

City Administrator Report to Mayor & City Council

February 27, 2015, Edition No. 163

WEEKLY UPDATE:

1. Budget: Reminder that the public hearing for the FY 2015/16 Budget will be held on March 12th in lieu of the 5th due to the Muscatine Journal's error in not posting legal notices this past weekend.
2. Hotel: The Hotel & Conference Center application has been submitted to the IEDA Board and will be considered at the March 27th Board meeting.
3. Legislative Day: Please see the attached handouts from this years Iowa League Legislative Day in Des Moines. I was able to catch our local legislators and others to review local issues including the property tax backfill, Tax Increment Financing, Pensions, ATEs and Medicaid. We are expecting to see TIF legislation as early s next week from Rep. Tom Sands. The legislation is expected to tackle three main areas - TIF sunsets (including pre-1995 grandfathered areas), municipal facilities on green fields, and annual appropriations.
4. TIF: Please see the attached 2014 Snapshot of Tax Increment Financing produced by the Iowa League.
5. RUTF: Per the Iowa league: On February 24, the Iowa Legislature approved a 10 cent gas tax increase and the bill was signed the following day by Governor Branstad. The bill is estimated to provide an additional \$215 million to the Road Use Tax Fund (RUTF), from which cities receive per capita distributions to pay for the construction, repair and maintenance of road infrastructure. The bill increases the gas tax rate on March 1 and the Iowa Department of Transportation (IDOT) has provided an estimate of the increases in RUTF distributions cities will receive as a result. The information included below is a summary of information from the IDOT, outlining technical components and assumptions that are reflected in its estimates.
 - The current gas tax rate (prior to change) is 21 cents per gallon of gasoline and 22.5 cents per gallon of diesel and the RUTF also receives revenue from several vehicle registration and other related fees. The RUTF is then distributed to the state, county and city governments based on the following percentages:
 - Primary road fund – 47.5 percent
 - Secondary road fund – 24.5 percent
 - City street fund – 20 percent
 - Farm-to-market fund – 8 percent
 - Code of Iowa Section 312.6 states that funds received by cities from the RUTF shall be used for, "any purpose relating to the construction, maintenance and supervision of the public streets." Cities are allowed to use the revenues on any road-related expense, including employee wages for those who perform work on the city's streets. Additional information can be found on our Road Use Tax page (requires member

log-in).

- Transportation infrastructure funding was included in this year's legislative priorities at the League.
- Please feel free to contact me if you have any questions. Erin Mullenix, MPA, Research & Fiscal Analyst

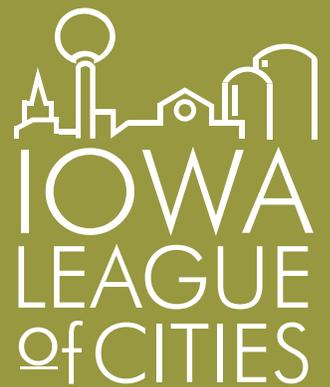
6. Levee: Per Rich Dwyer - "It's been awhile since we've been together to discuss progress on the Muscatine Levee Stakeholder group and an update is in order. Attached are the minutes from our last meeting, which stated that we would work toward fund raising prior to implementing the feasibility study. I'm proud to announce that we have a total of \$50,266 with the Community Foundation. The board would like to say Thank You, to those listed below for their support of this important project.

- Muscatine Island Levee District
- Muscatine Power and Water
- Kent Corporation/GPC
- HNI Corporation
- City of Muscatine
- GSTC
- Factory Mutual Insurance Company (FM Global)
- Musco
- Hahn Ready Mix, Inc.
- RGL LLC/ACME Materials"

7. In-Depth: For the March In-Depth meeting we will have three items from the Community Development Department as well as the public hearing on the 2015/16 Budget:

- a. Outdoor dining ordinance,
- b. Capital Improvement Plan (Annual Update),
- c. Schedule and process for zoning ordinance.

Snapshot of Tax Increment Finance



Iowa League of Cities
2014

Tax Increment Finance (TIF)



is an important and flexible tool used to help augment urban renewal efforts in Iowa communities. Its use promotes not only economic development growth but also addresses slum and blight.

In 2012, new reporting procedures were adopted by the Iowa Legislature. Data from this reporting has generated useful information about local government TIF use. The League created this report for our membership to help educate and share analysis from the available 2012 data.

■ *Appendix A highlights a handful of TIF projects and their successes.*

TIF Mechanics in Brief

Tax increment finance (TIF) is a method to promote urban renewal efforts in an area by directing the property tax revenues generated from property value increases within a designated TIF district to finance the costs of improvements made in the district.

In Iowa, local government authorities, including cities, counties and community colleges may establish TIF districts. Although the terms urban renewal areas and TIF are often used interchangeably, TIF districts are established within approved urban renewal areas. As such, urban renewal areas often contain a larger geographic area than the TIF district that is established. An urban renewal area (URA) can contain more than one TIF district.

When a TIF district is created, a “base” valuation of the property value is established. It accounts for assessed values prior to the TIF designation. The tax revenue from this base value remains with all taxing authorities. Increases in the assessed value over time over and above the base are called the “increment.” The TIF authority may access the tax revenue generated by the increment, or may choose to release some or all of this revenue back to the traditional taxing authorities. In fact, in fiscal year 2012, around 54 percent of total TIF increment was released. A city may not use more of the TIF increment than is tied to certified debt and other allowable costs according to *Code of Iowa*

Quick Stats: TIF in Cities



410 of 946 cities in Iowa use TIF. There are 1,011 urban renewal areas and 2,528 TIF districts among all local governments. Of these, 58 percent had a statutory end date reported. 496 had a slum or blight designation.



TIF increment (not discounting for increment returned) accounts for 6.2 percent of total taxable property valuation. 9.2 percent of city taxable property valuation is derived from TIF sources.



54 percent of TIF increment is returned to all tax authorities. This equates to about \$10-11B in valuation, or roughly \$400M in unused increment.

403.19. Debt levies, the school Physical Plant and Equipment Levy (PPEL), and beginning in fiscal year 2014, the Instructional Support Levy (ISL) are not included in the division of revenue.

Once a TIF area is designated a TIF authority may amend the geographic area of the TIF. An urban renewal area may have TIF districts with different designations, or even more than one designation per district. However, once designated, it cannot be re-determined through the duration of the district. Those districts designated for economic development purposes only are subject to 20 years' duration as of 1995. When an URA expires the base and the increment are released to all taxing authorities. Although TIF districts established for slum and blight or both slum and blight and economic development are not limited to the 20 year time-frame, some choose to voluntarily expire these districts.



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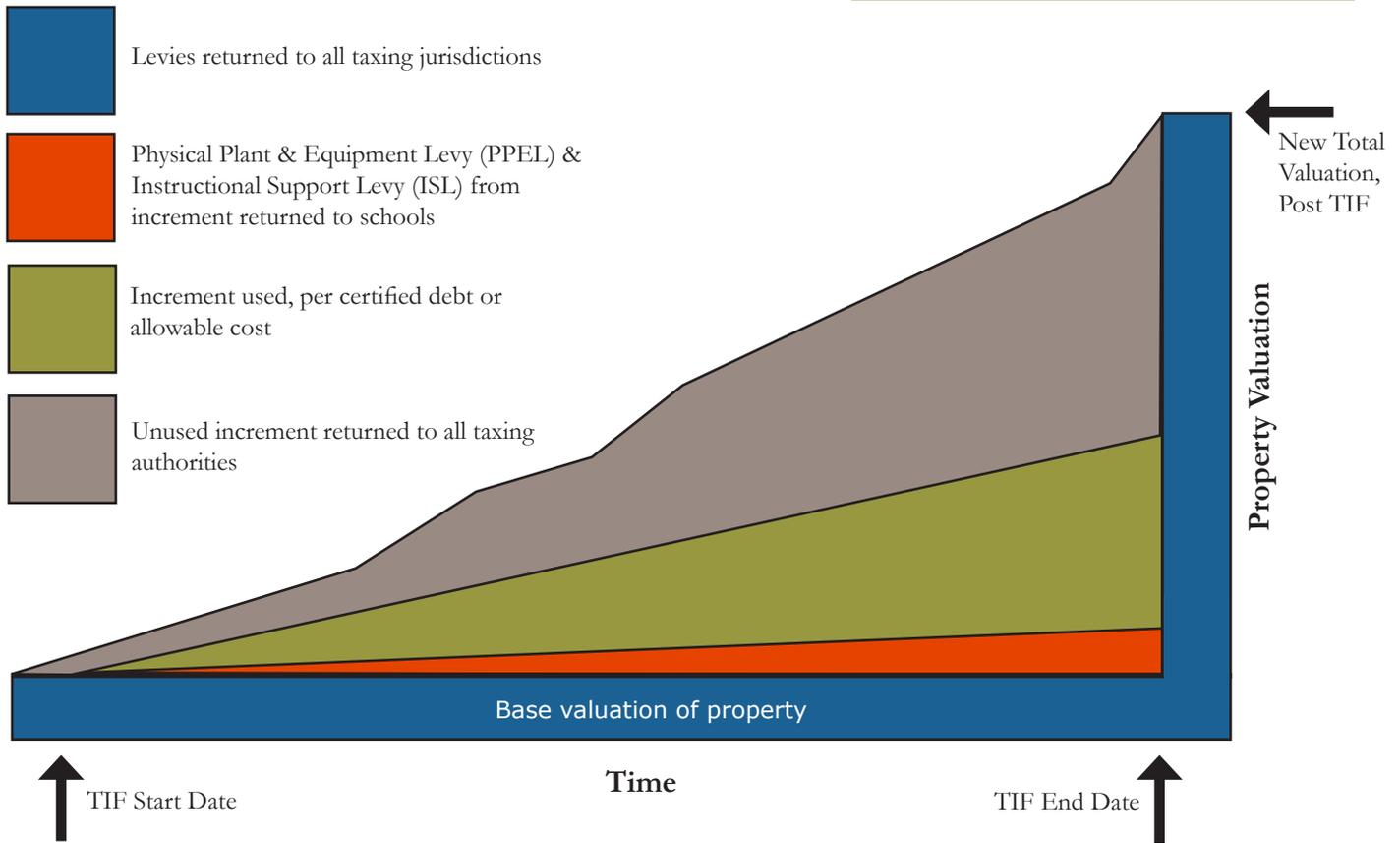


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Perception: The use of TIF by cities decreases county and school revenues.

