
BRIDGING CITIES

THROUGH INNOVATION & TRADITION



How to Build an Economic Mecca and TIF Talk

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Handouts and presentations are available in the conference app.



Urban Renewal and TIF at Work Where You Sit

Nathan Overberg

Disclaimer

Please note that these presentations are intended for informational and educational purposes and to provide general statements from federal law, state law, and agency guidance. Federal and state law may differ on particularized areas, and this outline does not include all legal considerations. Each situation varies based on the individualized facts, and the law is constantly evolving.

Please consult with your attorney for specific legal information, advice or individualized inquiries.

The Basics

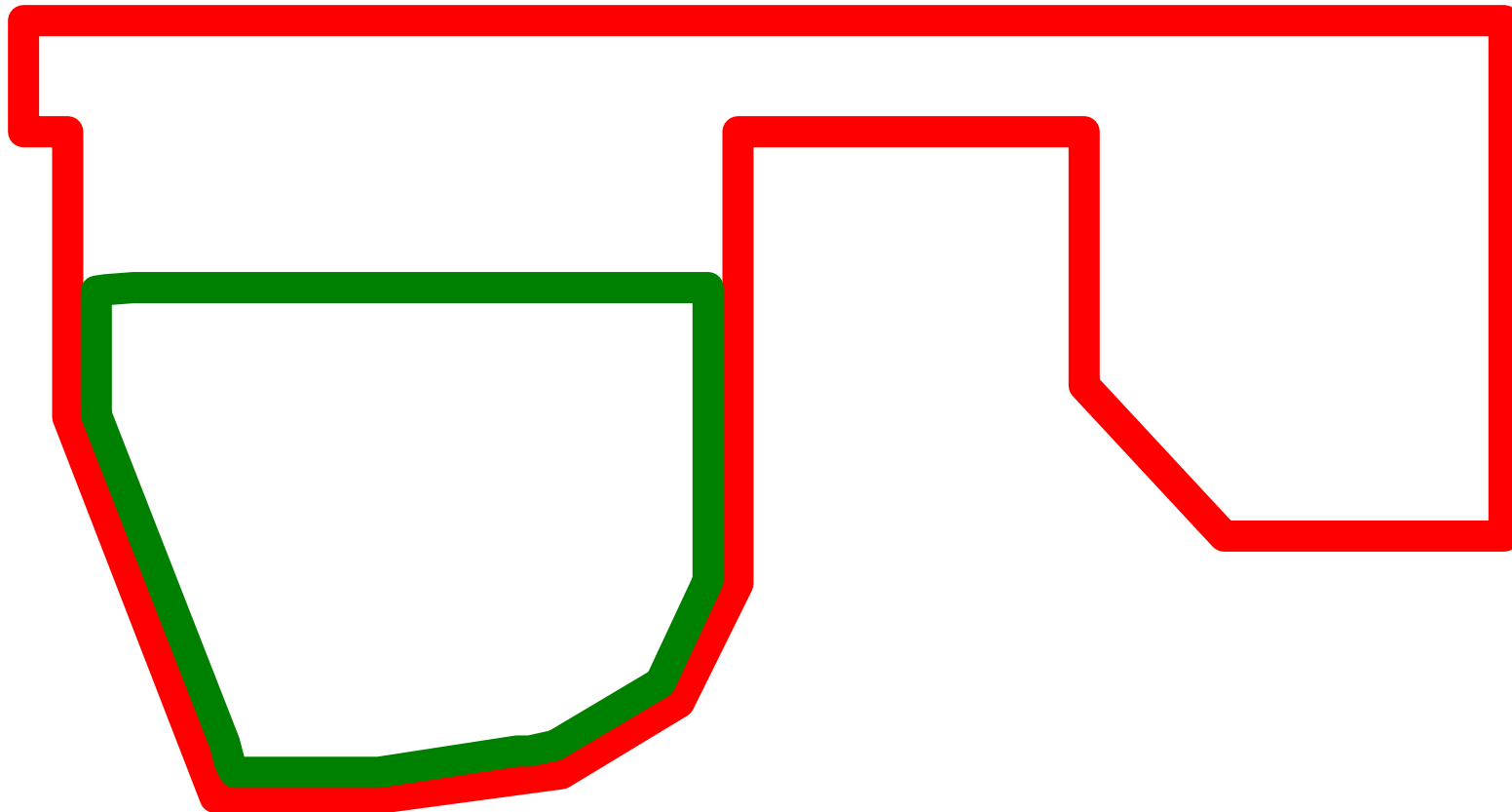
- Urban Renewal Area
 - Where you can conduct UR Projects like:
 - Infrastructure
 - Development Agreement
 - Blight Remediation
 - Adopted by resolution following complicated statutory process
- Tax Increment Finance (TIF) District
 - A taxing district and funding mechanism for UR Projects within UR Areas
 - Capture incremental (increased) taxes from development in the UR Areas
 - Adopted by ordinance following normal process

