

City of West Des Moines

Tax Increment Financing Incentive Programs and Policies

Effective July 20, 2020

GENERAL GOALS:

The goals of the City of West Des Moines' Tax Increment Finance (TIF) programs include the following:

1. To enhance areas in the City for the purpose of stimulating private investment in industrial and commercial development.
2. To increase commercial and industrial development and investment which will increase the taxable property valuations and stimulate economic growth.
3. To create gainful employment opportunities within the City of West Des Moines.
4. To offset the costs of commercial development and redevelopment which may not otherwise occur without the support of the City through such incentives.
5. To drive future development through strategic public infrastructure improvements.
6. To encourage redevelopment of older or underutilized areas of the City.
7. Other goals as stated in the City's Strategic Plans.

GENERAL POLICIES:

The following are the policies for the TIF programs:

1. Any project making an application for TIF funds must be located in a designated Urban Renewal Area (URA) and included in an urban renewal project description in the Urban Renewal Plan (or Amendment) for the URA. If the project is not in a designated URA, Council will have full discretion to determine if a new URA should be created or if an existing URA should be amended to include the project property. Likewise, if the project is not described in the applicable Plan, Council will have full discretion to determine if the applicable Plan should be amended to describe the project.
2. This policy shall not be interpreted as obligating the City to use TIF for any 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 City of West Des Moines City Council and shall be determined on a case by case basis. The use of TIF to support a project is also subject to completion of all processes required by the Iowa Code (including notice and public hearing as applicable).
3. The City will not consider projects that have already been initiated through the issuance of building permits.
4. The City may provide TIF funds for a project involving the construction of City infrastructure and structures.
5. The City will prioritize the use of TIF funds for public infrastructure improvement.

6. The City may consider the use of TIF funds for an economic development project that is considering other locations outside of West Des Moines in order to maintain a competitive business advantage subject to the limitations related to “relocation” of businesses set by the Iowa Code.
7. The City may use TIF to invest in public facilities designed to improve the overall public safety and quality of life for the purpose of providing quality services to its citizens.
8. Under normal practice, retail stores, service stations, and restaurants are traditionally not eligible for TIF incentives. Such projects proposing financial assistance will be reviewed on a case by case basis and eligibility will be at the full discretion of City Council.
9. As a general rule, the City does not offer property tax abatements where the property owner pays no or reduced property taxes on a development site. The City will provide, to eligible economic projects, a property tax rebate in which case the property owner pays the full property tax assessment on the development site and after the property taxes have been paid on the development property, the City calculates the TIF rebate rate. Generally, the TIF rate is figured on the full property tax rate minus any rollbacks and any portion of the tax levy of the taxing jurisdictions that is going to retire bonds. It is then that the City, at the discretion of City Council, may refund a portion or all of the tax increment back to the property owner of the development site. Please see Exhibit I (attached) for a sample of a property tax rebate schedule.
10. The City may consider other funding alternatives such as economic development grants. Such funding will be at the discretion and approval of City Council.
11. The City may use a 5-year sliding scale or the monetary equivalent support of a qualifying High Quality Jobs application through Iowa Economic Development Authority.
12. Any award offered is contingent upon Council review and approval of a development agreement.
13. Developers shall reimburse the City all costs incurred in connection with the negotiation, drafting and approval of the development agreement, including, but not limited to, publication fees for legal notices, actual costs associated with City Council meetings, reasonable legal fees, and all costs associated with the preparation and adoption of any necessary amendment to the Urban Renewal Plan. Furthermore, if a developer requests that the City initiate the development agreement preparation process and subsequently cancels the project, the developer will be responsible for all costs incurred by the City.

APPLICATION PROCEDURE:

1. Any developer/business interested in applying for TIF funding shall submit a TIF funding application as early as possible in the planning process. At a minimum, the application must be submitted prior to submittal of a site plan or plat, as applicable. The application can be found at www.wdm.iowa.gov/CED.
2. Once an application for TIF funding is submitted to the Community and Economic Development Department, the Finance and Administration City Council Subcommittee will review the project. If the Council Subcommittee determines the application is acceptable for funding, staff will be directed to submit the request to the full City Council for approval to prepare an appropriate Development Agreement. That finalized agreement will be subject to approval by the full City Council.

INCENTIVE PROGRAMS

A. 5-year Sliding Scale Program

The City may provide, to eligible economic projects, a property tax rebate in which case the property owner pays the full property tax assessment on the development site and after the property taxes have been paid on the development property, the City calculates the TIF rebate rate. Generally, the TIF rate is figured on the full property tax rate minus any rollbacks and any portion of the tax levy of the taxing jurisdictions that is going to retire bonds. It is then that the City may refund a portion or all of the tax increment back to the property owner of the development site.