Reality: Counties and schools continue to receive tax revenues calculated on the base value of the TIF property. When a TIF district expires, all incremental growth also benefits all traditional taxing authorities. The school PPEL and ISL levies are excluded from TIF increment. Unused TIF increment is also released to all taxing authorities, including school districts. Schools receive the same amount per the state school aid formula.

the project includes a potential public building, additional analysis is now required to be submitted of the alternative development options and funding and why they would be less feasible than the proposed urban renewal plan or project. Cities must also hold a public hearing on its urban renewal plan after proper newspaper notification has been made. Although there are several financing alternatives related to TIF, those TIF projects financed with general obligation bonds are typically subject to reverse referendum.

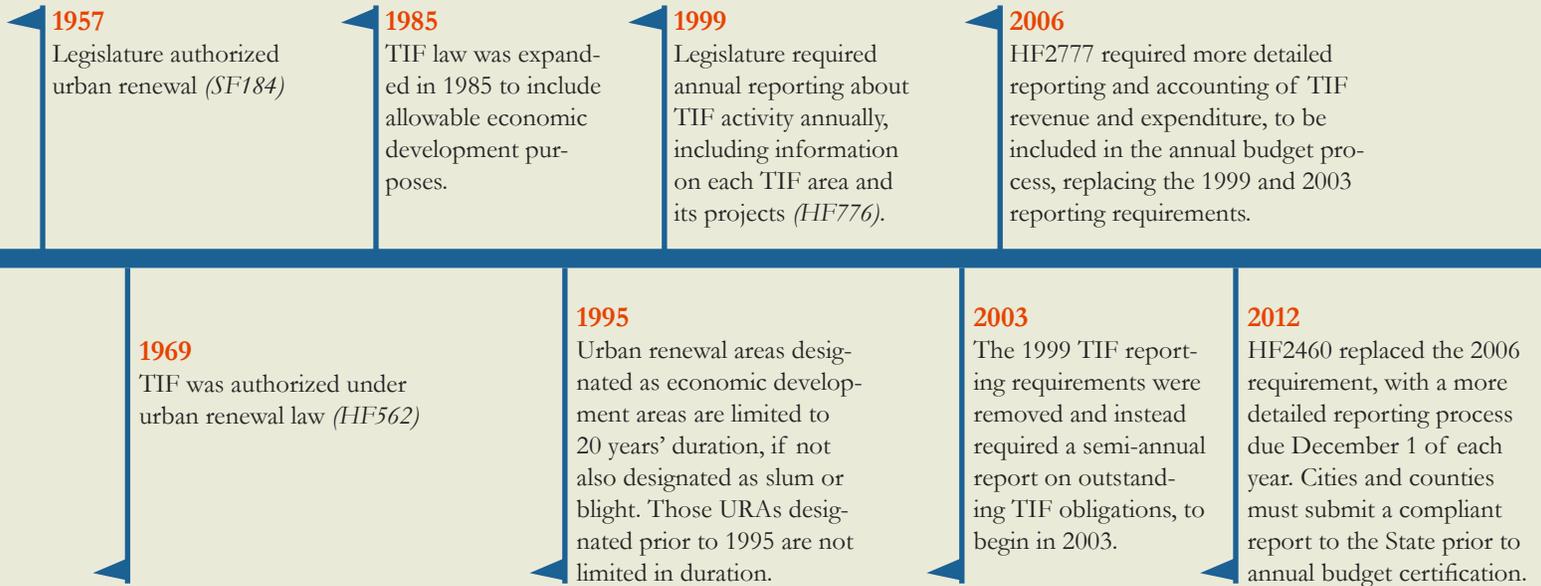
As also noted, on the next page, in the “TIF Timeline,” TIF authorities are also required to submit an annual TIF Report to the Iowa Department of Management (DOM) by December 1 of each year. It is imperative that cities comply with this requirement, because city budgets cannot be certified until this report is received and approved by DOM. The fiscal year 2012 annual urban renewal reports are available on the DOM Web site: <https://solr.legis.iowa.gov/tif/public>. Municipalities have also noted that the reporting lacks an opportunity to sufficiently input information to characterize measurable outcomes and benefits of TIF in their communities. At current, only 140 characters are allotted to help characterize slum and blight revitalizations, affordable housing development, economic development, job creation, growth and tax base expansion, and public improvement.

What is the Notification Process for a City to Designate an Urban Renewal Area (URA)?

Cities must have a city comprehensive planning and zoning plan in place prior to establishing an URA and must review it to be certain that an urban renewal plan will fit with its existing city plan. The local planning and zoning commission will review its conformity. Then the city may proceed with its hearing on the proposed urban renewal plan. Prior to formal approval, the city must provide notice and consultation with the other affecting taxing entities. If

Legislative Timeline

Urban renewal laws were first passed in 1969, several modifications and expansions from the Iowa Legislature have taken place since that time. A timeline of related legislative actions and the historic use of TIF is below, followed by more detail for the various TIF designation and legislative intent.



Policy Goals & TIF Designations

Code Section 403.2 provides the Declaration of Policy for TIF. Under this Declaration of Policy the purpose of TIF related to slum and blight as well as economic development areas are specifically addressed. Some projects can address both slum and blight, and economic development related issues.

The following definitions are offered for each type, followed by a breakdown by TIF designation.

Slum and Blight

The stated purpose, according to *Code* Section 403.2, for slum and blight projects is to address issues related to:

- the safety, health, and welfare of an area
- areas experiencing impaired growth
- housing challenges
- rapid spread of disease
- increasing criminal activity
- increased economic and social liability resulting in onerous municipal burdens, to include diminishing tax base and municipal revenues
- traffic problems or hazards

- juvenile delinquency
- consuming excessive state revenues due to public safety concerns

Slum area: URA is designed to eliminate conditions that meet the *Code* definition of slum.

“Slum area” shall mean an area in which there is a predominance of buildings or improvements, whether residential or non-residential, which: by reason of dilapidation, deterioration, age or obsolescence; by reason of inadequate provision for ventilation, light, air, sanitation, or open spaces; by reason of high density of population and overcrowding; by reason of the existence of conditions which endanger life or property by fire and other causes; or which by any combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime, and which is detrimental to the public health, safety, morals, or welfare. “Slum area” does not include real property assessed as agricultural property for purposes of property taxation.

Blight area: URA is designed to eliminate conditions that meet the *Code* definition of blight.

“Blighted area” means an area of a municipality within which the local governing body of the municipality determines that the presence of a substantial number of slum, deteriorated, or deteriorating structures; defective or inadequate street layout; faulty lot layout in relation to size, adequacy, accessibility, or usefulness; insanitary or unsafe conditions; deterioration of site or other improvements; diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land; defective or unusual conditions of title; or the existence of conditions which endanger life or property by fire and other causes; or any combination of these factors; substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, or welfare in its present condition and use. A disaster area referred to in section 403.5, subsection 7, constitutes a “blighted area”. “Blighted area” does not include real property assessed as agricultural property for purposes of property taxation.

The anticipated measurable performance of a slum or blight TIF district can be very different than those of an economic development TIF. An example of a goal of a slum or blight TIF may be to remediate dangers to public health and safety, and prevent further deterioration of physical and economic conditions.

■ See Appendix A for an example of a slum and blight TIF area that has accomplished this purpose.

Economic Development

The stated purpose, according to *Code* Section 403.2, for economic development projects is to address the need for TIF in:

- creating economic development partnerships
- strengthening and revitalizing the economy of the state and municipalities
- providing jobs and housing (including low and moderate income (LMI))
- improving or constructing necessary infrastructure

- competing with other states who use TIF (all except Arizona)

- assisting industrial and commercial enterprises in locating, purchasing, constructing, reconstructing and modernizing, improving, maintaining, repairing, furnishing, equipping and expanding in Iowa

■ See Appendix A for examples of economic development TIF areas that have accomplished this purpose.

Other Historic Uses of TIF:

- Rural Improvement Zones (RIZ) are an area designated by a county around a private development lake. TIF may be connected and utilized for development projects within the zone.
- Community College Job Training – allows a community college, in conjunction with an employer, to utilize income tax withholding to finance job training for the employer.
- Local Option Sales Tax TIF (LOST-TIF) – allows some cities to utilize income tax withholding from qualified jobs within an URA to finance development activities.

The following is a breakdown of the various types of TIF by count and percentage (data from DOM):

Designation	Count	Percentage
No Designation Reported	78	3%
Slum or Blight, but not Economic Development (ED)	186	7%
Slum or Blight, with or without ED	496	20%
ED, with or without Slum or Blight	2265	90%
ED only	1956	77%
Slum or Blight AND ED	310	12%
Total Districts Reported = 2528		

Perception: TIF districts have unlimited duration.