Tax Increment Financing (TIF)

- Tax Increment Financing (TIF)
 - TIF is an economic development tool available in 49 out of 50 states
 - A funding mechanism for UR Projects
 - 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
 - TIF District MUST be within UR Area but need not cover entire UR Area
 - TIF District created by Ordinance



TIF District for only a portion of UR Area



Using Tax Increment Financing

1. Is the Project within an Urban Renewal Area?
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 Plan's stated goals?
 - ☒ Eliminate Slum.
 - ☒ Eliminate Blight.
 - ☒ Create or Retain Jobs or Income.
 - ☒ Provide housing for LMI families.
 - ☒ Provide Public Improvements for non-LMI housing development.
5. Has the City incurred indebtedness in support of the Project and certified that debt to the County for reimbursement?



- **TIF is a reimbursement process.**
- Certify debt to County Auditor by Dec. 1 annually
 - Debt = Loans, advances, indebtedness, or bonds, including interest thereon
 - **This is amount of reimbursement you are seeking for qualifying UR Projects from available Tax Increment.**
- Certification creates a duty of the Auditor to provide for division of taxes in each subsequent year without further certification until debt reimbursed (or TIF sunsets)
- Auditor pays Tax Increment into Special TIF Fund

Relevance of Certifying Debt to TIF Process

When you first certify debt for projects in UR Area:

- Starts any statutory “sunset” clock on any existing TIF District in UR Area
- Sets base value for new TIF District as of January 1 of the preceding calendar year

AND the amount of certified debt determines the amount of Tax Increment to be collected into TIF Fund

TIF Terminology

“Frozen” base value

- Tax assessment valuation for the property in the TIF District as of January 1 of the calendar year preceding either:
 - For new UR Area, the year in which the municipality first certifies debt for new TIF District; or
 - For UR Area amendment area, the year the TIF ordinance is amended to include the additional property
- The taxes paid on the frozen base value continue to go to the taxing entities as before

Incremental value

- Additional taxable value above the frozen base value due to development in a TIF District

TIF Terminology

Tax Increment

- The taxes collected from certain levies applied to the Incremental Value in a TIF District
 - Some levies are not included in Tax Increment – debt service levies, PPEL, ISPL, joint levies
- Tax Increment is available to reimburse a City for Certified Debt

Certified Debt

- Indebtedness of the City incurred in support of an UR Project identified in an UR Plan that is certified to the County Auditor for reimbursement from Tax Increment

