criteria set forth in this policy. The decision to provide TIF incentives shall be at the sole discretion and approval of the Des Moines City Council and shall be determined on a case-by-case basis. Care will be exercised in the use of TIF by thoroughly evaluating each project to ensure that the benefits that accrue from the approval of a TIF investment project are appropriate for the costs that will result. Meeting policy criteria does not guarantee the award of business assistance to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

### **GOALS AND OBJECTIVES**

The policies and guidelines herein exist to achieve the following public benefits:

1. Remove slum/blight by encouraging redevelopment of residential, commercial, or industrial structures and/or areas.
2. Promote projects that create and retain local jobs and promote diversity of jobs that offer stable employment and attractive wages and benefits.
3. Assist in the development and redevelopment of a variety of housing units, when other private or public funding sources are not available.
4. Increase and diversify the long-term tax base.
5. Help stabilize and revitalize city neighborhoods.
6. Finance appropriate public improvements.

7. Assist, in conjunction with other private and public funding sources, the expansion, retention, or modernization of existing business and industry.
8. Reduce or abate environmental or other hazards which create a barrier to development.
9. Recognize and evaluate the significant positive impacts of loss leaders - projects that if not done, will lead to larger problems in the area.
10. Offset increased costs of development over and above the costs normally incurred in development (i.e. contaminated site clean-up, underground utilities, etc.).
11. Assist in the revitalization of historic or architecturally significant or deteriorated buildings.
12. Promote the adaptive re-use of obsolete or deteriorating property into other appropriate uses.
13. Encourage urban in-fill projects that may increase or decrease density consistent with the city's comprehensive plan.
14. Foster high quality development that will retain its value and inspire similar high quality in the development of the surrounding area.
15. Accomplish other goals identified in the city's Strategic Plan as noted in Appendix A.
16. Accomplish other objectives identified in the applicable Urban Renewal Plan.

## **GENERAL TIF POLICIES**

1. An Urban Renewal Plan shall be developed for each district and approved by the City Council that sets out the key objectives of the district.
2. The maximum life for an Economic Development TIF District shall not exceed 20 years. A TIF District with a slum and blight designation shall continue in effect until terminated by action of the City Council but in no event before the City has received full reimbursement from TIF of its advances and principal and interest payable on all TIF financing or general obligations issued to carry out the objectives of the applicable Urban Renewal Plan.
3. The City's Office of Economic Development and Finance Department will perform an analysis for each TIF District at least five years before expiration of the district to ensure that valuations are returned to the tax base in compliance with this policy.
4. The duration of any payments from TIF cannot exceed the term of the applicable TIF District.
5. The City shall return or release annually an increment amount not less than 25% of the total consolidated tax increment for all city-wide tax increment districts.
6. All tax increment financing incentive recommendations exceeding 15-years or 75% of the project TIF revenue generated must be reviewed by the Debt Review Committee prior to seeking City Council approval on preliminary and final terms of a development agreement.
7. TIF assistance should not exceed 15% of the project's financing stack, with a preference to be 10% or less. TIF assistance should not exceed private capital investment into the project, nor be used to reduce or supplant the amount of private investment in the project. Financing gap must be identified through underwriting,