Please see Exhibit II (attached) for a sample of a Tax Increment rebate calculation. The first year of the incentive is a 75% rebate of the Tax Increment, the second year is a 60% rebate, the third year is a 45% rebate, the fourth year is a 30% rebate, and the fifth year is a 15% rebate, with all rebates being subject to a non-appropriation in any given year.

The following factors may be considered in determining whether a project is eligible for TIF funding:

1. The project is applying for High Quality Jobs funding through Iowa Economic Development Authority or other state programs that require a local match.
2. The project is a new or existing business that is improving property with increased taxable valuation.
3. The project creates or maintains quality employment in the community.
4. The project meets or exceed the development standards established by the City and is compatible with the surrounding zoning and development.
5. Without the use of TIF funds, the project would not occur in West Des Moines, or the scope of the project would be reduced.
6. Any other considerations determined by the City Council to be relevant.

City Council may consider incentivizing beyond the 5-year Sliding Scale if the following factors apply:

1. The project creates a significant number of new jobs.
2. The project create new jobs that pay at least 125% of the median income from the respective county and provide insurance benefits.
3. The project has considerable capital investment that would significantly impact the taxable valuation.
4. The project demonstrates that other locations outside of the City are being considered and that there is a need for additional incentives in order to make the West Des Moines location competitive subject to the limitations related to “relocation” of businesses set by the Iowa Code.
5. Any other considerations determined by the City Council to be relevant.

B. Targeted Area Property Tax Rebate Program (“TAPTRP”)

The intent of the Targeted Area Property Tax Rebate Program (previously named ‘Property Tax Rebate Program’), originally adopted by Council on September 6, 2016, is to encourage development and

redevelopment in areas of the City that are vacant or underutilized. The TAPTRP program will consider a five-year, 100% rebate of Tax Increment (described above) generated by the increase in valuation of business properties located within designated eligibility areas.

In order to be eligible, a business/developer must invest a minimum of \$500,000 in the property and create or retain an equivalent of five (5) full time positions. All rebates will be subject to a non-appropriation in any given year. The developer/business will be required to enter into a 10-year minimum assessment agreement with the City.

Unlike other financial programs, the TAPTRP program will consider purposes of retail, service, hospitality and mixed use projects which include residential. A rebate will only be given on the residential portion of a mixed-use building if the project is located within an Economic Development URA designated to include the development of Low- to Moderate-Income (LMI) housing or with a Housing URA. The housing units for which a rebate is requested must meet the LMI rental rate for the county and be occupied by LMI qualified renters. Any residential unit for which a property tax rebate is granted shall remain affordable to LMI persons for the life of the development agreement (10-year term).

The following factors may be considered in determining whether a project is eligible for Targeted Area Property Tax Rebate funding:

1. The project is within the eligibility area for the Property Tax Rebate Program (See Exhibit III)
2. The project provides for a significant increase in taxable valuation.
3. The project creates and/or retains jobs.
4. The project plans have undergone a pre-application review by the Development Services Department of the City.
5. The project involves investment in the redevelopment of an existing structure or property?
6. Does the project require any public infrastructure improvements?
7. Any other considerations determined by the City Council to be relevant.

Exhibit I

Standard Property Tax Rebate Schedule

SAMPLE SCHEDULE

Because Iowa taxes are paid in arrears, there is clarification required to accompany each economic development project.

If an economic development project is completed any time throughout any given year, the first full assessment on the property will be the following January 1. A sample schedule is below.

Project Completion Date: July 31, 2021

First Full Assessment: January 1, 2022

Property Tax Payment for January 1, 2022 Assessment (First Installment [1 of 2]): September 1, 2023

Property Tax Payment for January 1, 2022 Assessment (Second Installment [2 of 2]): March 1, 2024

First Rebate to Developer: June 1, 2024

Exhibit II

Standard Property Tax Increment Rebate Calculation

SAMPLE CALCULATION

A.	Existing Valuation:		\$1,000,000
B.	Proposed New Valuation:		\$10,000,000
C.	Incremental Increase (B-A)		\$9,000,000
D.	*TIF Rate (per \$1,000)		\$30.67327
E.	Commercial Rollback (90%)		90%
F.	ANNUAL TAX INCREMENT FROM PROJECT		\$248,453
	(Cx D(per \$1,000) x E)		

Rebate of Tax Increment (if 5-Year Sliding Scale)	%	
Year 1	75%	\$186,340
Year 2	60%	\$149,072
Year 3	45%	\$111,804
Year 4	30%	\$74,536
Year 5	15%	\$37,268

TOTAL	\$559,020
--------------	------------------

* TIF rate is equal to the consolidated tax rate (all taxing entities' full rate applied) LESS the taxing authorities' debt service levy. TIF Rate subject to change annually based on levy rates.