Net TIF Levy

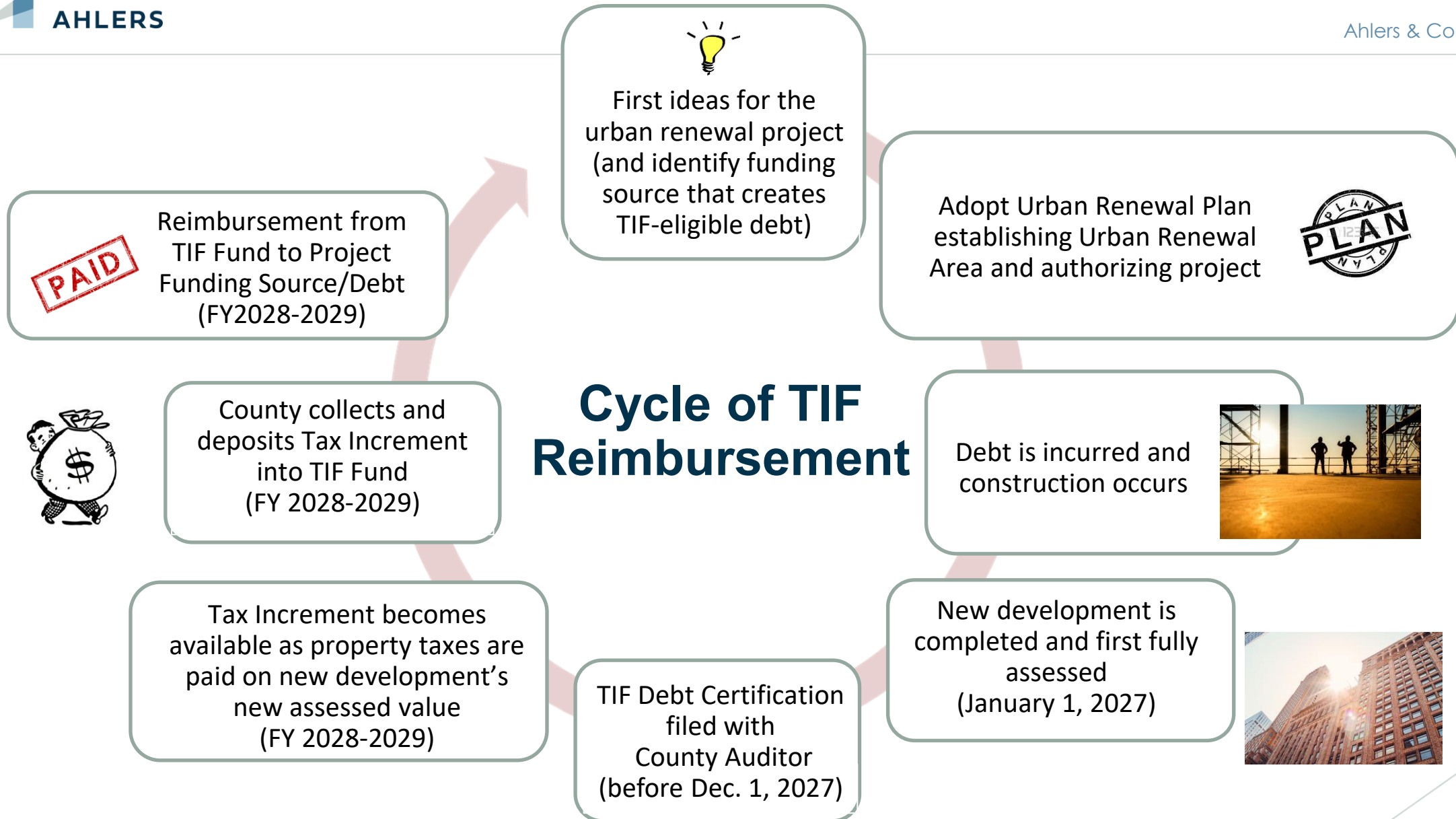
- Combined tax levy minus those tax levies that are not available for collection through TIF (debt service levies, PPEL, ISPL, joint building levies)

How to Compute TIF (Simple Example)

New Value After Development	\$2,000,000
Less: Frozen Base Value	<u>\$ 500,000</u>
Incremental Value	\$1,500,000

Combined Tax Levy	\$32 per \$1000
Less: Off-limit levies	<u>\$ 8 per \$1000</u>
Net TIF Levy	\$24 per \$1000

Incremental Value x **Net TIF Levy** = **Available Tax Increment**
\$1,500,000 x \$24/\$1000 = \$36,000 Tax Increment per year



UR/TIF at Work

- Sitting in the I-80 Urban Renewal Area
 - Adopted by Resolution April 4, 2017
 - Designated as Economic Development Area
 - Projects Identified in Original Plan as Reimbursable from TIF:
 - ❑ Entry Roads
 - ❑ Sewer Infrastructure
 - ❑ Walkways
 - ❑ Development Agreement for Sportsplex
 - Projects Identified for Bonding Authority:
 - ❑ Recreation and Park Development

TIF Ordinance

- Initial TIF Ordinance
 - Adopted June 2017
 - Only covered BettPlex Property
 - Why?
- First Certification of Debt in 2019
 - What impact of that timing?

