

City Administrator Report to Mayor & City Council

July 8, 2016, Edition No. 227

WEEKLY UPDATE:

- Humane Society: Attached are the suggested revisions to the contract based upon the Humane Society's feedback. The revisions were forwarded to the Humane Society July 1st.
- IDOT: IDOT is looking to build a new facility off of Hwy 61 on the South end of town. They are looking to connect a private line to the City's sewer system at IDOT's expense. Jon Koch has been coordinating the discussion. This would likely be a private 2" sewer.
- TIFs: We look to begin the approval process for the Housing TIF, Commercial TIF (adjacent to mall) and the Hotel Amendment here shortly. Draft agreements are under review by staff and the developers. These agreements will also require amendments to our Urban Renewal Plan. I have had a request for "TIF 101" information and have attached a few informational pieces for your information and review.
- Commercial Waste Committee: The second meeting of the committee met today to discuss and review potential options to reduce or offset increased costs due to the proposed new rate structure. A recommendation from the committee is expected at the 7/14 in-depth session.
- Riverfront: Given the time of year, the plan is for the consultant to gather background materials and information in preparation for a post labor day kick-off for the Riverfront Master Plan.
- Second Saturday: The next Second Saturday street fest in downtown Muscatine is this coming Saturday, July 9th from 5 to 8 p.m. Here is a link to the website: <https://muscatinesecondsaturday.com>
- City Blog: Below is a link to the latest blog post. The five new firefighters are undergoing training in a mini academy so they will be equipped when they join their assigned shifts. Blog: <https://muscatineiowa.wordpress.com/2016/07/07/meet-the-new-firefighters/>
- RAGBRAI: Remember to visit <http://www.ragbraimuscatine.com> for the latest information on RAGBRAI. Just a reminder that volunteers are needed and they can sign up at volunteermuscatine.org or they can contact Nicole Sorgenfrey at volunteers@ragbraimuscatine.com or by calling 563-263-5963.
- Commercial: The CVB has been working with a downtown group to prepare 6-8 videos or commercials to run on KWQC and that can be made available on websites and social media. Their first video is ready to go and can be found at the locations below (in addition to the city's website). If you would like a broadcast/HD version or mp3 version, just let me know. Feel free to share.
 - Youtube: <https://youtu.be/nKVo-q5TpiI>
 - CVB's website homepage: <http://visitmuscatine.com/>
 - Facebook: <https://www.facebook.com/VisitMuscatine/posts/964074927023177>

AGREEMENT FOR THE RECEIPT AND USE OF CITY FUNDS

by and between

The City of Muscatine, Iowa

and

Muscatine Humane Society

This Agreement is entered into between the City of Muscatine, Iowa, an Iowa municipal corporation (hereinafter "City") and the Muscatine Humane Society (the "Agency" or "MHS"), an Iowa not-for-profit organization organized in the State of Iowa, on the _____ day of _____, 2016, for the purpose of establishing certain conditions on the receipt, expenditure and use of City funds received by the Agency.

I. Receipt of City Funds. The City agrees to allocate \$65,000.00 for fiscal year 2016/2017 to the Agency for use as directed within this Agreement. Such funds shall be paid as follows: payments of \$5,416.67 each month from July 2016 through May 2017 and \$5,416.63 in June 2017. The City retains the right to unilaterally adjust the amount of any disbursement if the City determines that insufficient public funds exist to provide funds to the Agency at the level indicated in this Agreement.

II. Use of City Funds. As a condition of the receipt of the City funds set forth in paragraph I, the Agency agrees to expend such funds pursuant to the following:

- A. Accepting and housing animals delivered to the Agency by the City's Animal Control Officer, police officers, or residents.
- B. As a condition of continued receipt of City funds, the Agency shall:
 - a. Work with the Animal Control Officer ("ACO") to find owners of animals when citations are warranted and collecting the pertinent information for follow up.
 - b. Assist with animals when the ACO is not on duty. If there is an emergency or an animal's life is at risk, a City police officer will respond to the call and transport the animal to the Agency if necessary. The Agency will continue to take in animals that are brought in by citizens and officers during their normal business hours even if the ACO is not working.
 - c. Allow the City access to drop off animals when the Agency is not open to the public.
 - d. Have open communications with the City and ACO.
 - e. ~~If needed, prepare stray bite animals for rabies testing at the state laboratory.~~
 - f.e. Work with the city departments, in conjunction with the ACO, for animals found in abandoned properties. The City inspector or agent of

the City shall be able to take an abandoned animal to the Agency free of charge.

g.f. Provide work space at the Agency for the ACO.

C. All such funds shall be used in conformance with all applicable federal, state and local laws.

III. Reporting Requirements. As a condition of the receipt of the City funds set forth in paragraph I, the Agency hereby agrees to abide by the following reporting guidelines:

A. The Agency will provide reports of the following figures to the City on a quarterly basis:

- Report with regard to the number of animals received ~~from City residents~~, including number and type of animal received, the number adopted out, euthanized or returned to owner. This report will include all animals received by the Agency until such time that the Agency's software can generate a report for only the animals received by City residents and animals received from the ACO.
- ~~Report with regard to the number of animals received from the ACO, including number and type of animal received, the number adopted out, euthanized or returned to owner.~~
- e.b. Statements of revenues and expenditures by month (submitted at least quarterly), and quarterly balance sheets.

B. The Agency shall provide copies of the following documents within nine (9) months of the end of the Agency's last fiscal year:

- The Agency's current IRS form 990 as well as a copy of the current corporate annual report filed with the Iowa Secretary of State.
- b. A copy of the Agency's current financial audit if an audit is performed.
- b.c. If an audit is not performed, the Agency agrees to Section V allowing the City to examine all records pertaining to the receipt and expenditure of City funding for the services provided in this agreement.
- e.d. A copy of the Agency's An Annual Report that includes a summary of how the City funds were used, to include an assessment of the Agency's annual accomplishments and outcomes. This can be presented by the Agency as part of the Agency's budget funding request for the subsequent fiscal year at the City Council budget sessions held in February each year.
- d.e. A copy of the Agency's budget for the next fiscal year.

IV. Independent Contractor. The Agency agrees that it is an independent contractor of the City, and that the employees, agents, and vendors of the Agency are not employees of the City.

V. Retention and Access to Records. The Agency will give the City, the City Administrator, or any authorized representative of the City access to and the right to examine all records related to the expenditure of City funds. The Agency shall keep financial records and all other records pertaining to these funds for a minimum of three (3) years. The City may, at its sole

option, conduct an audit related to this Agreement. The Agency shall, upon City's request, make its records, employees, and property available promptly within a reasonable time frame.

VI. Withholding of Payment. The City shall retain the authority to withhold any and all payments to the Agency if, in the sole judgment of the City, the proposed or continued use of the funds violates the terms of this Agreement, any applicable law, or is contrary to the appropriate use of public funds.

VII. Assignment. The Agency shall not voluntarily or by operation of law assign, hypothecate, give, transfer, mortgage, sublet, license, or otherwise transfer or encumber all or part of its rights, duties, or other interests in this Agreement or the proceeds thereof without the prior written consent of the City. Any attempt to make an assignment in violation of this provision shall be a material default under this Agreement and any assignment in violation of this provision shall be null and void.