Reality: While some TIF districts are unlimited in duration, TIF districts established after 1995 and designated for economic development are limited to a 20-year life span. Most are shorter in duration. Upon expiration of the district, all taxing authorities enjoy the benefit of the increased valuation generated by the district. The chart below shows a summary of current reported TIF districts statutory end dates.

→ *There were 2,528 total TIF districts reported to DOM for 2012.*

- Of these, 1,478, or 58 percent, had a statutory end date reported.
- 496 had a slum or blight designation

→ *1,530 TIF districts, or 61 percent, had a base year after 1995.*

- Of these, 1,112, or 73 percent, had a statutory end date reported.
- Of these, 418, or 27 percent, had no reported statutory end date.

Non-revenue Producing Projects

48 percent of projects are non-revenue producing, 80 percent of these are in the category of road and bridge infrastructure improvement.

Public buildings can lead to economic growth or stabilization in a slum or blight area. An example of a public building that receives TIF funds is a building for public safety that will serve a TIF area.

Partnering with IEDA

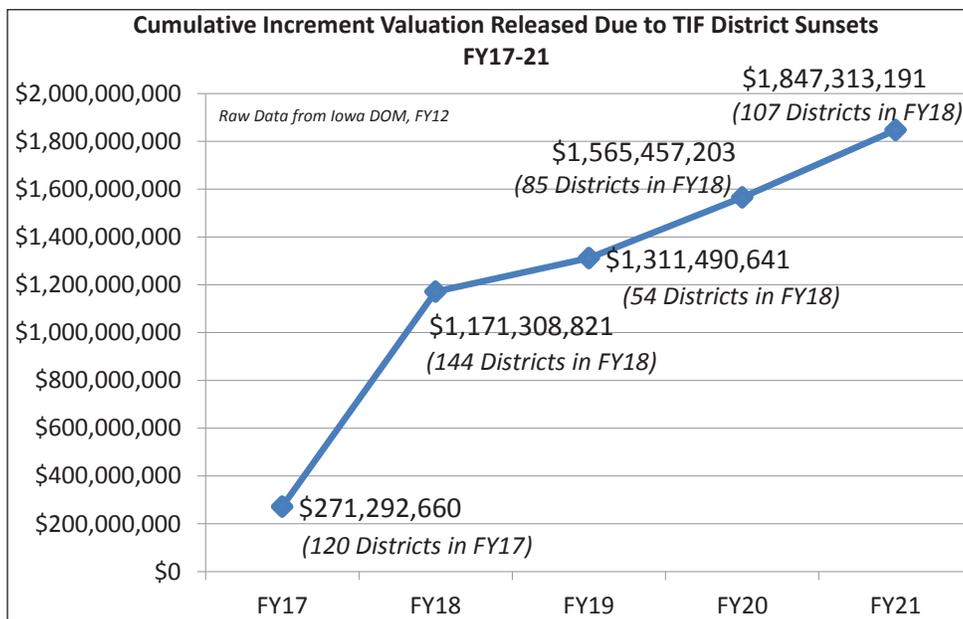
Local governments have partnered with the Iowa Economic Development Authority (IEDA) to promote business development projects in their communities.

From January 2011 through December 2013 IEDA awarded direct financial assistance and/or state tax incentives to 189 projects that are expected to result in \$7.5 billion in capital investment. Of the 189 projects 64.6 percent also received either TIFs, tax abatements, or tax exemptions from the local communities in which they are planning to locate. TIF, tax abatements and tax exemptions are often used to provide “local match” and are essential economic development tools for Iowa’s communities, helping them to attract job creation projects to their area.

Data provided by IEDA

Sunsetting TIF Districts: Increment Valuation Returned to All Tax Authorities

Many TIF districts will be expiring over the coming years, and valuations will return to all tax authorities. Of those established after 1995, 73 percent reported a statutory end date. The chart shows this trend over the next 10 years:



TIF Sources /Debt Types

There several general categories of TIF debt sources:

- **Rebates:** debt owed as a part of a property tax rebate or development agreement between the municipality and the property owners. This type of agreement gives more responsibility to the developer to make improvements, because the city agrees to annually return a portion of the increment attributable to the improvements.

- **Internal Loans:** an option that allows the municipality to advance funds toward an urban renewal project and then pay back the original funding source debt with TIF reimbursement. The *Code* also allows for general fund loans, with restrictions.

- **General Obligation (GO) Bonds:** bonds issued and backed by the municipality. For GO bonds reverse referendum rules apply.

- **TIF Revenue Bonds:** bonds backed by the local government but that can only be paid from the specific TIF revenue pledged to the bonds. The debt may not be fully repaid if the specific TIF revenue does not fund the debt.

- **“Other” Debt:** bank loans or other non-bond debt owed privately may be used as TIF debt. The *Code* also allows cites and counties to acquire improvements and property through a lease-purchase process, with restrictions.

The chart below shows the type of breakdown debt for all TIF projects that reported for FY2012. Note that in most cases, TIF debt counts against a municipality’s debt limit. The constitutional debt limit is the amount of debt that can be incurred by a municipality. Most obligations count against the limit, with a few exceptions. The limit is calculated by taking the 100 percent valuation for the local government (before rollback but after military exemption) and multiplying it times .05.

Debt Type	# of Projects
Rebates	915
Internal Loans	559
General Obligation Bonds	1001
TIF Revenue Bonds/Notes	120
Other	195

Those agreements structured to be subject to annual appropriation may not count against this limit (check with bond attorneys for more detail). According to DOM data for FY2012 as of March 2013, about 29 percent of agreements are configured with annual appropriation. This is about 35 percent of TIF debt statewide (by dollars).

Cities may elect to use TIF to bolster community betterment. The data and analysis available from the recent requirement adopted in 2012 by the Iowa Legislature illustrate some of the benefits of TIF use in recent years. There are important TIF stories to tell beyond what can be collected in raw form in the new report, however. Cities are encouraged to share with their legislators some of the highlights and positive TIF stories in their communities. The examples in the following Appendix highlight a few.

For more information, contact Erin Mullenix, Research and Fiscal Analyst at the League, at 515-244-7282.



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Ankeny

→ According to the 2010 census

- population was 45,582
- 68% increase in population from 2000

Manufacturing / Biosciences Firm / Lauridsen Group

The Lauridsen Group is a biosciences firm in Ankeny.

- TIF used in the form of 7-year property tax rebate and industrial property tax exemption
- Will support a \$4.1M expansion investment at the world-wide headquarters in Ankeny (office building anticipated to be valued around \$1.5M)
- Project will include a 21k square foot office building expansion
- Project to create 40 (high paying) jobs within 3 years
- The total estimated property tax on the improvement is around \$65,000 annually, and the average of the total incentives over the 7-year period is around \$54,000 annually. After the 7-year period of incentives, the total of increased property tax revenues would flow to all traditional tax authorities.

Manufacturing / NorthStar Power

NorthStar Power is an engine and equipment manufacturing and distribution firm in Ankeny.

- TIF used in form of 5-year graduated property tax exemption, and 6-year conditional property tax rebate
- Will support a \$5.2M investment, including a 85k square foot office/manufacturing/warehouse facility
- This is the third expansion in the past 20 years, all within Ankeny
- The total estimated property tax on the improvement is around \$190,000 annually, and the average of the total incentives over the 6-year period is around \$162,000 annually. After the 6-year period of incentives, the total of increased property tax revenues would flow to all traditional tax authorities.

Des Moines

→ According to the 2010 census

- population was 203,433
- 2.4% increase in population from 2000
- Des Moines returned approx. 50% of TIF increment to all taxing authorities in FY12

Nationwide Home Office Project Before



Nationwide Home Office Project After



Slum & Blight and Economic Development / Western Gateway Area Office Developments

Some examples of TIF projects included in this area are:

Project	Private Investment	New Building Sq. Ft.	Number of Jobs
Equitable/ING	\$21.5M	224,000	1,000
Meredith Publishing	\$25M	187,700	400
Nationwide/Allied I	\$137M	500,000	1,650
Nationwide/Allied II	\$141M	600,000	1,570
Wells Fargo Financial I	\$75M	336,000	1,110
Wells Fargo Financial II	\$60M	360,000	1,000
Wellmark	\$194M	500,000	1,500

*All except the Wellmark project had minimum assessment agreements to 'guarantee' tax revenues

**Total maximum value of incentives if all requirements (including jobs agreements and incentives, and LEED incentive for Wellmark) is about \$73.5M for all projects listed above.

More detailed example of one of the above projects:

Retention and Growth / Nationwide/Allied Project

The Nationwide Home Office Project included:

- 500,000 square foot office, with 2,500 space parking garage available to the public after work hours
- Would employ 1,250 at occupancy, and 400 within one year of occupancy
- Executes a minimum assessment agreement of \$66M
- Economic development grants paid solely from TIF revenues generated by the project
- Included a possible Phase II, which was executed
- Incentive package included:
 - City of Des Moines Economic Development Grant of \$26M over 20 years (NPV \$14.9)
 - City of Des Moines Land Acquisition Buydown of \$6M
 - Polk County Economic Development Grant of \$10M
 - State of Iowa Enterprise Zone Benefits of \$10.8M
 - State of Iowa Economic Development Grant of \$1M
 - Equivalent of 10-year 100 percent tax abatement on the parking garage

Des Moines

Garner

→ *According to the 2010 census*

- population was 3,129
- 7% increase in population from 2000



Economic Development/Hotel

Garner Inn & Suites

Garner Inn & Suites was built in 2012, and received a 10-year property tax rebate on a \$1.8M investment. The rebate reimbursement will be around \$24,000 per year for the 10-year period (total around \$240,000). After the 10-year rebate period, the hotel valuation will return to all tax authorities.