Project Example - BettPlex DA

- Developers Obligations
 - Developer 1- Construct BettPlex Project on 79 acres
 - Minimum Assessment Agreement to Cover City Debt
 - Owner Guarantees Interest Payments for Three Years on City Debt
 - Developer 2- Construct Hotel, Convenience Center, Strip Center on 33 acres
 - Minimum Assessment Agreement
- City Obligations
 - Construct Infrastructure Listed in Plan
 - ED Grant Upon Closing and Permits
 - Funded with Taxable TIF Revenue Notes ("City Debt")
 - Additional ED Grant(s) Upon Closing and Permits
 - To be repaid if Hotel not timely constructed
 - Rebates to Each Developer with TIF not needed for City Debt

Amendments to Plan

- Amendment No. 1
 - Add Projects:
 - Public Infrastructure
 - Pedestrian Bridge
 - Roads and Trails
 - Sewer
 - Additional DA
 - Similar Terms
 - Developer 1 construct indoor fields and golf facility
 - Developer 2 construct hotel, convenience store, strip center

Amendments to Plan

- Amendment No. 1
 - Add Land:



Amendments to Plan

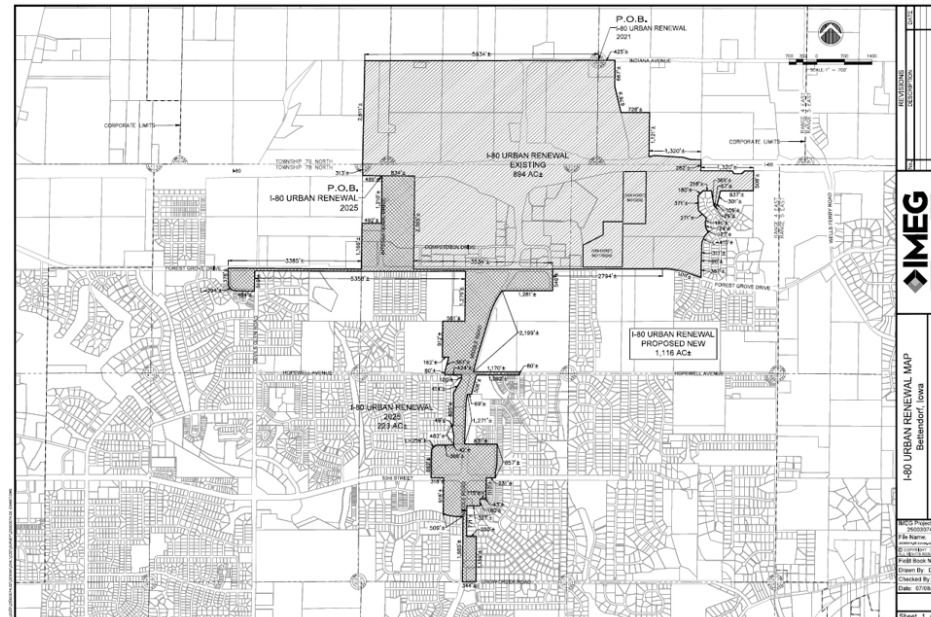
- Amendment No. 1
 - New DA Development Property Added to TIF Ordinance in 2024
 - What is Impact of Adopting that New TIF Ordinance in Area with Existing TIF Ordinance and Debt Certified?

Amendments to Plan

- Amendment No. 2
 - Update Existing Pedestrian Bridge Project
 - Why?
 - No Land Added

Amendments to Plan

- Amended and Restated Plan
 - Added Projects
 - Three Phases of Major Road Project
 - Added Area:



Amendments to Plan

- Added Property to TIF Ordinance
- Why Add Corridor to this Area?
 - ROW for Project
 - Developable Land = New Increment
 - Share Increment

SF 2472

- Signed into law on May 18, 2026
- Property tax bill including multiple changes to Iowa's:
 - Urban Renewal Act (Iowa Code Chapter 403)
 - Urban Revitalization Act (Iowa Code Chapter 404)
- Most of the bill's provisions relating to Urban Renewal and Urban Revitalization took effect upon signing ("Effective Date")

Limit on Duration of New TIF Ordinances

BEFORE SF 2472 - How long you could use a NEW TIF Ordinance to divert certain property taxes into the special fund depended on the purpose of the underlying UR Area:

- Remediate blight – no limit/perpetual
- Advance commercial/industrial/LMI housing development – 20 years
 - *This is designation of I-80 UR Area*
- Support public improvements for market rate housing development – 10/15 years

Limit on Duration of New TIF Ordinances

- **AFTER SF 2472** - New TIF ordinances adopted after May 18, 2026 are limited to **23 years** from the calendar year following the calendar year in which the municipality first certifies indebtedness
 - Ordinance “shall terminate and be of no further force and effect following” the period
- Limitation applies regardless of the designation of the underlying urban renewal area (slum, blighted, or economic development area)
 - Including areas established for the development of market-rate housing
- Limitation applies regardless of whether TIF Ordinance involves property in existing or new urban renewal area
 - Be aware of clock starting right away if adding TIF Ordinance to an UR Area with prior TIF Ordinance and previously certified debt

Limit on Duration of New TIF Ordinances

- Based on What you Know, Any Impact on I-80 UR Area?
- Under What Circumstances Could this Impact I-80 UR Area?

Exclusion of School District Foundation Tax Levies from TIF

School foundation tax levy excluded from TIF for property located in an incorporated area (**within a city**) and subject to a TIF Ordinance adopted on or after January 1, 2027

- School foundation tax levy still included in TIF for property subject to a TIF Ordinance adopted January 1, 2027 or after, IF the property subject to TIF Ordinance is in unincorporated area
- School foundation tax levy still included in TIF for property subject to a TIF Ordinance adopted prior to January 1, 2027, even if debt is not certified until future year
- School foundation tax levy still included in TIF for property subject to a TIF Ordinance adopted prior to January 1, 2027, even if no development agreement entered or other project completed until future year

Simple Example - Revisited

New Value After Development	\$2,000,000
Less: Frozen Base Value	<u>\$ 500,000</u>
Incremental Value	\$1,500,000

Combined Tax Levy	\$32 per \$1000
Less: Off-limit levies	<u>\$ 8 per \$1000</u>
Net TIF Levy	\$24 per \$1000

Foundation Excluded
\$32 per \$1000
<u>\$13.40 per \$1000</u>
\$18.60 per \$1000

Incremental Value x Net TIF Levy = Available Tax Increment

\$1,500,000 x \$24/\$1000 = \$36,000 Tax Increment / year

\$1,500,000 x \$18.60/\$1000 = \$27,900 Tax Increment / year (22.5% Reduction)

Exclusion of School District Foundation Tax Levies from TIF

- Based on What You Know About New Law and I-80 Area, Will This Part of Act Impact TIF Collections in This Area?
- What Fact Could Change that Answer?

School Contribution of School District Foundation Tax Levies to TIF Fund

Only an option if Foundation Levy is not otherwise available for TIF because the TIF Ordinance was adopted in an incorporated area on or after January 1, 2027

- Not available for perpetual TIF's after status quo period expires

Other requirements:

- For fiscal years beginning on or after July 1, 2027
- Municipality must make written request to County Auditor and School Board
- School Board must approve contribution by resolution
 - School may contribute all or a portion of foundation levy revenues from property within TIF Ordinance
 - “For one or more applicable fiscal years”
- School Board must file resolution with County Auditor

Voluntary payments that will not result in adjustment to state foundation aid

Reduction of School Foundation Tax Levy

- SF 2472's changes to the school foundation tax levy rate are expected to reduce the amount of funds available through TIF in future fiscal years even for pre-2027 TIF Ordinances
- School foundation tax levy rate reduced from the current \$5.40 per \$1,000 of assessed value to:
 - ❑ \$5.10 in FY2029
 - ❑ \$4.90 in FY2030
- How will this Impact I-80 UR Area?

Exclusion of EMS Levies from TIF

Starting FY2027, emergency medical services tax levies are excluded from TIF for all urban renewal areas (SF2496)

- As amended by SF2496 and SF2472, list of “**off-limit**” levies under Section 403.19(2)(a) includes:
 - Debt service levies for all taxing entities
 - School’s PEPL and ISPL
 - Joint City/County building levy
 - Emergency medical services tax levies under chapters 357F, 357G, or 422D
 - *ONLY for Ordinances adopted on or after 1-1-27 or perpetual ordinances subject to the 60% limitation - school foundation levy under section 257.3*

Expected to reduce the amount of funds available through TIF

Exclusion of EMS Levies from TIF

- Will This Part of Act Impact I-80 UR Area?