VIII. Miscellaneous. This Agreement, and any dispute arising from the relationship between the parties to this Agreement, shall be governed by the laws of the State of Iowa. This Agreement and all other agreements, exhibits, and schedules referred to in this Agreement constitute(s) the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior and contemporaneous understandings or agreements of the parties. If any term or provision of this Agreement is determined to be illegal, unenforceable, or invalid in whole or in part for any reason, such illegal, unenforceable, or invalid provisions or part thereof shall be stricken from this Agreement, and such provision shall not affect the legality, enforceability, or validity of the remainder of this Agreement.

SIGNED this _____ day of _____, 2016.

Diana L. Broderson
Mayor

Chairman William Fridrych
President,
Muscatine Humane Society

ATTEST:

Gregg Mandsager
City Clerk

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OF COUNSEL
ROBERT D. LAMBERT, P.C.¹
ROBERT L. LANDE
CLEMENS (CAL) A. WERNER, JR.

¹ ALSO ADMITTED IN ILLINOIS



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July 7, 2016

Writer's E-mail Address:
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The Honorable Mayor and
Members of the City Council
City Hall
Muscatine, IA 52761

Dear Friends:

Re: Creekside of Muscatine Development Project

This Project is on property just off Houser Street, immediately West of the Crossroads facility. It includes 48 senior rental units in the form of 24 duplexes with attached garages. The target population is individuals age 55 and over, all of whom have incomes at or below 60 percent of the Area Median Income, with at least 10 percent of the units set aside for individuals with special needs or handicaps. This commercial Project will be managed by National Management Corporation in Clive, Iowa.

We enclose the following supportive documents:

1. Support for Market Demand of Proposed Housing Development
2. Site Plan (which shows 50 units instead of the proposed 48 units)
3. Floor Plans for the duplex units

On December 3, 2015, Muscatine native Chris Ales presented the Project to the City Council on behalf of DN Development, LLC; Mr. Ales previously developed the Cottage Grove project and Welch Apartments in Muscatine. The City Council approved allocation of 12 Project-Based Vouchers for the Project, subject to receipt of Low Income Housing Tax Credits from the Iowa Finance Authority (IFA).

Competition for the IFA Tax Credits is very strong, and the Project did not score high enough to obtain the Tax Credits by IFA in 2016. The developer intends to submit a new application to IFA in December, and local incentives will significantly enhance the Project's competitive scoring.

The Honorable Mayor and Members of the City Council

July 7, 2016

For this reason, the developer requests that the City provide tax increment financing for the Project. In order to achieve maximum scoring for local incentives, the Project needs a commitment for 7 percent of the total development cost. The project's cost estimate is \$9,367,850 which requires a local incentive commitment of not less than \$655,750. Based on our projections, this will require TIF rebates at 100 percent for 12 years, but not less than \$655,750.

The combination of local incentives – the Project Based Vouchers and the tax increment financing – should enhance the Project's scoring with IFA to leverage \$7,797,398 in Low Income Housing Tax Credits to help finance the Project.

We understand it may be necessary to expand the Tax Increment Financing District to include the subject property.

Mr. Ales and we look forward to the opportunity to present the Project to the City Council at its in-depth meeting on July 14.

Thanks for your consideration.

Very truly yours,

STANLEY, LANDE & HUNTER

By 
Charles R. Coulter

CRC/me
M10416-1
Enc. (3)
Cc: Chris Ales

The Creekside of Muscatine, LLC
Project Based Voucher Application
Support for Market Demand of Proposed Housing Development

A formal, independent market study will be prepared for the project. This study will be paid for by the Developer and commissioned by the Iowa Finance Authority (IFA) in coordination with The Creekside, LLC's application for Section 42 Affordable Housing Tax Credits. That application will be submitted December 7, 2015, with the market study to be completed and relied upon in IFA's awards. Their awards are expected to be announced in March, 2016.

This document will be provided to and used by the independent market study consultants in completing their report.

Muscatine has had limited new affordable housing developed for seniors. The first project in many years was Cottage Grove in 2000, a 48 unit project located near the proposed site and designed similar to the proposed project. Another was developed in 2006, i.e. the Welch Hotel, which was converted into 22 apartments. Though both of these properties accept tenant based vouchers, neither have any project based vouchers.

Both properties stabilized quickly and have maintained nearly full occupancy since completion. With limited, if any new affordable housing for seniors since 2006, the fact that all existing properties, including properties pre-dating 2000 supported by project based vouchers have been and are operating a nearly full occupancy, and the demographics of our society, i.e. the aging baby boomers, there is convincing evidence of a market demand for the proposed development.

Only 10 of the 50 proposed housing units target individuals with incomes at or below 30% of the area median income. The remaining 40 proposed housing units will be available for occupancy by residents with incomes at or below 60% of the area median income. By serving this wide range of income qualified residents, the proposed development increases its market, further supporting its market demand.

Goal H.4 of the City of Muscatine's 2013 Comprehensive Plan (Plan) defines Infill Development as, "The development of new housing units that are in character with existing neighborhood on vacant, abandoned, passed over or underutilized land within existing neighborhoods". As the proposed development is generally consistent with the character of the surrounding properties, it is, within this context, considered Infill Development.

Policy H.4.A of the Plan calls for the adoption of City policies, regulations and projects that promote residential infill development. This proposed project meets Policy H.4.B of the Plan in

that it is well designed and compatible with surrounding uses and building types, being of a type, scale, orientation and design that maintains or improves the character, aesthetic quality, and livability of the neighborhood.