Sample TIF Rate Calculation

Consolidated Tax Rate (Includes County, School, City, and all other associated levies):
\$35.99095

Debt Service Levy (Funds used to retire bonds for applicable taxing authorities): \$5.31768

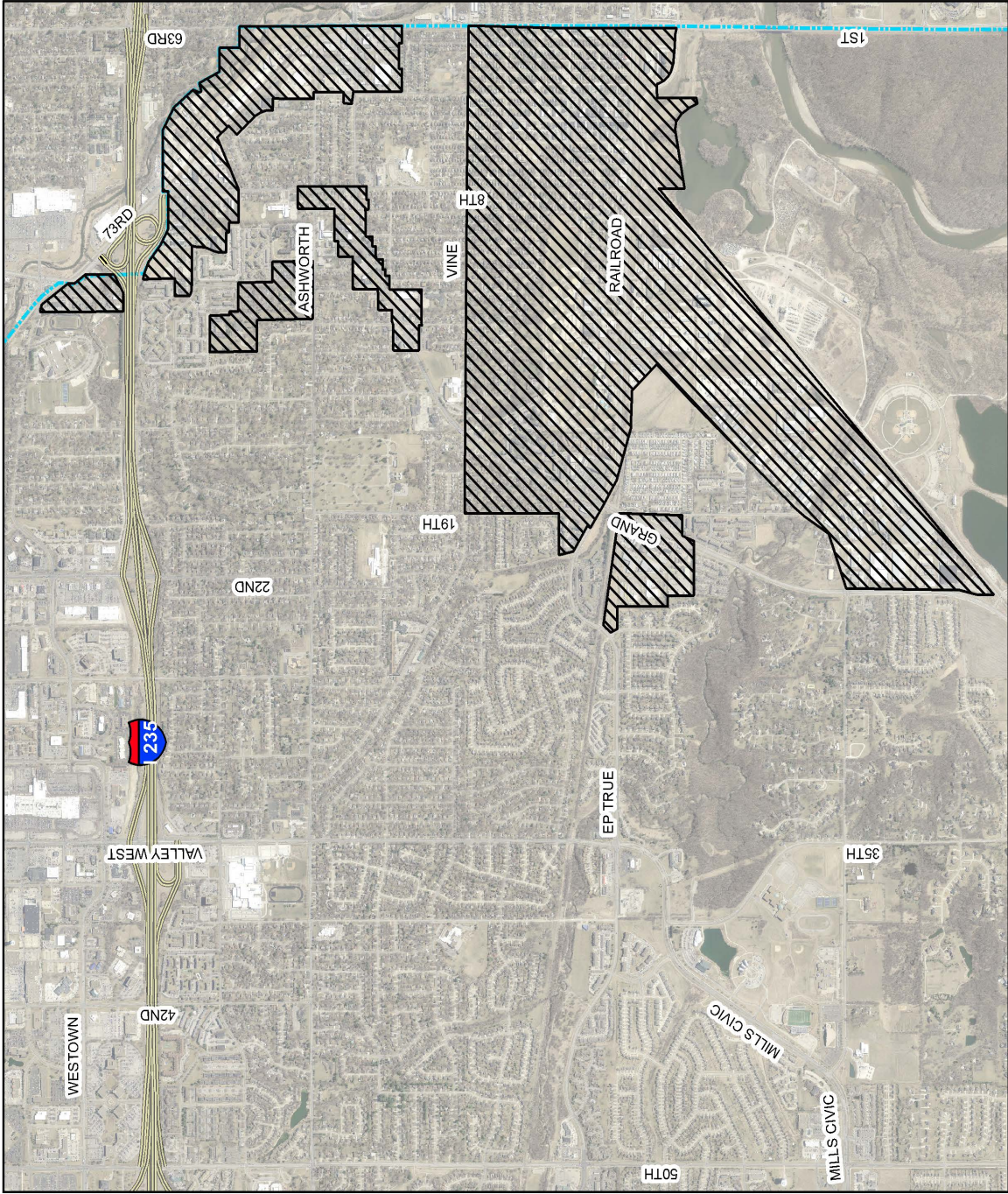
TIF Rate = Consolidated Rate (\$35.99095) LESS Debt Service Levy (\$5.31768) = **\$30.67327**

Everything represented within Exhibit II is to be interpreted as a sample scenario. Figures are subject to change. This should not be constituted as an offer.

Exhibit III

Property Tax Rebate Program Renewal

*As of 1/1/2019



Legend

Eligibility Area as of 1/1/2019

Corporate Limit