- evaluation of future TIF projection, and City ROI by the Office of Economic Development. Any recommendations exceeding these thresholds must be reviewed by the Debt Review Committee prior to seeking City Council approval on preliminary and final terms of a development agreement.
8. TIF funding should not be provided to those projects that fail to meet good public policy criteria as determined by the City Council, including: poor project quality; projects that are not in accord with the Strategic Plan, Comprehensive Plan, and city policies; and projects that provide no significant improvement to surrounding land uses, the neighborhood, and/or the city.
  9. TIF funding for projects that propose to create or retain jobs within the respective Urban Renewal Area will be evaluated based on the following considerations:
    - a. The number of jobs to be created or retained, and the wages and benefits levels to be paid on the jobs,
    - b. The level of private investment to be made in new facilities to support the project's job creation or retention,
    - c. If the proposed project is in leased space, the project's square footage as a percentage of total building space, the resulting impact on the building occupancy, the project's level of investment to be made in the leased space, and the project's occupancy costs relative to other competitive locations,
    - d. Other federal, state or local resources proposed for the project, and the level of City funding, if any, required to match other federal, state or local resources.
    - e. Depending on the level of total TIF and/or other city funding, projects may be required to meet certain criteria regarding the number of quality jobs created and/or retained.
  10. TIF funding may be used for retail projects that comply with the City Council approved Downtown Retail Development Plan (RC 97-1436, dated 4-21-97) plan.
  11. The City strongly prefers projects where TIF investment is project generated and distributed upon completion of the project and any eligible abatement period. District generated or non-project generated TIF and concurrent TIF use with tax abatement should only be considered in cases where the project has the following:
    - a. Additional significant public benefit in addition to the new taxable valuation. For example, a public amenity such as a park development, public infrastructure above and beyond standard improvements, site remediation, or an affordable housing component.
    - b. Negative impacts to City debt service, operations, and impact to other projects (development and CIP) has been evaluated by the Debt Review Committee.
  12. Developer interest costs, developer fees, and developer return on investment shall not be factored for TIF assistance if such costs, fees or return place the City of Des Moines in a deficit position, or a position where public funds are determined to be carrying more than a reasonable share of costs, or an unreasonable amount of risk.
  13. Projects that encourage additional unsubsidized private development in the area, either directly or indirectly through "spin off" development may be given special consideration.
  14. If TIF funds are to be used in financing public facilities or public infrastructure within an Urban Renewal Area, the Finance Department in conjunction with other City Departments will provide to City Council, prior to approval of the use of TIF funds, a

- 10-year estimate of the operating costs, maintenance and replacement costs for the project.
15. The Developer/Applicant must not be in breach of any existing development agreement, in violation of the Municipal Code, delinquent in any debt owed to the City of Des Moines or have delinquent property taxes.
  16. The Developer should be able to demonstrate a market demand for a proposed project.
  17. If the city has already extended TIF funds to improve a property (infrastructure or buildings), the city may reduce the amount of TIF assistance for subsequent improvements to the property or decline to provide any TIF assistance.

**This Policy shall be reviewed on or before June 30, 2021.**

### **VIBRANT CAPITAL CITY**

- a. Regional destination for tourism - historic, sports, state government.
- b. Quality of life amenities for current residents and attracting new residents.
- c. Beautiful City with attractive corridors/parks, underground utilities, no tolerance for blight.
- d. Major and growing employment center with 21 century jobs.

### **GREAT NEIGHBORHOODS**

- a. Quality, well maintained public infrastructure: streets, utilities, sidewalks, curbs/gutters, storm water, trees Walkable, pedestrian friendly neighborhoods.
- b. Buildings and homes meeting City codes and standards - no visual blights.
- c. Neighborhood retail and restaurants serving the needs of neighbors.
- d. Walkable neighborhood parks with a variety of amenities.

### **ALIVE DOWNTOWN**

- a. Walkable and pedestrian friendly.
- b. Reputation and reality as a "safe, clean and well lighted" place.
- c. Public park with amenities: playground, splash pad, ball fields, and picnic areas with pavilions.
- d. Preferred location for youth, professional families living in and around Downtown.
- e. Transportation options for easy access to Downtown.
- f. Arts and cultural destination for the Des Moines region.
- g. Well maintained buildings and structures adding value to Downtown.
- h. Well maintained public infrastructure: streets, sidewalks, traffic signals, street lights, bridges, water system, skywalks, trees.

### **THRIVING REGIONAL ECONOMY**

- a. Strong financial and insurance businesses.
- b. Variety of growing small, locally owned businesses.
- c. New airport terminal with convenient and affordable air fares with connections to the world.
- d. State-of-the-art technology infrastructure serving the needs of current and future businesses.
- e. Collaborative research and development with businesses and universities.
- f. Preferred location for national headquarters and major regional offices.
- g. Workforce development for 21 century job opportunities.
- h. Major center for medical and healthcare service.
- i. Advanced technologically based manufacturing.
- j. Strong working relationship among economic development partners – producing results that expand the Des Moines regional economy.