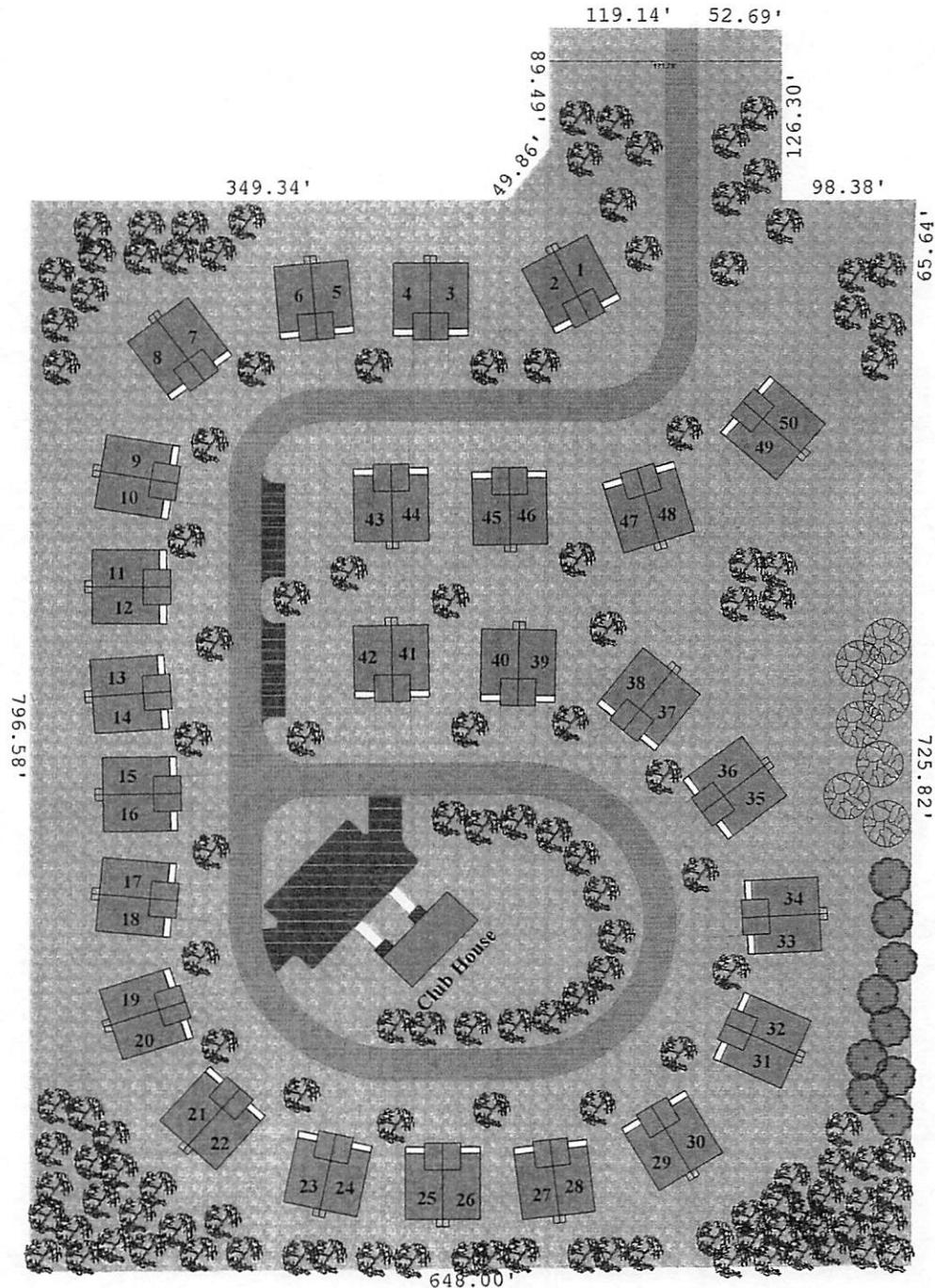
Policy H.4.C of the Plan requires the increased density of infill be balanced among community and neighborhood goals. The proposed development's design does so by minimizing the density with a duplex design that is compatible with the adjacent residential neighborhoods, providing ample green space and a community building for its residents.

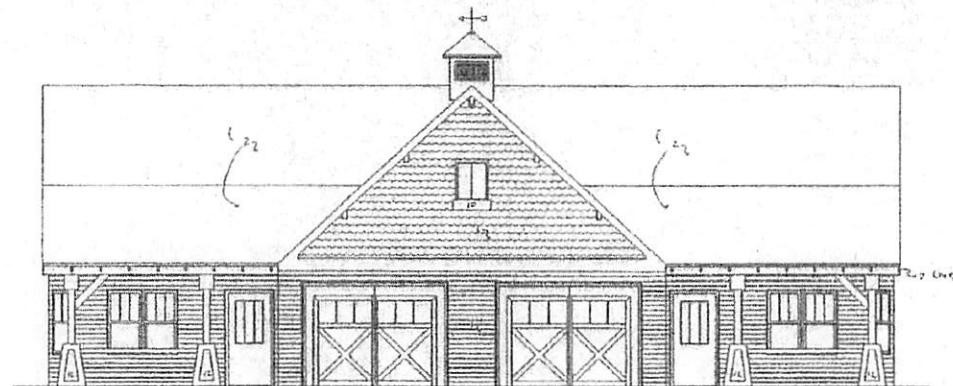
Action H.4.A of the Plan encourages utilization of existing investments in infrastructure, the promotion of land uses that reduce future related housing costs, and the promotion of continued production of low-income housing. Infill Development and Cluster Development are identified as a means to do so. As such, the proposed low to moderate income Infill Development, which utilizes existing infrastructure, is consistent with the Plan.

The proposed development site is within the City's designated "Western Planning Zone" (WPD), which is one of three planning districts where 97% of new housing units were constructed between 2000 and 2012. The WPD experienced a population growth of 3.6% from 2000 to 2010, while households in the WPD with a member over 65 increased 31.8%. And perhaps most importantly, the vacancy rate for rental housing in the WPD from 2000 to 2010 was only 5.4%, providing additional evidence of the market demand for the proposed development.

Creekside

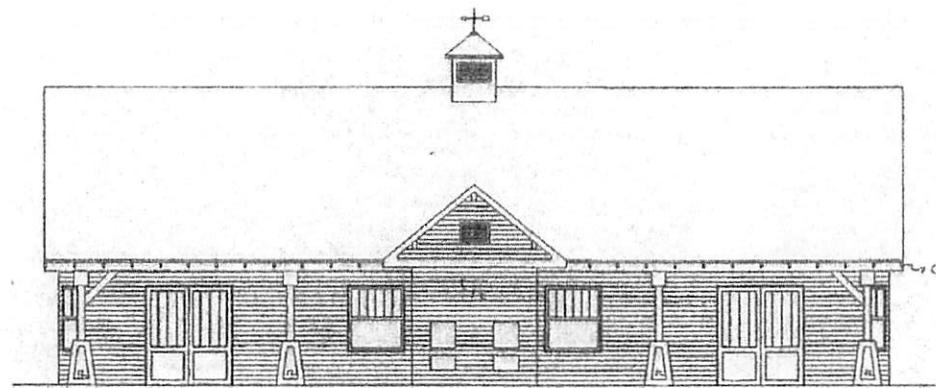
Muscatine, Iowa





FRONT ELEVATION

SCALE: 1/4" = 1'----0"



RIGHT ELEVATION

SCALE: 1/4" = 1'----0"

Stock Design Architecture
1000 1/2 E. 10th Street, Suite 100, Muscatine, Iowa 52648
PHONE: 563-264-5200 FAX: 563-264-5207
EMAIL: ARCHITECTURE@STOCKDESIGNARCHITECTURE.COM

DATE:

EXPIRED:
SIGNATURE

CREEKSIDE
MUSCATINE, IOWA

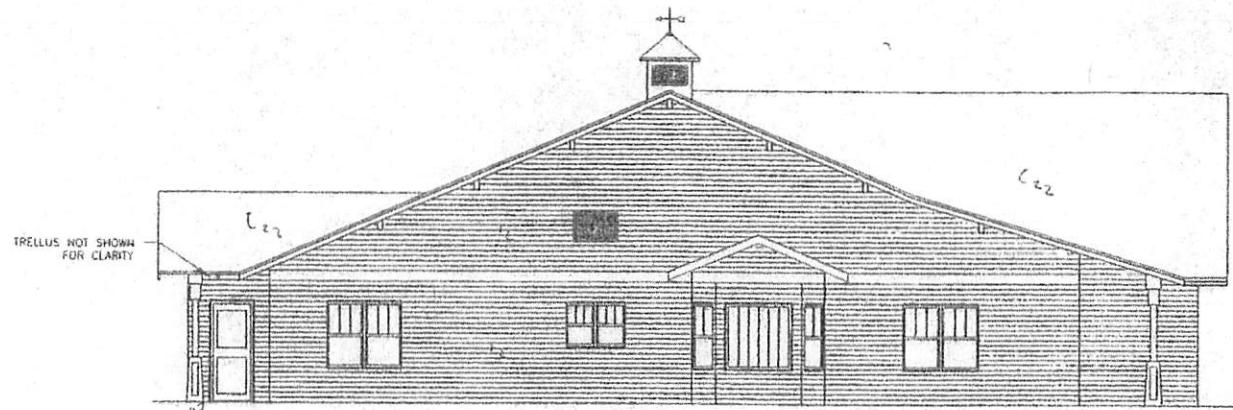
REVISIONS

EXTERIOR
ELEVATIONS

JOB NO.:
DATE:
DRAWN BY: MS

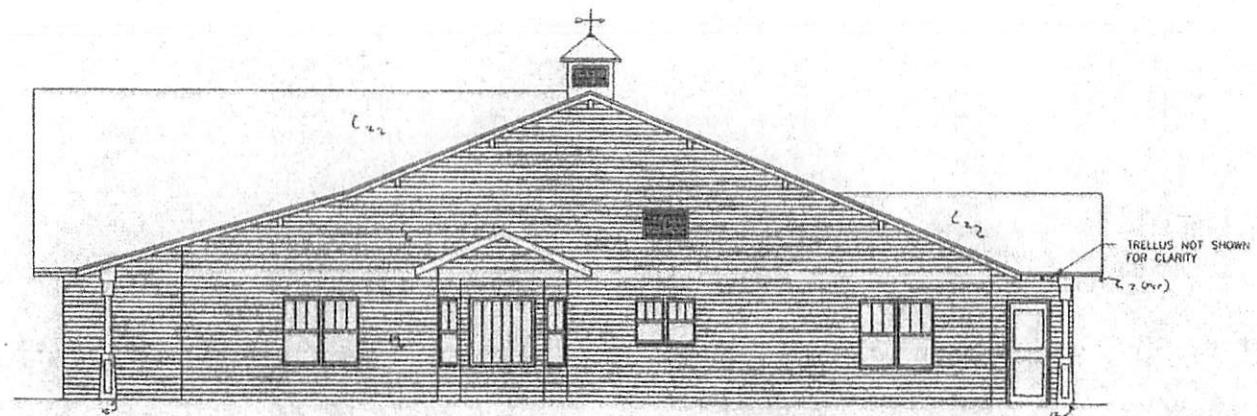
A2

SHEET NO.



LEFT ELEVATION

SCALE: 1/4" = 1'---0"



RIGHT ELEVATION

SCALE: 1/4" = 1'---0"

DATE:

EXPIRES:

SIGNATURE:

CREEKSIDE
MUSCATINE, IOWA

REVISIONS

SECTION ELEVATIONS

JOB NO.:
DATE:
DRAWN BY: MS

A3

SHEET NO.

Economic Development

Tax Increment Financing

Web Exclusive May 2016

Downloads/Links

[Snapshot of Tax Increment Finance \(Updated, April 2016\)](#)

[Snapshot of Tax Increment Finance - Fact Sheet](#)

[Urban Renewal](#)

[TIF Filings and Reports](#)

Tax Increment Financing (TIF) is a tool cities can use to enhance a wide range of development efforts. After establishing a TIF district, cities can do a number of things, including public improvement projects, to encourage new development or to assist in redevelopment activities. While TIF can be useful in a variety of ways, city officials need to plan carefully when employing TIF to ensure it is being used in the best way possible. Consulting with the city attorney is also important as there are many steps to implementing and amending a TIF district.

Creating a TIF District

Chapter 403 of the *Code of Iowa* states that TIF districts must be located within an urban renewal area (for a full review of urban renewal, including how to create an urban renewal area, please visit the [Urban Renewal](#) resources page). The chapter recognizes that cities have slum and blight areas in their community, which can be dangerous, unhealthy, reduce tax bases and impede growth. It goes on to say that cities need tools to improve these areas, which could require them to acquire, rehabilitate or demolish buildings. The law also states that cities may create urban renewal areas to enhance economic development efforts, to assist in retaining and attracting businesses, and to perform public improvements for residential development. Cities also have the right to acquire property through the condemnation process.

With an urban renewal area established, a city can opt to create a TIF district by approving an ordinance. The ordinance must describe the territory of the district and be filed with the county. It is important to note that a TIF district or area and an urban renewal area are not the same thing. Often, a TIF area matches the geographic boundaries of the urban renewal area in which it resides. However, some urban renewal areas have a smaller TIF area within it or have multiple TIF areas, while others do not have a TIF area at all. Once an urban renewal area is designated as a slum, blight or economic development area, the area cannot be redesignated.

Cities are required to mail a copy of the proposed urban renewal plan and hold a consultation with the other affected taxing entities prior to approval (cities, counties and schools). If the proposed urban renewal plan or proposed urban renewal project within the urban renewal area includes the use of TIF dollars for a public building, then the city must include an analysis of alternative development options and funding for the urban renewal area or urban renewal project and the reasons such options would be less feasible than the proposed plan or project with the proposed plan notification. A copy of the analysis must also be included with the urban renewal report and filed by December 1 following adoption of the urban renewal plan or project. Public buildings include, but not limited to:

- administration building
- police station
- fire station
- library
- recreational building
- swimming pool
- hospital
- city hall
- other public building that is exempt from taxation, including the grounds of, and the erection, equipment, remodeling or reconstruction of, and additions or extensions to, such a building

No TIF dollars can be used on an urban renewal project which includes the relocation of a commercial or industrial enterprise not presently located within the municipality, unless one of the following occurs:

- The local governing body of the municipality where the commercial or industrial enterprise is currently located and the local governing body of the municipality where the commercial or industrial enterprise is proposing to relocate have either entered into a written agreement concerning the relocation of the commercial or industrial enterprise or have entered into a written agreement concerning the general use of economic incentives to attract commercial or industrial development within those municipalities.
- The local governing body of the municipality where the commercial or industrial enterprise is proposing to relocate finds that the use of deposits into the special fund for an urban renewal project that includes such a relocation is in the public interest. A local governing body's finding that an urban renewal project that includes a commercial or industrial enterprise relocation is in the public interest must include written verification from the commercial or industrial enterprise that the enterprise is actively considering moving all or a part of its operations to a location outside the state and a specific finding that such an out-of-state move would result in a significant reduction in either the enterprise's total employment in the state or in the total amount of wages earned by employees of the enterprise in the state.

"Relocation" means the closure or substantial reduction of an enterprise's existing operations in one area of the state and the initiation of substantially the same operation in the same county or a contiguous county in the state. Enterprises are not prohibited from expanding its operations in another area of the state provided that existing operations of a similar nature are not closed or substantially reduced.

Property Taxes in a TIF District

When a TIF district is established, the property values in the district at that time are determined, which is often referred to as the base valuation. For new plans, the base valuation of the property in the TIF district is the value of the property as of January 1 of the year before the year in which debt is first certified for the district. When amending a plan, the base valuation of the district is determined on January 1 of the calendar year before the effective date of the ordinance.