Old Special Rules for “Market Rate” Residential URAs

- Public improvements related to housing and residential development
- Three limitations under Iowa Code Section 403.22:
 - 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’s population is under 15,000, the 10 fiscal-year sunset could be extended by an additional 5 years with the written permission of the other affected taxing entities (e.g., school(s) & County)
 - LMI Housing Assistance Requirement. Either LMI “Set Aside” or providing LMI housing as part of the non-LMI project

Iowa Code § 403.22 Repealed

- Shortened TIF Sunset for Market-Rate Housing Areas Repealed
 - Existing TIF ordinances in market-rate residential urban renewal areas are now treated the same as existing TIF ordinances in other “economic development” designated urban renewal areas
 - Subject to a 20-year time limit on TIF collections
 - TIF ordinances adopted after May 18, 2026, in market-rate residential urban renewal areas will be subject to the new 23-year time limit on TIF collections
- LMI-set-aside Requirement Repealed
 - Expressly applies to existing UR Areas

NOTE: TIF Usage for Market-Rate Housing Projects Remains Limited to Reimbursing Costs for Public Improvements

Other Housing Provisions in SF 2472

“Low and moderate income family housing” expressly **includes** housing that meets the requirements of workforce housing under Iowa Code § 15.353

- 15.353 requires housing units of certain number, type, and cost (\$230(larger city)/\$250 for multi-family and \$325 for single)
- Allows more uses for existing LMI Funds and allows more projects to avoid public improvement limitation applicable to market rate projects

Workforce housing is expressly recognized as “economic development” under Iowa Code 15A, allowing a municipality to support the development of workforce housing with public funds

Housing Provisions

- How Could These Housing Provisions Impact Use of TIF in I-80 UR Area?
 - ❑ Easier to Use TIF to Reimburse Costs of Infrastructure that Supports Both Commercial and Residential
 - ❑ More Likely to Have Workforce Housing in this Area than Traditional LMI Housing?

Blighted Area - Iowa Code Ann. § 403.17(5)

Local area determined by governing body to have:

- Substantial number of slum, deteriorated, or deteriorating structures
- Defective or inadequate street layout or faulty area lot layout
- Insanitary or unsafe conditions
- Deterioration of site or other improvements
- Defective or unusual conditions of title
- Conditions endangering life or property by fire or other causes
- ...and more.

Does NOT Include Property Assessed as Ag Property
= *Rules Out This Designation for I-80 UR Area*



“Perpetual” TIF Ordinances

“Perpetual” TIF Ordinances: existing urban renewal areas with TIF ordinances adopted before May 18, 2026 that were not previously subject to a statutory TIF sunset

- If in urban renewal area with some portion designated as slum or blight
- If in urban renewal area created prior to 1995

“Perpetual” TIF Ordinances are granted a **20-year “status quo” period**, during which no changes are made to the use of TIF

- Note: “status quo” period is our descriptor

Status Quo Period for “Perpetual” TIF Ordinances

“Status quo” period for “Perpetual” TIF Ordinances ends on the **later of**:

- 20 years from May 18, 2026 (applicable in most cases)
 - May 18, 2046 (FY45 or 46?)
- OR-
- 20 years from the calendar year following the calendar year in which the municipality first certified debt to be financed using TIF
 - Applicable if:
 - In blighted urban renewal area; and
 - TIF ordinance adopted prior to May 18, 2026; and
 - Debt not yet certified in the area and first certification will occur in the future

Limit on TIF Collection Under “Perpetual” TIF Ordinances AFTER End of Status Quo Period

- After the “status quo” period ends, the municipality is limited to collecting 60% of the TIF revenues otherwise available under the “Perpetual” TIF Ordinance
 - School foundation tax levies can also no longer be collected through TIF under the “Perpetual” TIF Ordinance after the “status quo” period ends
- May exceed the 60% limitation only to the extent necessary to pay off existing indebtedness incurred before May 18, 2026
 - ▣ Municipality cannot incur new indebtedness while the 60% cap is being exceeded



Thank you

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