CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Historic West Des Moines Commercial Redevelopment Funding **DATE:** March 21, 2022

RESOLUTION: Amendment of the Property Improvement Fund and the Regulatory Compliance Fund Programs

FINANCIAL IMPACT: The City Council will need to amend FY 2022-2023 budget to reallocate $800,000 from the Historic West Des Moines Housing Program fund to fund the Property Improvement Fund and the Regulatory Compliance Fund Programs for FY 2022-2023.

BACKGROUND: At the City Council meeting of February 21, 2022, following the adoption of the Historic Master Plan Design guidelines, the City Council directed staff to look at possible incentives to assist property owners and tenants in redeveloping existing buildings in the district.

One suggestion was to increase the amount of property tax that could be received by increasing the duration of the rebate from 5 years to 10 years. Staff analyzed the before and after taxable valuations of participating properties in the Regulatory Compliance Fund (RCF) and the Property Improvement Fund (PIF) Programs (See Attachment I). Of the 22 projects only six projects had an investment requirement of more than $500,000. Most of the projects were less than $100,000. While there is not a direct connection between investment amounts, future property tax valuation, and the amount of future TIF funds that a project could potentially receive, the chart shows that even with the increase to a 10-year property tax rebate there would have been a minimal rebate available to most projects. Only when the renovation project involves substantially a total gut of the building will there be an appreciable increase in valuation and thus tax increment. The City would not need to amend its guideline currently in place for the Property Tax Rebate Program to allow a Property Tax Rebate which is a 5-year 100% rebate. The only exception would be if the City was to offer a 10-year 100% property tax rebate for substantial renovation work.

If the Council's aim is to encourage the renovation of existing buildings in the District, the best course of action would be to add additional incentives into the PIF and RCF Programs for projects that involve renovation of existing buildings, particularly those that are considered contributing buildings. Staff would suggest that the Guidelines for both programs be amended whereby contributing buildings or improvements that were going to be made that would make the building a contributing building would be eligible for an additional $25,000 from each program. So, if a contributing building met all the scoring criteria, then that project could receive up to $100,000 rather than $75,000 from each Program. Staff would also note that there is still a cap on City involvement in a project of no more than 35% of the total project.

Presently, neither program has been funded for this upcoming fiscal year. Since the Historic West Des Moines Housing Fund is a three-year commitment, and the City has funded $1,450,000 of the up-to commitment of $2,000,000 in next fiscal year's budget, staff would suggest that up to $800,00 of the $1,450,000 be taken out of those funds to fund the RCF/PIF Programs for the upcoming fiscal year. If the Council wished to pursue that option, staff would suggest we advertise the availability of funds for those programs and take applications in May with an award of funds in June.

OUTSTANDING ISSUES: There are no outstanding issues.

RECOMMENDATION: The Finance and Administration City Council Subcommittee recommends that the City Council pass a motion amending the Property Improvement Fund and the Regulatory Compliance Fund Programs.

Lead Staff Member: Clyde E. Evans, AICP

STAFF REVIEWS

Department Director	Clyde E. Evans, Director, Community and Economic Development
Appropriations/Finance	CE for TS
Legal	
Agenda Acceptance	

PUBLICATION(S) (if applicable)

Published In	Des Moines Register
Dates(s) Published	N/A

SUBCOMMITTEE REVIEW (if applicable)

Committee	F&A		
Date Reviewed	March 9, 2022		
Recommendation	☒ Yes	☐ No	☐ Split

ATTACHMENTS:

Exhibit I	Property Tax Valuation
Exhibit II	Resolution

RCF/PIF Projects

Address	2017 Valuation	2021 Valuation	Valuation Difference	Annual TIF Tax Collected	5-Year TIF Rebate	10-Year TIF Rebate	Investment Requirement
300 4th Street	$424,000	$1,100,000	$676,000	$18,598	$92,989	$185,979	$520,000
209-211 5th Street	$429,000	$510,000	$81,000	$2,228	$11,142	$22,284	$250,000
501 Elm (300 5th Street?)	$353,000	$388,000	$35,000	$963	$4,815	$9,629	$20,000
401 Railroad Place	$762,000	$838,000	$76,000	$2,091	$10,454	$20,909	$4,350
225 5th Street	$324,000	$350,000	$26,000	$715	$3,577	$7,153	$100,000
128 5th Street	$204,000	$152,500	($51,500)	($1,417)	($7,084)	($14,168)	$55,000
404 5th Street	$212,000	$266,000	$54,000	$1,486	$7,428	$14,856	$250,000
225 5th Street	$324,000	$350,000	$26,000	$715	$3,577	$7,153	$72,000
226 5th Street (224 5TH ST)	$398,000	$795,000	$397,000	$10,922	$54,611	$109,221	$285,000
215 5th Street	$381,000	$419,000	$38,000	$1,045	$5,227	$10,454	$26,100
400 4th Street	$224,000	$323,000	$99,000	$2,724	$13,618	$27,237	$50,001
542 5th Street	$127,000	$562,500	$435,500	$11,981	$59,907	$119,813	$600,000
117 5th Street (115 5th St)	$355,000	$390,000	$35,000	$963	$4,815	$9,629	$29,000
131-135 5th Street	$500,000	$726,000	$226,000	$6,218	$31,088	$62,176	$17,000
133 5th Street	$282,000	$1,500,000	$1,218,000	$33,509	$167,546	$335,092	$1,500,000
234 5th Street	$255,000	$280,000	$25,000	$688	$3,439	$6,878	$500,000
113 South 11th Street	$925,900	$2,620,000	$1,694,100	$46,607	$233,037	$466,075	$650,000
300 4th Street*							
312 5th Street	$191,500	$451,000	$259,500	$7,139	$35,696	$71,393	$655,000
501 Elm (300 5th Street)*							
139 4th Street	$328,000	$473,000	$145,000	$3,989	$19,946	$39,892	$353,500
545 5th Street	$120,000	$157,000	$37,000	$1,018	$5,090	$10,179	$250,000
Total	**$7,119,400**	**$12,651,000**	**$5,531,600**	**$152,183**	**$760,917**	**$1,521,833**	**$6,186,951**