All of the taxes due on the base valuations are distributed to the various local taxing jurisdictions in the normal way. Only taxes generated on the improved value of the property, known as the increment, are retained by the authority implementing the TIF (such as a city) for investment within the area. The incremental value is the additional assessed value above the established base valuation. Any TIF funds remaining, after TIF project expenses are paid, must be returned for distribution to the other local taxing entities.

How TIF is Used

Using TIF gives a city the option to sell bonds (general obligation or revenue bonds, as detailed in Code Chapters 384 and 403) and raise the necessary money to pay for the needed improvements in an urban renewal area as described in the plan. As the properties in the area begin to grow and thrive, the city is able to access most of the new tax revenue to pay off the debt initially incurred to finance the improvement projects.

TIF is typically used by cities to fund public improvement projects in conjunction with developing or redeveloping different parts of a city. This may include upgrading areas of the city suffering from slum and blight, helping residential development efforts, and enhancing economic development activities. Depending on the size of the project, cities may need to incur debt to finance an improvement, such as installing infrastructure. The city would then use the increment property tax revenue to make their debt payments. Cities must hold a public hearing prior to approving an urban renewal project within an urban renewal area.

When contemplating whether to sell bonds, city officials should first consult with their city attorney as well as bond attorneys in order to meet the many legal requirements of such activity.

TIF Filings and Reports

Depending on the city and scope of their use of TIF and any associated debt, there can be a variety of required reports and filings. The most common is the TIF Indebtedness Certification and the Annual Urban Renewal Report, which are both due December 1. More information about these and other reports and filings can be found on the [**TIF Filings and**](#)

[Reports page.](#)

Economic Development

Urban Renewal

Web Exclusive August 2013

Downloads/Links

[Snapshot of Tax Increment Finance \(Updated, March 2015\)](#)

[Tax Increment Financing](#)

One of the more complex areas of municipal government, urban renewal is a broad topic that can impact various parts of a city's development efforts. There are numerous laws and procedures that cities must follow when working under the umbrella of this redevelopment tool. It is important that city officials have a good understanding of the laws and practices involved with urban renewal before taking action.

Urban renewal can provide cities the necessary tools to turn around a decaying part of the community and encourage new economic growth. New development can bring jobs and income opportunities for residents and enhance the city's overall economic well-being. While using urban renewal tools can positively impact development efforts, city officials should carefully consider their options throughout the process. Working with the city attorney as well as bond attorneys will ensure that proper procedures are followed and all options are reviewed.

Urban Renewal Areas

Chapter 403 of the *Code of Iowa* allows municipalities to create an urban renewal area. The law states that a city may establish a geographic district, defined by a boundary description, which is designated as an area for urban renewal projects and fits with the city's general plan for development. The chapter recognizes that cities have slum and blight areas in their community, which can be dangerous, unhealthy, reduce tax bases and impede growth. It goes on to say that cities need tools to improve these areas, which could require them to acquire, rehabilitate or demolish buildings. The law also states that cities may create urban renewal areas to enhance economic development efforts, to assist in retaining and attracting businesses, and to perform public improvements for residential development. Cities also have the right to acquire property through the condemnation process.

Adopting and Amending Urban Renewal Areas

The process to adopt or amend an urban renewal area has quite a few steps, and it is important to be prepared before getting started. City staff and the city attorney should first draft an urban renewal plan that describes why the city needs to establish or amend an urban renewal area and what actions the city may take in the area. The city council then needs to pass a resolution to set a public hearing on the proposed urban renewal area and submit the plan to the planning and zoning commission for review. The council must also mail the proposed plan to all affected taxing entities (county, school district, community college) and schedule a consultation with the affected entities. Each entity may appoint a representative to attend the consultation and discuss the impact of the plan. The designated representative may make written recommendations for changes to the proposed plan no later than seven days after the consultation. The city must respond to the recommendations no later than seven days before the public hearing.

The city must publish a public hearing notice prior to holding the public hearing on the proposed plan. The notice must include the time, date and location of the meeting as well as identify the urban renewal area covered by the plan, and shall outline the general scope of the urban renewal activities under consideration. A copy of the notice must be sent by ordinary mail to each affected taxing entity.

The council then receives reports from the consultation meeting and from the planning and zoning commission. Finally, the public hearing can be conducted, after which the council can approve the plan by ordinance. The city needs to then publish the ordinance and file a copy of it at the county auditor's office.

The Different Uses of Urban Renewal Areas

When adopting or amending an urban renewal plan and area, cities are required to identify the actions they can perform. Cities are allowed to create urban renewal areas for different uses and it is common to mix two or more into one area. The uses are:

1. Slum Area – There is an area in the city where slum conditions exist and the city wishes to remove those conditions.
2. Blight Area – There is an area in the city where blight conditions exist and the city wishes to remove those conditions.
3. Economic Development – The city wishes to enhance its economic development efforts by performing work in the following areas:
 - Commercial/Industrial Purposes – The city wishes to retain or attract businesses and improve the local economy by promoting development.
 - Low/Moderate Income Housing – The city wishes to promote development of low/moderate income housing or construct improvements for such housing.
 - Infrastructure for Non-Low/Moderate Income Housing – The city wishes to assist in funding public improvement projects for non-low/moderate income housing development.

Using Tax Increment Financing for Urban Renewal Projects

Tax Increment Financing (TIF) is one of several financing options a city has for funding urban renewal projects. (For additional information, please see the League's [Snapshot of TIF](#)). Cities are allowed to create a TIF Area within an urban renewal area which then allows them to use TIF for projects. Using TIF gives a city the option to sell bonds (general obligation or revenue bonds, as detailed in *Code Chapters 384 and 403*) and raise the necessary money to pay for the needed improvements in an urban renewal area. As the properties in the area begin to grow and thrive, the city is able to access the new tax revenue to pay off the debt initially incurred to finance the improvement projects. It is important to note that an urban renewal area and a TIF area are not the same thing. Often, a TIF area matches the geographic boundaries of the urban renewal area in which it resides. However, some urban renewal areas have a smaller TIF area within it or have multiple TIF areas while others do not have a TIF area at all.

Other Financing Options

Cities may enter into rebate agreements with developers where the city returns a portion of the tax increment revenues in relation to the developer's improvements. This allows the city to borrow less money to make the needed improvements and shares the risk with developers.

Cities are also allowed to borrow from their General Fund or make an internal loan from another fund. There are several stipulations that must be satisfied to use this type of funding so be sure to understand how the process works before using it. Additionally, the *Code* allows cities to enter into lease-purchase agreements, which provide the city a different option to acquire improvements or property.

Using Incentives to Attract Development

There is a wide range of incentives that cities can offer to encourage development. As previously mentioned, cities may do public improvements such as road projects or other infrastructure improvements that make the area more suitable for development. Beyond that, cities can get creative in the different ways to incentivize a developer to build in their community. That may include offering tax rebate agreements, tax abatement agreements, cleaning up contamination, forgivable loans or grants. While there is a large menu of incentive options, city officials should remember that what they offer must fall under the guidelines for an urban renewal area and that each incentive bears a cost to its taxpayers.