Garner

New Hampton

→ *According to the 2010 census*

- population was 3,571

- For more than 20 years TIFs in New Hampton have typically been limited as 10-year rebates
- A rough estimate of 56 projects have released more than \$425k in tax revenue back to all taxing authorities in 2014.
- From 2015-2025, an additional \$432k is estimated to return to all taxing authorities as their TIF project rebates expire.
- The rebate agreements made in recent years range from \$500 per year to about \$45k per year.

New Hampton

Parkersburg

→ According to the 2010 census

- population was 1,870

City circumstances: A devastating tornado hit the city of Parkersburg in May 2008, destroying, among other things, 288 homes and 22 businesses in this small community.



In front of Parkersburg City Hall after Tornado.

Recovery Assisted by TIF

- In addition to the damage and tragic losses, the city and surrounding local government authorities would lose taxable valuation unless recovery and rebuilding processes were begun.
- More than 234 homes were rebuilt, and more than 20 new businesses have since started up or moved their operations to Parkersburg since the tornado.
- The community and its valuation are growing. In fact, the total 100 percent assessed valuations of property in Parkersburg today exceeds the previous valuations of residential, commercial and industrial, and agricultural property before the tornado by more than \$26M.
- Most of the businesses that rebuilt are within Parkersburg's URA that was established prior to the storm.
- Some of the businesses assisted in recovery or built since the tornado with the use of TIF include:
 - Brother's Market – the town and surrounding area's only grocery store
 - Parkersburg Dental
 - Taylor Physical Therapy
 - US Cellular
 - Hansel Construction
 - New Directions Counseling
 - Highway 57 Auto
 - Channel Seeds
 - Monsanto
 - Parkersburg Tire & Alignment

“Using TIF dollars to assist these businesses was the only economic development tool at Parkersburg’s disposal, especially when considering the devastation that occurred here in Parkersburg and throughout Butler County and Iowa in 2008. It was a tool used not only to encourage business owners to rebuild or start up, but to encourage them to rebuild more quickly, larger, with more energy efficient building standards, and of much better quality. As a direct result, the valuations of the properties increased resulting in a win-win situation for the business owners and their customers, the city of Parkersburg, the Aplington-Parkersburg School District, Butler County and the State of Iowa. Today, Parkersburg is one of the fastest growing cities our size in the State of Iowa according to the U.S. Census Bureau. TIF has been one of the main factors that have allowed us to be successful.”

- Chris Luhring, Parkersburg City Administrator, and
Janice Johnson, Parkersburg Economic Development

Parkersburg

Sheldon

→ *According to the 2010 census*

- population was 5,188
- 68% increase in population from 2000

Housing / Schemper & Sunshine Additions

The Schemper Addition and the Sunshine Additions were two residential developments in Sheldon that applied TIF.

- The city of Sheldon purchased about 70 acres of ground for two residential developments in 2000. The Schemper Addition was about 50 acres, and the Sunshine Addition was about 20 acres, in two separate locations in Sheldon. Smaller and more affordable homes were included in this project.
- The city used TIF to put in the infrastructure, and developed in phases with strong demand.
- 95 lots have been sold, and 6 remain for sale currently.
- In 2010 the TIF area was retired, and more than \$11M in taxable revenue was released to all tax authorities.
 - This included a 56-room assisted living facility which is now working on a \$3.5M addition to the existing facility. This will also add to the taxable valuation.
- This project was kept to 10-years, and now the city, as well as the Sheldon Community School District, O'Brien County and Northwest Iowa Community College, will benefit from the tax growth.

Sheldon

St. Ansgar

→ According to the 2010 census

- population was 1,107
- 7% increase in population from 2000



Housing/Seasons Development

“Seasons” Development: 3-phase housing development

Currently, the last home in phase 3 is under construction. All homes in the first and second addition are sold and occupied. Around half of the third additions are sold. The Seasons projects included LMI requirements and several also participated in the First Time Homebuyer Assistance Program.

2013 Assessed Value of buildings only are:

1st addition	\$2.1M
2nd addition	\$1.6M
3rd addition	(under development, assessments pending)

Manufacturing/Oatmeal Producer

The original TIF in St. Ansgar was to support a new factory that began as a provider of race horse feed. This project started after the local elevator burned to the ground. Over the years it has developed into one of, if not the largest, U.S. producer of oatmeal (Grain Millers). The value of buildings is in excess of \$10M, and the company employs more than 200 people.

Manufacturing/Wheel Rim & Welding Producer

A local business that also received TIF started as a filling station, but turned into manufacturing for a specialty welded wheel rim for farmers (Wold Rim & Wheel). They employ 40 to 50 people, and the company will have buildings valued in the \$2M range on the next assessment.

Stacyville

→ According to the 2010 census

- population was 494
- 5% increase in population from 2000



Manufacturing/Fertilizer Plant – Northern Country Cooperative

Stacyville is using TIF to assist in constructing a new fertilizer plant project built in late 2013, with a preliminary taxable valuation at \$1.5M. This equates to about 12 percent of the total city taxable valuation. It created about 2 jobs in the community. It will replace other aging fertilizer plants in Minnesota that were in need of extensive repairs and will be used for storage. The new facility will be mostly automated.



Stacyville

West Des Moines

→ According to the 2010 census

- population was 56,609
- 22% increase in population from 2000
- 5.9% of valuation is captured by an active TIF
- 11.8% of city area is in an active TIF district

Economic Development, Road Infrastructure and Public Building / Westown Parkway Urban Renewal Areas

- The Westown Parkway I District was formed in 1991 due to limited fire protection and emergency services coverage in a rapidly-developing area of the City located roughly north and west of the Interstate 80 & 35 mixmaster.
- The City issued TIF Revenue Bonds in November 1992 to pay for the City's share of constructing a new fire station to serve this area – a station which continues to be jointly owned-and-operated by the Cities of West Des Moines and Clive as Station #22.
- Due to anticipated rapid growth in valuation, these TIF bonds were sold as five year bonds – however due to the growth in valuation, the City was able to retire them on June 1, 1995.
- Subsequent amendments to the Westown Parkway URA and creation of four additional districts in the Westown Parkway area allowed for numerous improvements in roadways, trails, traffic signals, and most notably construction of the Westown Parkway bridge over Interstate 80/35. Two series of bonds were issued for construction of this bridge (in 1995 and 1997), and the City was also able to retire these bonds early (in 1999).

Economic Development, Road Infrastructure and Public Building / Mills Civic Urban Renewal Area

- The Mills Parkway District was formed in July 1999 due to limited fire protection and emergency services coverage in another rapidly-developing area of the City roughly along the I-35 corridor south of the Interstate 80 & 35 mixmaster. The area also was created to rectify inadequacies of the infrastructure system in the area and promote optimal growth of the tax base. Construction of a new interchange on I-35 at Mills Parkway was major objective of this district, as well as widening and improving the Mills Civic Parkway corridor from EP True Parkway to South 60th Street.
- The City issued TIF Revenue Bonds in June 2002 to finance construction of a new fire station #18, the interchange, and the Mills Parkway improvements.
- Construction of these improvements has led to significant retail, office, hotel, and restaurant development in and around the Mills corridor and the district will be allowed to expire on schedule in 2014. Incremental valuation of \$507 million was created within the original Mills Parkway District over its existence. Upon its expiration at the end of FY 2014, all of the resulting tax revenue will be allocated to each of the respective taxing bodies. It should also be noted that a majority of the increment was in fact returned to these entities throughout the life of the district – for example, by FY 13-14 the City was only capturing incremental valuation of \$160 million, the amount needed to pay the underlying bond obligations.

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West Des Moines

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Mills Parkway Amendment

- The Mills Parkway District was amended in 2003 to address additional inadequate infrastructure within the district. The amendment created several sub-district areas which, among other purposes, allowed for the construction of street and other infrastructure improvements around the corporate campuses of Wells Fargo Home Mortgage, Aviva, and Microsoft.

- Incremental revenues from each area are also being used to pay economic incentives to these respective companies. In return, Wells Fargo was obligated to create a minimum of 3,300 jobs and agree to a minimum assessed value of \$118 million, Aviva was obligated to create a minimum of 600 additional jobs and agreed to a minimum assessed value of \$55 million, and Microsoft agreed to a minimum assessed value of \$18 million for the first phase of its data center property.

- It is worth noting that in 2013 Wells Fargo Home Mortgage began construction of a \$100 million addition to its Mills Parkway campus, for which they did not request any additional state or local assistance.

Economic Development / Fuller Road Urban Renewal Area

- The Fuller Road District was created in 2010 with a sole purpose of promoting economic development and growth by providing tax rebates to property owners with new taxable growth attributable to new construction.

- In January 2011 the City entered into a development agreement with Chow, Inc. (dba Chow's Gymnastics) to allow for rebates to the developer of a portion of incremental tax revenues generated by construction of a new gymnasium facility in the district.

- While this is a smaller project in scope and incremental tax revenue generated, the City believed it was very important to use TIF in order to retain Chow's Gymnastics in the State of Iowa following Coach Chow's tremendous Olympic success.

