

**OFFICE OF THE CITY ADMINISTRATOR**

Johnston, Iowa

AGENDA COMMUNICATION

July 21, 2008

WORK SESSION

SUBJECT: Update on the Economic Development Sub-committee recommendations on incentives and review of recommendations for the Merle Hay Road Redevelopment project	ACTION REQUIRED: <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Approval <input type="checkbox"/> Receive/File <input type="checkbox"/> Attorney Review
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SYNOPSIS:

The Sub-committee on Economic Development (City Council members Rick Tingley and Jon Kallen) has been discussing issues as they pertain to economic development incentives and recommendations regarding the implementation of the Merle Hay Road Redevelopment plan. The purpose of this discussion is to recap the status of what the committee has recommended for economic development incentives and report on the committees' recommendations regarding redevelopment along Merle Hay Road.

Update Economic Development incentives:

On April 4th the committee made several recommendations to the City Council regarding economic development incentives (Tax Increment Financing and Tax Abatement). The council directed staff to proceed with the committee recommendations. Following is an update:

Recommendation #1 – Establish economic development incentives in areas #1 and #2 (see attached map). These areas have progressed regarding planning, development and subdividing. Area #3 has not been platted for development and it is recommended to wait and see what type of development is proposed in the area prior to making decisions regarding incentives.

In area #1 offer Urban Revitalization (Tax Abatement) to enable businesses that meet the criteria established in the ordinance and state code to receive an 'automatic' incentive. This will apply to businesses that locate in the

areas designated for M-1 and IC use (see attached aerial photograph). The committee determined that the tax abatement program for industrial uses is acceptable as defined in chapter 427B.1 which allows abatement for industrial real estate, research-service facilities, warehouses, distribution centers and the acquisition of improvements to machinery and equipment assessed as real estate. Tax abatement for commercial properties was discussed but there is concern in providing incentives for uses such as strip malls, restaurants and convenience stores. Also encouraging more industrial development by utilizing tax abatement, would generate more traffic to support commercial businesses along Merle Hay Road and NW 86th Street. The standard abatement schedule would apply; 75% the first year, 60% the second, 45% the third, 30% the fourth and 15% the fifth.

To provide flexibility for businesses that locate in the area that do not meet the criteria for tax abatement the committee recommends using Urban Renewal (Tax Increment Financing - TIF). Offering TIF in the same district would allow the flexibility to provide developers a greater incentive for a project that has a significant impact regarding tax base and/or jobs.

Status: Staff has completed a draft Urban Revitalization Plan (tax abatement) and the Urban Renewal Plan (TIF) for area #1. Both plans are at the bonding attorney for review. The Urban Renewal Plan was reviewed at the July 7th work session and includes West Park which involves the six buildings proposed by KC Holdings.

Recommendation #2 – Designate area #2 as an Urban Renewal Area (TIF) since the likelihood of industrial uses occurring is unlikely.

Status: Staff will use the Urban Revitalization Plan created for area #1 as the basis for creating a plan for area #2.

Recommendation #3 - In an effort to be consistent with other properties that are zoned for M-1 and IC uses that may benefit from tax abatement, the committee recommends establishing Urban Revitalization for the industrial area along NW Beaver Drive. As noted above, projects that meet state code and city zoning requirements would automatically receive tax abatement. The City will

still have the flexibility to utilize TIF for a significant project.

Status: Staff is working with the bonding attorney to establish the city's first Urban Revitalization Plan for area #1 noted above. Once the plan is completed it will be used as a basis for establishing the plan for the NW Beaver Drive area.

Merle Hay Road Recommendations:

1. Regarding economic development incentives in the area, the Merle Hay Road corridor is already located in an Urban Renewal Area (TIF). The committee recommends using the existing TIF program as an incentive for commercial/office type development and not using TIF for retail, 'chain stores' or restaurants; which is consistent with our current TIF policy.
2. The committee recommends using TIF in the Town Center area to encourage development (remaining competitive with incentives offered along NW 86th Street and NW 100th Street). Incentives would be determined on a case by case basis based on the scope of the project.
3. The committee recommends not providing further incentives (i.e. tax abatement) until it is determined if the other initiatives (purchasing and land banking properties, removing existing structures, filling and grading properties) are effective.
4. The committee does not recommend providing direct incentives for residential but is willing to consider use of TIF to construct the public infrastructure (roads, water, sanitary sewer, storm sewer, sidewalk and trails) that supports residential development (this reduces some of the financial burden to developers).
5. The committee supports the concept of the city purchasing property and land banking it for future development as long as the resources are available and it is used as the last resort when other development options have been exhausted. The committee would prefer that the property owner come to the city rather the city aggressively pursue the purchase of property (see attached policy guideline).
6. The committee recommends the city participates

in removing existing structures, filling and grading properties to prepare them for redevelopment (see attached policy guideline).

7. The committee recommends retaining an independent MAI certified appraiser to enable the property owner and city to have a sound basis on which to price property for marketing (see attached policy guidelines). It is estimated that the cost to perform an appraisal is \$600 - \$1,500 per parcel and there may be a quantity savings if a number of appraisals can be completed at once.
8. The committee recommends that JEDCO take an active role in marketing the properties for redevelopment.
9. The committee recommends that staff be proactive in facilitating the zoning and Comprehensive Plan changes for the Merle Hay Road corridor to accommodate the redevelopment activity.
10. The committee recommends the following priorities for public street construction:
 - NW 62nd Avenue, intersection, east and west of Merle Hay Road
 - NW 59th Court
 - NW 63rd Place, west of Merle Hay Road – this roadway provides an east/west connection from NW 59th Court to Merle Hay Road and also provides an outlet to Merle Hay Road for the high school.
 - NW 64th Place, west of Merle Hay Road, and the road between 63rd Place and 64th Place, west of Merle Hay Road. should wait until development is planned.
 - NW 63rd Place, east of Merle Hay Road, and NW 56th Street between 64th Place and 62nd Avenue should be constructed after the super block parcels are acquired.
11. Council review and comment on the RFQ for Real Estate services

Other committee initiatives:

1. Discuss infill development south of NW 62nd Avenue (including redevelopment of the gateway properties).
2. Review proposed changes to the TIF policy

FISCAL IMPACT:

To be determined. Funding for many of the redevelopment activities is available from the Tax Increment Financing program.

RECOMMENDATION:

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