Low/Moderate Income Housing Calculation Tool

For housing projects under *Code Section 403.22*, a city is required to provide "assistance for low and moderate income family housing." This can be provided by one of the following methods or a combination of the two:

- Setting aside tax increment equal to a portion of the original project cost that is equal to the percentage of residents in the county that do not exceed the Low and Moderate Income (LMI) threshold into a LMI fund that can be used anywhere within the city for LMI housing assistance.

- Providing housing affordable to LMI residents.

A city can determine if housing is affordable to LMI individuals/families by using the steps below:

1. Audit Approach

Take a survey or ask applicants for LMI housing to verify their income. Look at W-2's or tax returns. Also, review the **Iowa Economic Development Authority's Community Development Block Grant Web site** and click on "Conducting an Income Survey" before documenting your conclusions.

2. Calculation Approach

Document a calculation confirming the value of a home or apartment that is affordable to a LMI Individual/Family* using the following method:

- Find the 80 percent median county income for your county from the IEDA website taking into account whether the home/apartment is 1-person, 2-person, 3-person, etc. For example, if the proposed house is a 3 bedroom home, a reasonable assumption might be that 4 persons could live there. Then use the 4-person 80 percent median income figure. For this example, assume that figure is \$50,000.
- Multiply the yearly income by .3 (assume housing costs could be 30 percent of the person's income; cities should confirm estimate with bank).

$$\$50,000 \times .3 = \$15,000/\text{yr.}$$
- Estimate property taxes.

$$\$250 \text{ (cities should confirm estimate with bank)} \times 12 = \$2,500$$
- Estimate property insurance.

$$\$50 \text{ (cities should confirm estimate with bank)} \times 12 = \$600$$
- Estimate private mortgage insurance (PMI). Note: Private mortgage insurance is typically required when down payments are below 20 percent and for FHA loans. For a \$160,000 house, PMI could be 1.3 percent or \$2,080 per year.

$$\$2080 \text{ (1.3 percent of } \$160,000\text{--cities should confirm estimate with bank)}$$
- Estimate amount available for principal and interest, after property taxes, property insurance and private mortgage insurance payments are deducted.

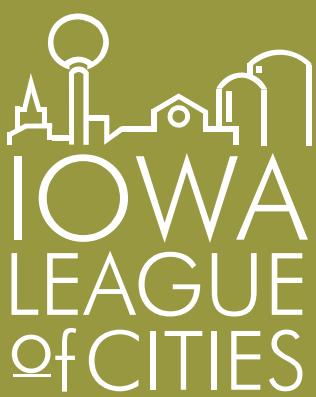
$$(\$15,000 - \$2,500 - \$600 - \$2080 = \$9820/\text{year})$$

$$\$9820 / 12 = \$818.33/\text{month}$$
- Use an online mortgage calculation and calculate the amount of mortgage loan that would allow for a principal and interest payment of approximately \$818 per month. That amount of mortgage loan is the maximum house value (assuming down payment resources, if required). (Per bankrate.com, with a 30 year term, 4.56 percent rate, a mortgage amount of \$160,000 as of 9/10/13 would have monthly payments of \$816.41).
- Based on the above assumptions, a \$160,000 three-bedroom house would be affordable to a four person family with a maximum LMI income of \$50,000. (Remember, the \$50,000 comes from the IEDA Web site for the maximum income of a 4 person LMI family, at 80 percent of the county median income, in the particular county).
- Document your analysis and conclusions with your local banker or financial expert.

*LMI Individual/Family = No greater than 80 percent of median county income (see Code Section 403.17(14)).

2016 Update

Snapshot of Tax Increment Finance



Iowa League of Cities

2016

(Revised in April 2016 with FY15 data, unless otherwise indicated)

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 available 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 area. As such, urban renewal areas often contain a larger geographic area than the TIF district that is established; urban renewal areas (URA) can contain more than one TIF district.

When a TIF district is created, a “base” valuation of the property value is established. The base valuation 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 2015, more than half 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

Quick Stats: TIF in Cities



337 of 944 cities in Iowa use TIF. There are 857 active urban renewal areas (713 revenue-generating TIF areas) and 3,357 TIF districts among all local governments. Of these, 51% had a statutory end date reported. 561 had a slum or blight designation.



TIF increment (not discounting for increment returned) accounts for 5.9% of total taxable property valuation.



Roughly half of TIF increment is returned to all tax authorities. This equates to about \$10B valuation, or roughly \$380M in unused increment. Nearly 70% of projects use less than the full available TIF incre-

Code of Iowa 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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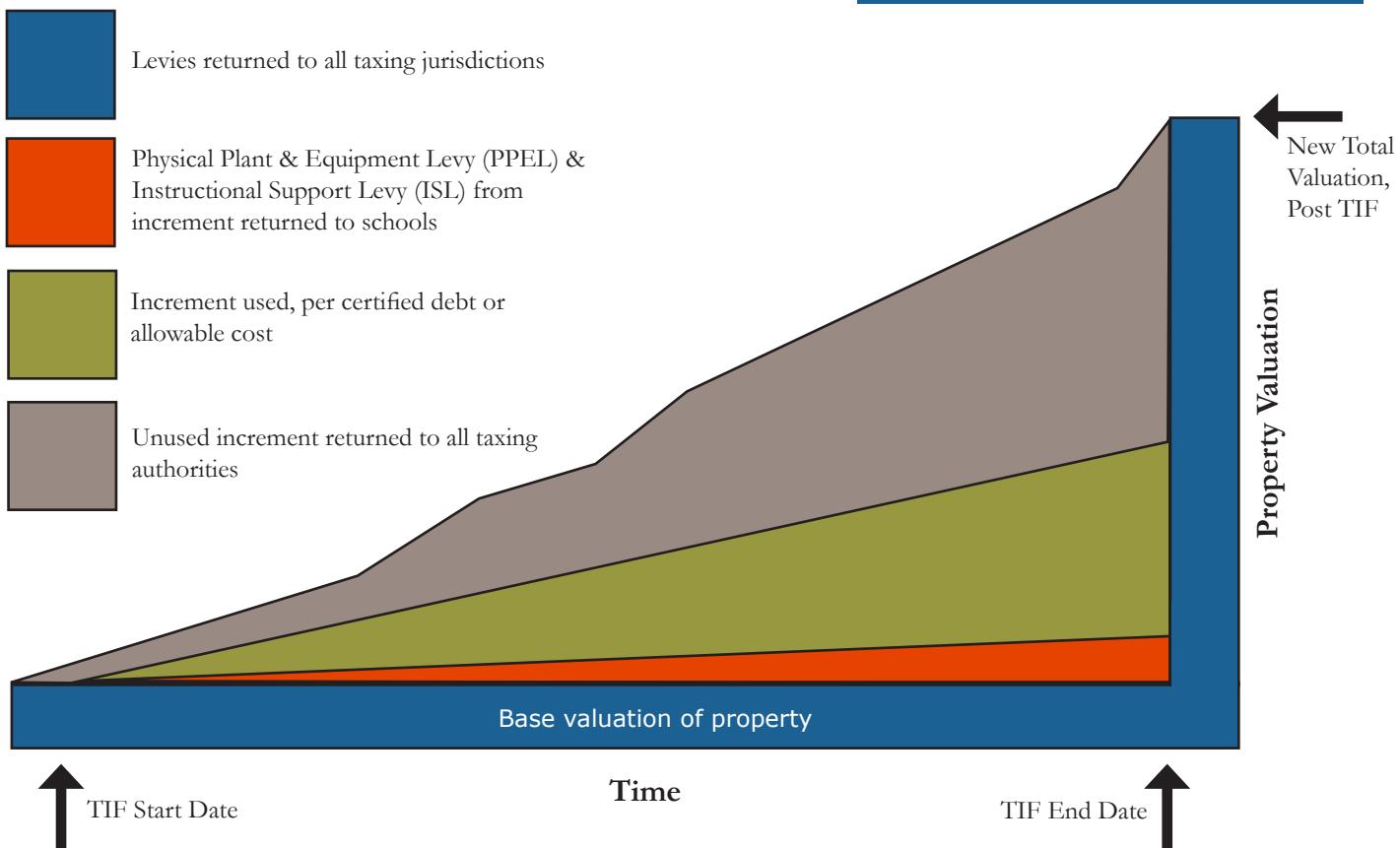