League Legislative Day 2015

February 24, 2015

Embassy Suites Hotel – Iowa State Capitol – Noodle Zoo

- 8:30 – 9 a.m.** **Registration**
- 9 – 9:05 a.m.** **Welcome and Introduction**
Alan Kemp, Iowa League of Cities Executive Director
- 9:05 – 10 a.m.** **Economic Development 101**
- 10 – 11 a.m.** **Iowa Economic Development Authority**
Debi Durham, Director
Tim Whipple, General Counsel
- 11 – 12 p.m.** **Advanced Topics**
- 12 – 1 p.m.** **Lunch and Legislative Overview**
Dustin Miller, General Counsel
Robert Palmer, Government Affairs Manager
- 1 – 4 p.m.** **Iowa State Capitol**
Individual meetings with legislators
Room 304 reserved from 2:30 – 3:30 for meetings with Legislators
Attend committee meetings
Watch floor debate
- 4:30 – 7 p.m.** **Reception at Noodle Zoo**

Iowa League of Cities
**Economic Development Workshop
& Legislative Day**
Embassy Suites, Des Moines

9-10am Economic Development 101
10-11am Iowa Economic Development Authority
11-12pm Advanced Topics in Economic Development
12-12:50pm Working Lunch / Overview of Leg Day
1-4:30pm Legislative Day at the Capitol
4:30-7pm Legislative Reception at Noodle Zoo

Thank you to our sponsors:

**ECONOMIC DEVELOPMENT
101**



ECONOMIC DEVELOPMENT: 101

Iowa League of Cities
Legislative Day 2015

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CAVEAT

This presentation is intended for general informational purposes only. Answers to legal questions about Iowa urban renewal law can vary greatly depending upon the specific facts in a given situation. Please consult an attorney.

WHAT IS TIF?

- Tax Increment Financing
- Concept is to capture the incremental (increased) taxes generated from the construction of buildings/expansions
 - Frozen base (everyone continues to receive all taxes from the frozen base value)
 - Tax Increments generated (new value less the frozen base value)
 - Everyone benefits -- eventually

HOW TO COMPUTE TIF

- New Value After Improvements \$2,000,000
- Frozen Base Value \$ 50,000
- Difference in Assessed Value \$1,950,000

Combined Tax Levy = \$32/\$1,000

Less:

Debt Service Levies

and School's PPEL (physical plant and equipment)

& ISPL (instructional support) \$ 4/\$1,000

Net TIF Levy = \$28/\$1,000

Net TIF Levy times Difference in Assessed Value = Tax Increment

\$28/\$1,000 x \$1,950,000 = \$54,600 Tax Increment per year

TIF Timing

FROM PROJECT COMPLETION TO TAX COLLECTION HOW THE SYSTEM WORKS

Project Completes Summer 2015

Assessed 01-01-16

2017/2018 Taxes Based on 01-01-16 Valuation Will
Not Be Paid Until Fiscal Year 17-18

CAUTION *Until And Unless* Incremental Taxes Are
Collected (Which Could be Even Later Than
Fiscal Year 17-18) *There Are No TIF
Reimbursement Dollars to Spend*

Authority for TIF

- Iowa Code Chapters 403 and 15A combine to give City authority for grants, loans, and tax rebates to private entities
- Iowa Code Chapter 403 gives City authority to use Tax Increment for public infrastructure that promotes Economic Development
- 6 types or designations are available for UR Areas
 - The types are described in an Urban Renewal Plan: Slum; Blight; Economic Development(C&I); Economic Development (LMI housing); Economic Development (non-LMI housing); and mixed.

SLUM

- This is an area where Slum conditions exist and the city or county wants to eliminate those conditions (...an area in which a predominance of buildings or improvements, whether residential or nonresidential, which: by reason of dilapidation, deterioration, age or obsolescence; by reason of inadequate provision for ventilation, light, air, sanitation, or open spaces; by reason of high density of population and overcrowding; by reason of the existence of conditions which endanger life or property by fire and other causes, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime...)
- CAUTION: Slum does not include real property assessed as agricultural property.
- No statutory required sunset (watch for voluntary sunset)

10

BLIGHT

- This is an area where Blight conditions exist, and the city or county wishes to eliminate these conditions (...deteriorated or deteriorating structures; defective or inadequate street layout; faulty lot layout in relation to size or adequacy; unsanitary or unsafe conditions; deterioration of site or other improvements; diversity of ownership; tax or special assessment delinquency exceeding the fair value of land; defective or unusual condition of title, conditions that endanger life or property by fire or other causes; menace to public health safety or welfare.)
- CAUTION: Blight does not include real property assessed as agricultural property.
- No statutory required sunset (watch for voluntary sunset)

11

ECONOMIC DEVELOPMENT - Commercial and Industrial

- This is an area where a city or county wants to create or retain jobs and income and strengthen the economy by promoting the development of new business and industry or by retaining existing business and industry.
- CAUTION: Economic Development – Commercial and Industrial areas cannot include ag land or century farm land unless the owner consents.
- If plan adopted after 1/1/95 and no part of the area contains slum or blight and if no voluntary sunset has been adopted, then it has a 20 year sunset

12

TWO KINDS OF HOUSING AREAS

- ECONOMIC DEVELOPMENT – LMI HOUSING
- ECONOMIC DEVELOPMENT – INFRASTRUCTURE FOR NON-LMI HOUSING
- What is LMI?
 - LMI stands for Low and Moderate Income and is defined in Iowa Code Section 403.17(14) as "...those families, including single person households, earning no more than eighty percent of the higher of the median family income of the county or the statewide nonmetropolitan area as determined by the latest United States department of housing and urban development, section 8 income guidelines."
 - Where to find County specific information about LMI?
 - The 80% county income figures can be found on the IEDA website under Community Development/CDBG/2014 CDBG Median Income levels.
 - The percentage of residents at (80%) income by county is reached by a link from the IEDA website to the HUD website. <https://www.onecpd.info/manage-a-program/acs-low-mod-summary-data-local-government/> (click on Iowa).

13

ECONOMIC DEVELOPMENT – LMI HOUSING

- This is an area where the city or county wants to promote development or construct improvements to promote housing opportunities for ONLY LMI persons.
- Still get a 20 year sunset
- Housing for LMI
 - Documentation that income of residents does not exceed LMI maximum
 - Documentation that the housing is affordable to LMI residents
- Can use Tax Increment for a variety of purposes (land purchase, rebates of increment, loans, grants, etc.)

14

ECONOMIC DEVELOPMENT – INFRASTRUCTURE FOR NON-LMI HOUSING

- This is an area where a city or county wants to help fund the cost of Public Improvements to serve housing that is too expensive for LMI persons. This type of area should be mixed with any of the other types only when the effect that it might have is fully understood and accepted.
- 3 things to remember:
 - **Public Improvements.** Can only use TIF to reimburse Public Improvements (e.g., streets, sidewalk, water lines, sanitary sewer, storm sewer, etc.)
 - **Shortened Sunset.** 10 fiscal-year sunset. If the municipality has a population under 15,000 the 10 fiscal-year sunset can be extended by an additional 5 fiscal-years with the written permission of the other affected taxing entities.

15

ECONOMIC DEVELOPMENT – INFRASTRUCTURE FOR NON-LMI HOUSING

- **LMI set-aside.** The amount of money you must spend on housing for LMI persons when you undertake a non-LMI housing project. Either set aside cash or satisfy LMI obligation, in whole or in part, by proving the houses are occupied by LMI families or are affordable to LMI families
 - Calculation:
 - Percentage of LMI persons in your county x TIF Reimbursement
 - Examples on how to spend LMI set-aside:
 - Lots for LMI housing within or outside the urban renewal area
 - Construction of LMI housing within or outside the urban renewal area
 - Grants, credits, or other direct assistance for housing to LMI families within or outside the urban renewal area, but within the municipality

16

AG LAND RESTRICTIONS

- Ag land cannot be Slum or Blighted areas
- Economic Development – Commercial and Industrial areas cannot include ag land or century farm land unless the owner agrees (written consent)
- Ag Land is defined as:
 - 10 acres or more and not divided into lots of less than 10 acres
 - Used for the production of ag commodities during 3 out of past 5 years
 - Includes land on which is located farm residences or outbuildings used for ag purposes
 - Includes land set aside for environmental protection or preservation

17

WHO HAS TIF POWER?

- Cities and counties have the ability to form an Urban Renewal Area by the adoption of an Urban Renewal Plan.
 - Usually adoptions of UR plans are done separately by the City and County, but in some cases the City and County may work together on an Urban Renewal Project
 - City needs the consent of the County to adopt an UR Plan within 2 miles of the City
 - County needs the consent of the City to adopt a UR Plan within 2 miles of City limits or within the City limits

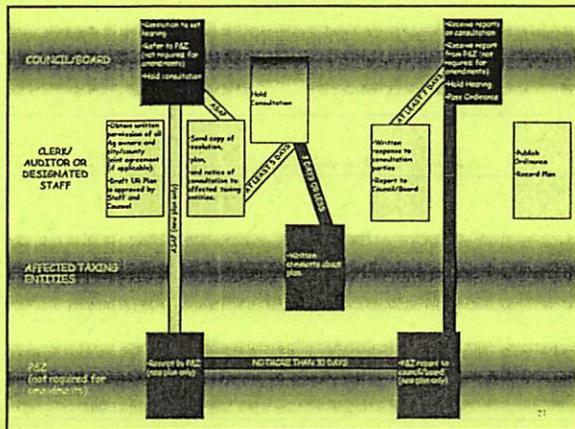
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THE PLAN

In order to receive the right to use TIF or Tax Increment, the City goes through a plan or amendment adoption process in order to receive the legal authority to use tax revenues from affected taxing entities (school and county).