* Round 1 recipient not included in totals.

Key	
	Round 1
	Round 2
	Round 3
	Round 4
	Round 5
	Round 6

EXHIBIT I

RESOLUTION

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WEST DES MOINES, IOWA AMENDING ECONOMIC INCENTIVE POLICIES FOR REDEVELOPMENT IN CERTAIN AREAS OF THE CITY

WHEREAS, the City Council of the City of West Des Moines, Iowa wishes to promote economic development within the City of West Des Moines;

WHEREAS, the continued quality growth of retail/office/mixed use/industrial users within the City aids in the creation of jobs; increase in tax base; and the general economic well-being of the City;

WHEREAS, the City Council on February 6, 2017, created the Property Improvement Fund (PIF) and the Regulatory Compliance Fund (RCF) Programs to promote development and redevelopment within the Historic Valley Junction Commercial District;

WHEREAS, the City Council wishes to modify the programs to better align with renovation of existing commercial structures, stabilize existing structures, make sure that renovation work is consistent with the Historic West Des Moines Design Guidelines, limit the City's total financial commitment to a project, and modify the Scoring Criteria for both programs to be in alignment with these changes.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WEST DES MOINES DOES ENACT THE FOLLOWING ECONOMIC DEVELOPMENT INCENTIVE POLICY AMENDMENTS FOR THE PROPERTY IMPROVEMENT FUND AND THE REGULATORY COMPLIANCE FUND:

Section 1. That the Property Improvement Fund Program is amended as depicted in Attachment I.

Section 2. That the Regulatory Compliance Fund Program is amended as depicted in Attachment II.

PASSED AND ADOPTED this 21st day of March 2022.

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Russ Trimble, Mayor

ATTEST:

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Ryan T. Jacobson, City Clerk

Property Improvement Fund

Program: Property Improvement Fund (PIF)

Purpose: To provide assistance to property owners in the renovation and upgrade of older commercial, office, industrial, and mixed-use properties within the designated areas.

Projects eligible for funding include but are not limited to:

1. major renovation of structural elements of the building, including new or replacement roofs;
2. total renovation and rehabilitation of underutilized building areas;
3. awning and facade improvements;
4. additions to existing buildings; and
5. the cost associated with professional services of an architect, engineer, or other design professional.

These funds may be used in combination with the Regulatory Compliance Funds (RCF). Unless otherwise approved by the City Council, the amount of the award from both Programs shall not exceed 35% of the total project costs.

These funds cannot be used with the Property Tax Rebate Program (PTR), UNLESS only the tenant is the recipient of the PIF, and the tenant has no affiliation with the property owner (cannot be the same ownership).

Eligible Areas: Historic West Des Moines study area.

Program Funding: Property owners within the designated areas are eligible to apply for funding of a loan up to $75,000. *For those properties that are considered contributing according to the National Historic District nominating application or as a result of the proposed improvements would be considered a contributing building will be eligible for up to $100,000 from the fund.*

Unless otherwise approved by the City Council, the amount of the award shall not exceed 50% of the assessed value of the property.

Program Mechanics: Property owners wishing to apply for funding through the PIF would apply to the Community and Economic Development Department. Staff shall review the application for completeness. Once a determination of completeness has been made by staff, the application shall be referred to the Redevelopment Due Diligence Committee.

The Due Diligence Committee will have two rounds of funding each year. Multiple applications from the same property owner for different buildings may be submitted during individual funding round.

Any project for which a building permit has been issued will be ineligible for funding.

The Redevelopment Due Diligence Committee (Committee) shall be appointed by the Mayor and be made up of three representatives from the Historic West Des Moines Study area, three citizens from the community at-large and three representatives from the West Des Moines Chamber of Commerce who are within the financial community in West Des Moines. The Committee shall score the applications for financial soundness and compliance with the adopted review criteria.

The Committee upon finalizing its review shall submit its recommendations to the Finance and Administration City Council Subcommittee for its review. The F&A Subcommittee will forward its recommendations to the City Council for ultimate action to approve or deny the request.