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Perception: The use of TIF by cities decreases county and school revenues.

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 2012-2015 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. 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.

1957 Legislature authorized urban renewal (<i>SF184</i>)	1985 TIF law was expanded in 1985 to include allowable economic development purposes.	1999 Legislature required annual reporting about TIF activity annually, including information on each TIF area and its projects (<i>HF776</i>).	2006 HF2777 required more detailed reporting and accounting of TIF revenue and expenditure, to be included in the annual budget process, replacing the 1999 and 2003 reporting requirements.
1969 TIF was authorized under urban renewal law (<i>HF562</i>)	1995 Urban renewal areas designated as economic development areas are limited to 20 years' duration, if not also designated as slum or blight. Those URAs designated prior to 1995 are not limited in duration.	2003 The 1999 TIF reporting requirements were removed and instead required a semi-annual report on outstanding TIF obligations, to begin in 2003.	2012 HF2460 replaced the 2006 requirement, with a more detailed reporting process due December 1 of each year. Cities and counties must submit a compliant report to the State prior to annual budget certification.

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
- retention and expansion of existing business

■ 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.
- Instrument in refinance of public debts.

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

Designation	Count	Percentage
Slum or Blight, but not Economic Development (ED)	203	6%
Slum or Blight, with or without ED	561	17%
ED, with or without Slum or Blight	2,635	78%
ED only	2,277	68%
Slum or Blight AND ED	358	19%
Total Districts Reported = 3,370		

*Note: State data contains some TIF districts (active and inactive) with no recorded designation. Percentages do not total 100% due to duplicated counts by type.

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 3,370 total TIF districts reported to DOM for 2015. 337 cities received TIF revenue in FY15.*

- Of these, 51 percent had a statutory end date reported.
- 561 had a slum or blight designation

→ *64 percent had a base year after 1995.*

- Of these, 69 percent had a statutory end date reported.

Non-revenue Projects

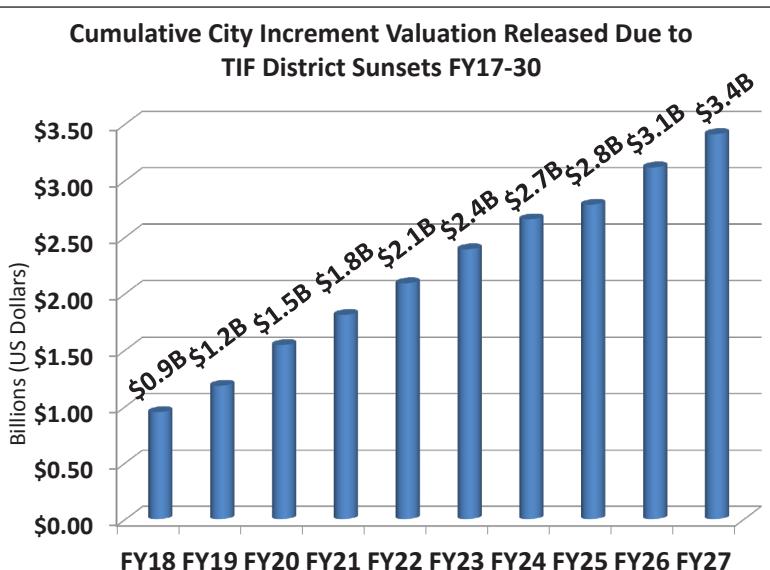
48% of 2,288 total non-rebate TIF projects are in the category of roads, bridges and utilities.

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. Another example is a city reducing total interest by refinancing a public building debt funded through annual TIF revenue. Only 5 new TIF projects were filed for FY15 that included public buildings.

TIF can be effective at not only incenting development or stabilizing a slum or blight area, but also in retaining or supporting expansion of existing businesses. Note that TIF is not the same instrument as property tax abatement.

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, 69% reported a statutory end date. Roughly \$3.4B in increment valuation could return to all tax authorities over FY18-27. Note that this is based on maximum increment, and communities often return a percentage of increment annually. The chart shows this trend over the next 10 years:



Fiscal Year	Cumulative # Districts Sunsetting, FY18-27
FY18	147
FY19	212
FY20	308
FY21	419
FY22	502
FY23	581
FY24	667
FY25	721
FY26	817
FY27	889

Table A

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 cities 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 FY2015. 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	1,033
Internal Loans	652
General Obligation Bonds	1,035
TIF Revenue Bonds/Notes	96
LMI Housing	75
Other	231

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 FY2015, about 31% of agreements are configured with annual appropriation. This is about 35% 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 Director 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.



Ankeny

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 (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

Dubuque

→ According to the 2010 census

- population was 57,637
- 0.1% decrease in population from 2000

Manufacturing / Technical Services Delivery / IBM

- Utilized a TIF rebate agreement in order to revitalize a 1930's building with a \$40M historic rehabilitation, creating a 250,000 square foot facility to house offices for IBM and other local firms.
- Attracted over 1,300 new jobs to Dubuque during the economic downturn.
- Incorporated LEED platinum and other sustainable or historic design elements.

Manufacturing / Furniture / Flexsteel

- TIF used in the form of a 10-year agreement to expand their global corporate offices in Dubuque by relocating from an out-of-date building to a downtown location.
- \$9M in private investment made to develop new corporate offices, and incorporate sustainable design elements.
- Created an additional 13 jobs.

Industrial & Distribution / Theisen Supply Inc.

- Theisens has used TIF twice, in 1996 and 2012, for two critical expansions of their local business. Both agreements were in the form of 5-year TIF rebates. Together, the two new distribution facilities were a \$4.8M investment.

- Outside consultants advised the company to relocate. According to the city, Theisen's President and CEO credits programs like TIF with helping make the decision to stay local.
- 80 quality jobs were created as a result.



Dubuque

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

Muscatine

→ According to the 2010 census

- population was 22,886
- 0.8% increase in population from 2000



Manufacturing / Grain and Corn Wet Milling / Kent Corporation

Wal-View constructed two facilities under two separate agreements with the City of Muscatine, with an exclusive contract with Kent Corporation to operate and provide space to support their operations. Kent Corporation is grain and corn wet milling company, manufacturing food products and animal feeds in Muscatine.