AMENDMENTS TO URBAN RENEWAL PLANS

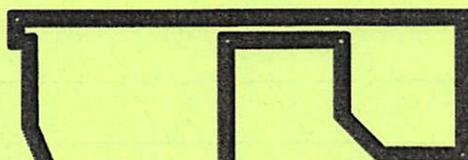
- Urban Renewal Project must be included in the plan or an amendment to plan
 - Public improvements
 - Development Agreements
 - Conveyance or Acquisition of Property
 - Blight Remediation
 - Planning, engineering fees, attorneys fees and costs
- No Planning & Zoning review for amendments (just for new plans)



WHERE CAN TAX INCREMENT BE USED?

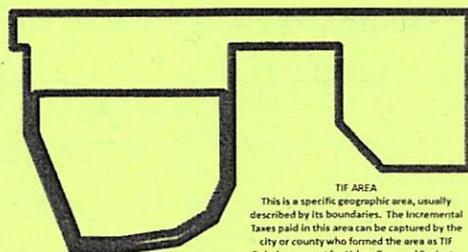
- TIF can be used for Urban Renewal projects that are authorized within the UR Area that has been designated by the UR Plan within the time allowed under law.
- Therefore the first question is: Is the property on which the Urban Renewal project will occur (roads built or building constructed) within a current UR area?

A TYPICAL TIF AREA
(CO-EXTENSIVE WITH AN URBAN RENEWAL
AREA)



TIF AREA
This is a specific geographic area, usually described by its boundaries. The Incremental Taxes paid in this area can be captured by the city or county who formed the area as TIF Reimbursement for Urban Renewal Projects.

A TIF AREA FOR PART OF
AN URBAN RENEWAL AREA



TIF AREA
This is a specific geographic area, usually described by its boundaries. The Incremental Taxes paid in this area can be captured by the city or county who formed the area as TIF Reimbursement for Urban Renewal Projects.

HOW LONG CAN YOU COLLECT TAX INCREMENT?

- How long can you collect TIF?
- It depends on the designation or type of area; and
- It depends on when the property that the project is located on was put in the Plan; and
- It depends on what the Plan says

SUNSETS

- Slum and Blight —no statutory sunset
- Econ. Dev. (Comm./Ind) (post-1/1/95 plans) (and no part is slum/blight) 20 years from calendar year after 1st certification of debt
- Mixed Econ. Dev. and Blight—no statutory sunset
- Econ. Dev. (LMI housing) 20 years from calendar year after 1st certification of debt
- Econ. Dev. (NON-LMI housing) 10 fiscal years starting with 2d fiscal year after 1st certification of debt, (can extend to 15 years with consent of other taxing entities if city is under 15,000 population)
- CAUTION: Beware of voluntary sunsets (common in the 80's and 90's)

WHAT CAN TAX INCREMENT REIMBURSEMENT BE USED FOR?

1. Is the Project within an Urban Renewal Area (exception: LMI Match Urban Renewal Project)?
2. Does the Project qualify under Iowa Law? Iowa Code 403.6; Iowa Code 403.12
3. Is the Project adequately described in the Urban Renewal Plan?
4. Will the Project achieve approved goals?
 - Eliminate Slum.
 - Eliminate Blight.
 - Create or Retain Jobs or Income.
 - Provide housing for LMI families.
 - Provide Public Improvements for non-LMI housing development.

THINK ABOUT TIF AUTHORIZATION A LITTLE DIFFERENTLY

- TIF is a REIMBURSEMENT PROCESS. The City or County certifies "loans, advances, indebtedness or bonds."
- Tie these 3 things together:
 1. Authority for the UR Project in the Plan (description and dollar amount).
 2. Resolution by Council/Board approving the expenditure as an UR Project, authorizing payment, and qualifying it to be included in December 1 certification to county.
 3. December 1 certification to the county auditor of the expense.

LOCAL POLITICAL CONSIDERATIONS

- Educate, Educate, Educate
 - No Surprises
- Not a magic bullet
 - Balance various interests
 - Realize risks
- Be prudent
 - Prioritize needs
 - Incur debt for highest need
 - Pay off debt with TIF
 - Incur new debt for next need
 - Pay off debt with TIF

Other Economic Development Tools

- Urban Revitalization – Ch. 404
 - City or County can adopt an Urban Revitalization Plan for an area that qualifies for tax abatement to provide an abatement/exemption of ALL property taxes on the new value on commercial and/or residential improvements.
 - Available Schedules (404.3/404.3A)
 - Residential – 100% for 5 years on first \$75,000
 - Blight/LM/historical – more options up to 100% for 10 years.
 - Commercial/Industrial – 10 year declining (80, 70, 60, 50, 40, 30, 30, 20, 20) or 100% for 3 years
 - Multi-residential or commercial with 3 or more living quarters and at least 75% residential – 100% for 10 years
 - Specify percent of increase in actual value due to improvements required to qualify for abatement: default = 15%;10% for residential
 - Interplay with Urban Renewal
 - Can have different schedule for property in UR Area
 - Make sure don't count on increment if subject to abatement

Other Economic Development Tools

- Industrial Abatement –Ch. 427B
 - City or County can provide by ordinance for abatement/exemption of all property taxes for 5 years on a declining sliding scale from 75 percent to 15 (75, 60, 45, 30, 15) percent for actual value added by new construction (including additions) of industrial real estate, distribution centers, research-service facilities and machinery and equipment assessed as real estate.
 - No dual exemption allowed

11

Other Economic Development Tools

- High Quality Jobs Creation Act – Ch. 15.332
 - Up to 100% abatement/exemption of all property taxes for 20 years on actual value added by improvements (new, rehab., expansion) directly related to new jobs under the program
- Annexation Phase-in - Ch. 368
 - Exemption of City taxes on property annexed by City on declining percentage (75, 75, 60, 60, 45, 45, 30, 30, 15, 15)
 - Apply to all property in annexation area
- City-only grant - Ch. 15A
 - Provide city-only property tax rebate
 - Tied to job retention/creation (Economic Development)
- Others

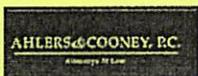
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QUESTIONS?

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24

Director Debi Durham

**IOWA ECONOMIC
DEVELOPMENT AUTHORITY**



Slides from IEDA



 **DORSEY**
DORSEY & WHITNEY LLP

John Danos, Dorsey & Whitney

**Q&A WITH ADVANCED
TOPICS**



Local Politics of TIF

- Strategies for Consultation
- Piracy



**Economic Development TIF
20 Year Transition**

- Change of Law in 1995
- Sunset over the Coming Years
- Base versus Increment



Basics of Negotiating the Deal

- Administering the Schedule
- Recruitment versus Retention



State Politics of TIF

- TIF Sunsets
 - 20 Year Economic Development versus Pre-1995
 - Slum & Blight
- Annual Appropriation and Per Capita Debt Cap
- Public Buildings

Other Questions?

LEGISLATIVE DAY

Schedule for the Day

- 1:00 – Arrive at the Capitol
- 2:30 to 3:30 – ILOC Priorities Discussion, Rm 304
- Standing Committees:
 -
 -
 -
- 4:00 – End of Legislative Day at Capitol

2-11-15
12:00

Iowa Capitol Basics

- Three primary levels of the Capitol
 - Ground Floor – Cafeteria, Entrances, Legislative Service Agency
 - First Floor – House Committee Rooms, Governor’s Formal Office, First Floor Rotunda
 - Second Floor – Senate and House Chambers, Law Library, Senate Committee Meeting Rooms, Second Floor Rotunda

2-11-15
12:00

Where to Find Senate Committee Meetings

- Senate
 - Committee meetings are in Room 22 or 24 on the south side of the Senate Chambers.
 - To reach the Senate Committee meetings either take the elevator located on the south side of the ground floor to the 2nd floor or walk up the south side steps.
 - You may also walk through the Senate chambers if the Senate is not in session. However, do not walk down the center aisle and do not stop to talk to legislators.

2-11-15
12:00

Where to Find House Committee Meetings

- House
 - Committee Rooms 102 and 103 are located next to each other on the first floor on the north side of the building.
 - Committee Room 19 (Where Local Government will be held) is located on the ground floor next to the main stair well on the east side of the building

2-23-15

ILOC Priorities Discussion

- From 2:30 to 3:30 in room 304, the Chairs of Local Government, Economic Growth, and Transportation have been invited to discuss issues related to cities.
- To find 304, head to the north side of the Capitol building. On either the ground floor or the first floor, enter into the elevators and take it to the third floor. Room 304 will be straight out from the elevator.