If the project is approved for funding, the property owner/tenant will be required to submit documentation of project expenses before release of funds. Funding will be on a reimbursement basis.

In addition, the property owner/tenant will be required to enter into a development agreement for the loan with a repayment schedule sufficient to repay the City for funds that were expended from the PIF for the project. The length of the agreement/loan shall be no more than 10 years in length. The loan shall be at zero (0%). Repayments shall be on a monthly basis.

As part of the development agreement, the property owner will commit to creating or retaining a minimum of two (2) FTE's in the first two years following completion of the redevelopment/renovation work and retain those positions for an additional three (3) years.

Funding: The approval of participation in this program does not imply that any legal entitlement is granted or that any business or property owner that meets the identified requirements will be offered the incentive.

The City Council at its sole discretion shall be responsible for consideration and potential approval of the incentive.

Priority shall be given to application that stabilizes an existing structure.

All renovation work or new construction shall be consistent with the Design Guidelines adopted for the Historic West Des Moines Master Plan area.

All construction work shall begin within six months of signing of the Development Agreement and, either a final inspection has occurred, or a final occupancy permit has been issued before the property owner is allowed to submit documentation for a request for reimbursement.

Progress payments may be made upon completion of distinct phases of work, if it has been identified in the Development Agreement as permitted.

Timeline: The Program shall be evaluated annually be the Finance and Administration City Council Subcommittee to determine effectiveness and continuation of the Program.

Regulatory Compliance Fund

Program: Regulatory Compliance Fund (RCF)

Purpose: To assist property owners in compliance with government regulations, *and maintain the integrity of existing buildings,* specifically:

1. fire sprinkler requirements;
2. ADA compliance;
3. installation and upgrades to electrical, plumbing, and mechanical systems to bring those systems up to current building codes standards,
4. upgrades to or installation of fire suppression systems, including range hoods;
5. fats, oil, and grease tank installation; *and*
6. *repair or replacement of structural elements of buildings, include roofing, and building exterior walls and surfaces.*

These funds may be used in combination with the Property Improvement Funds (PIF). *Unless otherwise approved by the City Council, the amount of the award from both Programs shall not exceed 35% of the total project costs.*

These funds cannot be used with the Property Tax Rebate Program (PTR), UNLESS only the tenant is the recipient of the RCF, and the tenant has no affiliation with the property owner (cannot be the same ownership).

Eligible Areas: Historic West Des Moines study area.

Program Funding: Properties owners within the designated areas are eligible to apply for funding of up to 50% of the cost of regulatory compliance as a grant up to $75,000. The property owner is responsible for matching the grant on a 1:1 basis as their share of the project.

Those properties that are considered contributing according to the National Historic District nominating application or as a result of the proposed

improvements would be considered a contributing building and will be eligible for up to $100,000 from the fund.

Unless otherwise approved by the City Council, the amount of the award shall not exceed 50% of the assessed value of the property.

Program Mechanics: Property owners wishing to apply for funding through the RCF would apply to the Community and Economic Development Department. Staff shall review the application for completeness. Once a determination of completeness has been made by staff, the application shall be referred to the Redevelopment Due Diligence Committee.

The Due Diligence Committee will have two rounds of funding each year. Multiple applications from the same property owner for different buildings may be submitted during any individual funding round.

Any project for which a building permit has been issued will be ineligible for funding.

The Redevelopment Due Diligence Committee (Committee) shall be appointed by the Mayor and be made up of three representatives from the Historic West Des Moines Study area, three citizens from the community at-large and three representatives from the West Des Moines Chamber of Commerce who are within the financial community in West Des Moines. The Committee shall score the applications for financial soundness and compliance with the adopted review criteria.

The Committee upon finalizing its review shall submit its recommendations to the Finance and Administration City Council Subcommittee for its review. The F&A Subcommittee will forward its recommendations to the City Council for ultimate action to approve or deny the request.

If the project is approved for funding, the property owner will be required to submit documentation of project expenses before release of funds. Funding will be on a reimbursement basis.

In addition, the property owner will be required to enter into a development agreement with the City. As part of the development agreement, the property owner will commit to creating or retaining a minimum of two (2) FTE's in the first two years following completion of the redevelopment/renovation work and retain those positions for an additional three (3) years.

Funding: The approval of participation in this program does not imply that any legal entitlement is granted or that any business or property owner that meets the identified requirements will be offered the incentive.

The City Council at its sole discretion shall be responsible for consideration and potential approval of the incentive.

Priority shall be given to applications that stabilize and/or renovate an existing structure.

All renovation work or new construction shall be consistent with the Design Guidelines adopted for the Historic West Des Moines Master Plan area.

All construction work shall begin within six months of signing of the Development Agreement, and either a final inspection has occurred or a final occupancy permit has been issued before the property owner is allowed to submit documentation for a request for reimbursement.

Progress payments may be made upon completion of distinct phases of work, if it has been identified in the Development Agreement as permitted.

Timeline: The Program shall be evaluated annually be the Finance and Administration City Council Subcommittee to determine effectiveness and continuation of the Program.