Agreement 1:

- TIF used in the form on a 10-year agreement, with years 1-5 receiving full rebate, and years 6-10 at 50 percent. Payments have a maximum at \$5M, and are subject to annual appropriation pending achievement of agreed upon performance measures.
- Will support the construction of a 567,000 square foot warehouse facility, with required annual documentation of its use and planned continued use in ongoing operations.
- The agreement included the establishment and sustained employment of at least 25 employees with a set payroll level or higher. Since its implementation, the original project has created about 45 new jobs.

Agreement 2:

- TIF used in the form of a 10-year agreement with a declining scale.
- Will support a retention and expansion of this business, with a 300,000 square foot warehouse facility adjacent to the current 577,000 square foot facility.
- The expansion has a minimum assessed value of \$9M, with an average of the total incentives over the 10-year period around \$194,000 annually. This is structured using annual appropriation as means to ensure performance as described in its contract. After the 10-year TIF agreement period, the total of increased property tax revenues would flow to all traditional tax authorities.
- This expansion includes the required creation of 12 additional jobs.

Muscatine

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.



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.

St. Ansgar

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

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.



West Des Moines

Tax Increment Finance: Important Statistics

All raw data obtained from Iowa DOM for FY15 unless otherwise indicated. | *2016 Update*

Non-revenue Projects

48% of 2,288 total non-rebate TIF projects are in the category of roads, bridges and utilities.

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. Another example is a city reducing total interest by refinancing a public building debt funded through annual TIF revenue. Only 5 new TIF projects were filed for FY15 that included public buildings.

TIF can be effective at not only incenting development or stabilizing a slum or blight area, but also in retaining or supporting expansion of existing businesses. Note that TIF is not the same instrument as property tax abatement.



337 of 944 cities in Iowa use TIF. There are 857 active urban renewal areas (713 revenue-generating TIF areas) and 3,357 TIF districts among all local governments. Of these, 51% had a statutory end date reported. 561 had a slum or blight designation.



TIF increment (not discounting for increment returned) accounts for 5.9% of total taxable property valuation.

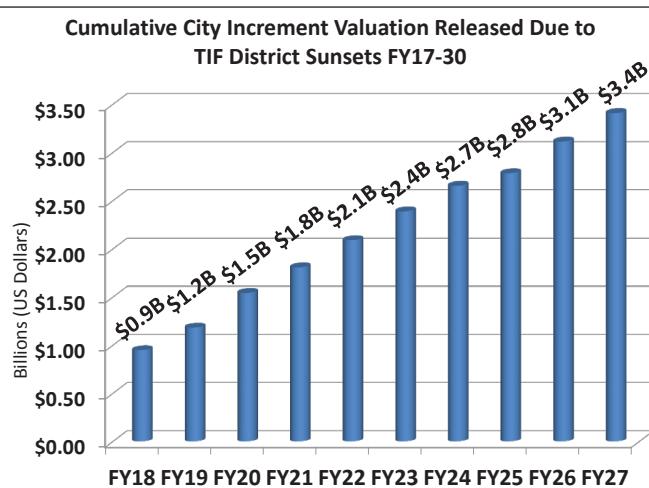


Roughly half of TIF increment is returned to all tax authorities. This equates to about \$10B valuation, or roughly \$380M in unused increment. Nearly 70% of projects use less than the full available TIF increment.

Sunsetting TIF Districts:

Increment Valuation Returned to All Tax Authorities

Many TIF districts will be expiring over time, and valuations will return to all tax authorities. Of those established after 1995, 69% reported a statutory end date. Up to \$3.4 billion in increment valuation may return to all tax authorities over FY18-27, representing those with a recorded end date during that time. Note that this is based on actual increment data and not maximum increment, which would be substantially greater. The chart below shows the sunsetting trend over the next 10 years. Table A shows the number of TIF districts sunsetting each year.



Fiscal Year	Cumulative # Districts Sunsetting, FY18-27
FY18	147
FY19	212
FY20	308
FY21	419
FY22	502
FY23	581
FY24	667
FY25	721
FY26	817
FY27	889

Table A



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Tax Increment Finance 101

TIF Mechanics in Brief

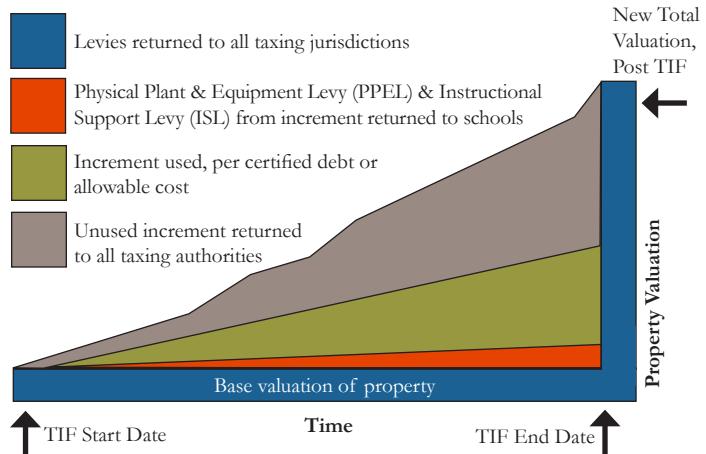
Tax increment finance (TIF) is a method to promote urban renewal efforts in an area by directing the property tax revenues generated from property value increases within a designated TIF district to finance the costs of improvements made in the district. TIF addresses a lack of state and federal programs.

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

When a TIF district is created, a “base” valuation of the property value is established. The base valuation 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.

TIF Legislative Timeline

1957 Legislature authorized urban renewal (<i>SF184</i>)	1985 TIF law was expanded in 1985 to include allowable economic development purposes.	1999 Legislature required annual reporting about TIF activity annually, including information on each TIF area and its projects (<i>HF776</i>)	2006 HF2777 required more detailed reporting and accounting of TIF revenue and expenditure, to be included in the annual budget process, replacing the 1999 and 2003 reporting requirements.
1969 TIF was authorized under urban renewal law (<i>HF562</i>)	1995 Urban renewal areas designated as economic development areas are limited to 20 years' duration, if not also designated as slum or blight. Those URAs designated prior to 1995 are not limited in duration.	2003 The 1999 TIF reporting requirements were removed and instead required a semi-annual report on outstanding TIF obligations, to begin in 2003.	2012 HF2460 replaced the 2006 requirement, with a more detailed reporting process due December 1 of each year. Cities and counties must submit a compliant report to the State prior to annual budget certification.



TIF Goals

TIF districts can be created to accomplish different goals, per *Code Section 403.2*. Success may look different depending upon whether a TIF was set up to address slum and blight, or economic development.

Slum and Blight

Address issues related to:

- the safety, health and welfare of an area
- areas experiencing impaired growth
- housing challenges
- increasing criminal activity
- traffic problems or hazards

Economic Development

Address the need for:

- creating economic development partnerships
- strengthening and revitalizing the economy of the state and municipalities
- providing jobs and housing (including LMI)



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