2-23-15

Dustin Miller, General Counsel
Robert Palmer, Government Affairs Manager

2015 SESSION UPDATE

2-23-15

League Legislative Team

- Alan Kemp, Executive Director
- Dustin Miller, General Counsel
- Robert Palmer, Government Affairs
- Erin Mullenix, Research & Fiscal Analyst

49

2015 Session Atmosphere

- Post-Election
- Education Funding and Budget
- Transportation Funding
- First Funnel: March 6th, 2015

50

2015 League Priorities

LOCAL BUDGET ISSUES AND DECISION MAKING

51

Local Budget Issues and Decision Making

- City Finances and Property Tax Backfill
- Transportation Funding
- Pensions
- Environmental Regulation
- Public Safety

Local Budget Issues and Decision Making

City Finances and Property Tax Backfill

- SF295 Property Tax Reform
 - Backfill
 - Primary Use
- HF341 - Borrowing Surplus Reserves

Local Budget Issues and Decision Making

Transportation Funding

- HF351 & SF257 Gas Tax
 - 10 cent increase
 - County Bonding Restrictions
 - Fee Increases
- Various ATE Bills

Local Budget Issues and Decision Making

Pensions

- SF188 - State Contribution for MFPRSI
- SF35 - IPERS Hybrid Formula
- SF113 - Annual Pension Interim Committee



Local Budget Issues and Decision Making

Environmental Regulation

- SF216 - Fiscal Impact on Cities of Administrative Rules
- Wastewater & Stormwater
- Nutrient Trading
 - Nutrient Research Center Appropriation



Local Budget Issues and Decision Making

Public Safety

- SSB1154 & HSB 115 - Expenses for the Safekeeping of Prisoners by Cities.
- SF226 - Fireworks



Local Budget Issues and Decision Making

Open Meetings Open Records

- SF82 & HF169 - Access to Closed Session
- HSB 124 - Employee Settlements
- SSB1073 - IPIB Legislative Agenda
 - Advisory Committees
 - Notification
 - Ongoing Investigations

2015 League Priorities

ECONOMIC DEVELOPMENT AND COMMUNITY VITALITY

Economic Development and Community Vitality

- Local Economic Development Programs and Policies
- Community Growth
- Workforce Development

Economic Development and Community Vitality
Local Economic Development Programs and Policies

- SF233 / HSB99 - IEDA: Abandoned Nuisance Properties
 - Creates Loan Program
 - Extends to Commercial Buildings
 - Increases Notification
 - Makes Clear Judicial Process
- SF278 - Nuisance Property Tax Abatement
- Tax Increment Finance (TIF)

Economic Development and Community Vitality
Community Growth

- HSB122 & SSB1139 - Iowa NEXT
- HF161 - Residential Occupancy Restriction
- SF164 & HF201 - Civil Service Commissions
- HSB104 & SF60 - Broadband

Economic Development and Community Vitality
Workforce Development

- HSB136 - Human Capital Commission
- SF234 - IA Employment Rides

Questions?

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64

**ADVANCED ECONOMIC DEVELOPMENT
TOPICS**

Iowa League of Cities

Legislative Day & Economic Development Workshop

February 24, 2015

Des Moines, Iowa

For more information contact:

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Dorsey & Whitney LLP

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danos.john@dorsey.com

Order of Business:

A) Introductions

B) Things To Know About Economic Development and Your City

1) Know Your Framework - Legal underpinnings

- a) Chapter 15A**
- b) Home Rule**
- c) Chapter 403 Urban Renewal/TIF**
- d) Chapter 404 Urban Revitalization/Abatement**

2) Know What's Possible

- a) Commercial**
- b) Industrial**
- c) Housing**
- d) Agri-business**

3) Know Your Tools

- a) TIF**
- b) Tax Abatement**
- c) Infrastructure**
- d) Home rule**
- e) Grants**
- f) Loans**
- g) Negotiated Agreements**

4) Know Your Community

- a) Planning**
- b) Goal Setting**
- c) Policy Development**

5) Know Your Limitations

- a) Constitutional Debt Limit**
- b) Budget Constraints**
- c) Statutory Limits**
- d) Administrative Burden**
- e) Risk**

6) Know Your Allies

- a) IEDA**
- b) Other Local Governments**
- c) Chambers & Development Corporations**
- d) Private Enterprise**

7) Know Your Resources

- a) League of Cities**
- b) Department of Management**
- c) Bond Counsel**
- d) Financial Advisors**
- e) Municipal Planners**

C) Questions & Answers

An Outline of an Economic Development Agreement

1) Preamble tells the story

2) Developer's Obligations

- A) Project construction
- B) Project operation, insurance and maintenance
- C) Property taxes and minimum assessment agreements
- D) Employment requirements
- E) Certifications and reporting
- F) Legal fee shifting
- G) Indemnification/legal risk shifting
- H) Financial obligations
- I) Claw-back, security and PILOT payments

3) City's Obligations

- A) TIF payments
 - Maximum dollar amount
 - Mechanics, Amounts, Timing and frequency
 - Source of payment
 - Annual appropriation
- B) Other financial obligations
- C) Infrastructure
- D) Real property

4) Boilerplate Provisions

- A) Assignability
- B) Choice of Law
- C) Running with the land

Iowa League of Cities'

Legislative Link

February 20, 2015

[Funnel Week](#) | [Transportation Funding](#) | [Nuisance Properties](#) | [Iowa Next](#) | [Broadband](#) | [Accessible Parking](#) | [Borrowing Surplus Reserves](#) | [Legislative Day](#) | [Public Pensions Event](#)

Funnel Week

Friday marks two weeks before the first funnel on March 6. The funnel is the final date for policy bills to make it out of a committee in either the Senate or House to remain eligible for the legislative session. Movement toward funnel usually results in increased legislative activity, and we will keep you informed of actions that impact cities.

[Comment](#)

Transportation Infrastructure Funding

Committees in both the House and Senate passed identical legislation calling for a 10 cent increase to the gas tax. Tuesday, the House Transportation Committee passed [HF351](#) by a vote of 16-5, and the bill was then referred to the House Ways and Means Committee where, on Thursday afternoon, it passed by a vote of 13-12. In the Senate [SF257](#) passed out of the Senate Transportation Committee by a vote of 9-3 and was referred to Senate Ways and Means Committee where, on Thursday, it passed by a vote of 8-6. Both bills will now go to their respective chamber floors for a debate and vote.

This weekend, legislators are likely to hear from both sides on this important issue. We strongly encourage you to [contact your legislators](#) before next week to voice your support for increased funding for road and bridge infrastructure. Increasing transportation funding is one of the League's 2015 legislative priorities, and we will continue to voice our support for this important issue at the Capitol but we need you to help by expressing this priority to your elected leaders. Due to the momentum behind this bill, there is a chance that one chamber or the other might take up a gas tax vote on Tuesday while the League hosts its Legislative Day in the Capitol. If this occurs, it will be a great opportunity for our members to observe this significant piece of legislation.

[Comment](#)

Nuisance Properties

Abandoned Nuisance Properties

The League has been working with Iowa Economic Development Authority (IEDA) to further enhance the toolbox that addresses a problem nearly all cities face: properties that the owner no longer wants and are expensive to clean up. [SF233](#) and [HSB99](#) seek to add due process and clarity as well as extend the process found in *Code of Iowa* Chapter 657A to commercial properties.

SF233 passed out of the Senate Economic Growth Committee last week and was placed on the Senate calendar. The House version of this bill passed out of the Economic Growth Committee on Tuesday. Both were passed with several twin amendments - none affecting Division VI, the section on Nuisance Properties and Abandoned Buildings.

Tax Abatement

The League has also registered in support of [SF278](#), which passed out of the full Senate Local Government Committee on Wednesday. The League believes SF278 could be another useful tool for cities to address nuisance properties. SF278 provides that a city council may, by ordinance, create an exemption from property taxation of the actual value added to residential property by improvements to the property if the property is deemed to be a public nuisance prior to the improvement. This essentially creates an abatement schedule for individuals who want to clean up and redevelop residential properties. The bill moves to the Senate floor.

Comment

Iowa Next

Iowa Next, what Governor Branstad called a "holistic plan for quality-of-life initiatives" in his State of the State speech, seeks to bring together state agency programs that have a shared interest in quality-of-life to invest in prioritized projects in a coordinated fashion. As seen in [HSB122](#) and [SSB1139](#), these bills eliminate and repurpose the Vision Iowa program, the Community Attraction and Tourism (CAT) program, the Great Places program, and the Iowa Cultural Trust to a new program to be administered by the Iowa Department of Cultural Affairs.

A House subcommittee reviewed HSB122 Wednesday with many interested stakeholders in attendance. The League expressed support for improving implementation of programs but also that some of our members are concerned about the removal of the allocation of CAT dollars for small cities. Further development of the criteria was discussed and the League will work with the Department of Cultural Affairs on addressing concerns as the proposal moves forward. The bill was not passed out of the subcommittee and further subcommittees will be scheduled before moving to the House Economic Growth Committee

Comment

Broadband

One priority for the two chambers and Governor Branstad has been legislation to support the deployment of broadband across Iowa. On Wednesday, [HSB104](#) passed out of a House subcommittee without amendment. The legislators on the subcommittee expressed the desire to keep the bill moving past the legislative funnel but that changes were likely to be made as the bill moves through the process. The current bill coordinates broadband efforts through the state's chief information officer and provides \$5 million for a grant program for broadband

development. The League has also been supportive of language in the bill that would provide a full three-year property tax exemption for new broadband infrastructure, similar to a tax abatement, and potentially expanding the number of years for that exemption for new technology if this new infrastructure supports communities that do not have robust broadband service.

[Comment](#)

Accessible Parking

Beginning in the interim, the League has been working with city attorneys and legislators in both Local Government Committees to draft legislation that clarifies *Code of Iowa* Sections 321L.4 and 321.236 – the sections of *Code* dealing with accessible parking penalties and fines. Because the two *Code* sections do not reflect upon one another, the League has offered these bills to clarify whether cities can assess a civil or criminal violation. The League believes that this legislation will help to alleviate those concerns.

The Senate version of the bill, [SF272](#), passed out of committee on Wednesday and moves to the Senate floor. The House version, [HF343](#), also passed out of a House Local Government Committee and has been referred to the House Judiciary Committee.

[Comment](#)

Borrowing Surplus Reserves

[HF341](#) seeks to establish a new *Code* section to allow a city to borrow surplus moneys from its reserve accounts or funds for any general corporate purpose or essential corporate purpose. The bill also provides a similar borrowing procedure and process if the dollars are needed for the reserve fund. This bill passed out of the House Local Government Committee and has been sent to the House Ways and Means Committee. The League has registered in support of the bill because it is an additional tool that could help cities fund local improvement projects.

[Comment](#)

League Legislative Day: February 24

We hope to see you next Tuesday, [February 24](#), for [Legislative Day](#) which includes an economic development workshop at the Embassy Suites where Economic Development 101 and Advanced Economic Development topics will be covered by the law firms of Dorsey & Whitney and Ahlers & Cooney. These sessions will review topics such as the transition from sunseting tax increment finance districts and negotiating the right deal. In addition, at 10 a.m., IEDA Director Debi Durham will give a presentation on the nuts-and-bolts of programs administered by IEDA.

After the morning workshop, we will move activities to the Capitol for meetings with your individual legislators and updates on current legislative actions from key legislators. You will have the chance to attend committee meetings that impact city government, individual

meetings with legislators and coordinated larger meetings focused on the 2015 Legislative Priorities with the legislators that impact those priorities. League staff will be in the Capitol to help guide you through the afternoon.

The day will culminate with an evening networking reception at Noodle Zoo in the East Village with city officials, legislators, and many state department representatives. Registration is available on the League's Web site, www.iowaleague.org or by calling Shannon Busby at (515) 244-7282. Registration is now \$70 for League members or \$80 for non-members.

[Comment](#)

Securing Iowa's Public Pension System: February 25

Stakeholders interested in Iowa's public pension systems will come together on February 25 for a conversation about Iowa's public pension systems in the context of national reform efforts, titled "Securing Iowa's Public Pension Systems". The event will be held at the Greater Des Moines Botanical Center from 11 a.m.–1:30 p.m. Registration is \$20, which includes lunch. The League is part of a larger coalition sponsoring this event.

[Comment](#)

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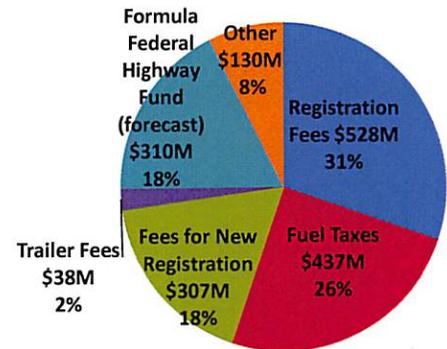
Iowa League of Cities Transportation Infrastructure Funding

Local Transportation Funding in Brief

Cities recognize that local transportation systems carry great importance not only for mobility and commerce, but also for public safety, quality of life, community vitality, and economic development. While the importance of maintaining quality and safe transportation systems is widely accepted, there are many different ideas on how to achieve the level of funding necessary to support this ever-critical infrastructure.

Transportation programs in Iowa are funded by a combination of local, state and federal funds. Both federal and state transportation funding rely heavily on fuel taxes. The chart at right shows the general breakdown of state transportation fund sources, as well as transportation fund disposition. City governments receive about 15 percent of the total state transportation fund distribution (not including grants and other special funds).

State Transportation Fund Sources



Data Source: Iowa DOT Pipeline Chart, FY2015

Transportation Infrastructure Condition

- A paved road's condition deteriorates by about 40% during the first 60% of its life, and by 40% more during the next 15%. Without necessary maintenance, this deterioration process happens more quickly. Source: *Small Cities and Counties: A Practical Guide*
- 46% of Iowa's major locally and state-maintained roads and highways are either in poor or mediocre condition. Source: *American Society of Civil Engineers*
- 38% of Iowa's major urban highways are congested, which contributes to both wasted time and fuel. Source: *TRIP*
- 27% of Iowa bridges are in need of repair, improvement or replacement, including 22% rated as structurally deficient. Iowa ranks as the third highest share of structurally deficient bridges in the U.S. Source: *TRIP*
- The Federal Highway Administration estimates that each dollar spent on road, highway and bridge improvement results in an average benefit of \$5.20 in the form of reduced vehicle and road maintenance costs, reduced delays, reduced fuel consumption, improved safety, and reduced emissions as a result of improved traffic flow.



According to the Iowa Department of Transportation (IDOT), as of 2013, there were 114,819 miles of public roads in Iowa. Of those, 16,509 are considered municipal public roads.



In 2013, there were 31.5 billion vehicle miles traveled on Iowa's roads. This represents about 10% of total road travel in the US.



According to the IDOT, vehicle travel on Iowa's highways has increased steadily by more than 37% from 1990-2010. New local road mileage increased by about 26% over the same time period. The demand, use, and need for maintenance of our roadway systems has greatly increased.

Economic Development & Use of TIF for Transportation Infrastructure

TIF (tax increment finance), in some cases, is used by cities to improve transportation infrastructure and support economic development. According to IDOT Street Finance Report data for fiscal year 2013, the amount reported from TIF for street purposes was about \$23 million.

There were 1,413 local governments reporting TIF use for "streets, roads, and bridges" in the Iowa Department of Management required Annual Urban Renewal Report (AURR). This is equal to approximately 45% of all non-revenue producing TIF projects statewide.



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Iowa League of Cities Transportation Infrastructure Funding

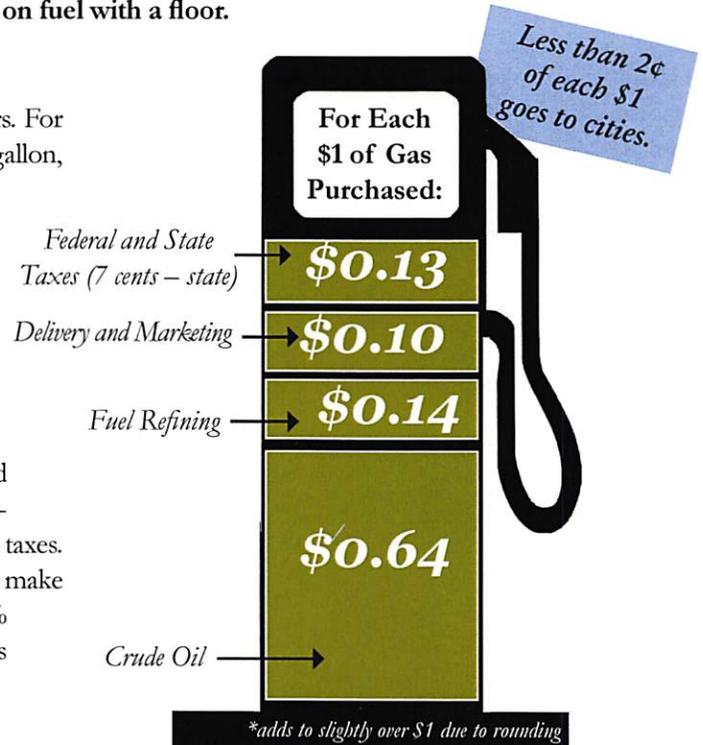
The Iowa League of Cities supports an increase to transportation infrastructure funding and recognizes that there are currently a variety of proposals that may achieve this goal. Such proposals include, but are not limited to, adjusting the fuel tax as well as implementing a state excise tax on fuel with a floor.

→ On Fuel Taxes

The state fuel tax has not been substantively changed in roughly 25 years. For comparison purposes, the average U.S. state fuel tax is 31.5 cents per gallon, while Iowa's state fuel tax rate on gasoline is 21 cents per gallon.

The IDOT estimated that for every one cent increase in fuel tax, across the board, an estimated \$23 million increase in revenues would result for transportation statewide. For every one-cent increase in gas tax, the average individual driver would pay an estimated additional \$5.78 annually (refer to the League for assumptions included).

Only a very small portion of a person's total gas purchase price goes toward their city and local road funds. The funds that actually reach city street infrastructure funds are much less than the portion that is collected through taxes. Of the 13 cents that go toward federal and state taxes, the state taxes make up just over half. Of the state funds combined, approximately 20% reaches cities. That leaves less than two pennies on the dollar that is estimated to reach cities as revenue that can be used for local city roads.



Local Outstanding Debt for Transportation Purposes

The IDOT collects information from cities annually in its Street Finance Report. In that report, cities report a wide variety of information related to streets and street finance, including transportation infrastructure related debt. In fact:

- For FY 2013, bonds, notes and short term loans account for about 23% of the cities' total revenues for street purposes.
- This is equal to about \$200 million of debt in that year. City expenditures including both principal and interest on street debt in the same year topped \$262 million statewide.
- Combined, about 39% of cities in Iowa currently have some outstanding debt for street purposes, as reported to the IDOT. Some local governments have issued debt because of funding shortfalls.
- From data available from the Iowa Treasurer of State Office, both the number of local governments issuing outstanding debt for transportation debt, and the total amount of related debt has been increasing over time (see chart below). In 2013 there were 585 self-reported outstanding local debts related to transportation. These debts totaled \$1.1 billion for 2013. This represents roughly a 148% increase in total outstanding debts since what was reported in 2001.

Outstanding Local Government Debt: Transportation, by Recorded Debt Total (\$)

