

TIF, Tax Abatement & Other Economic
Development/Redevelopment Tools
for Cities in Iowa

Iowa League of Cities Annual Meeting
Sioux City, Iowa

By: Amy Bjork and John Danos

Date: September 19, 2024

For additional information please contact:

John Danos
Dorsey & Whitney LLP
(515) 283-1000
bjork.amy@dorsey.com

Amy Bjork
Dorsey & Whitney LLP
(515) 283-1000
danos.john@dorsey.com

Erin Regan
Dorsey & Whitney LLP
(515) 283-1000
hammond.emily@dorsey.com

PROGRAM AGENDA:

I. Introductions

II. Urban Renewal and Tax Increment Financing

A) Foundations

1. Law – Iowa’s Urban Renewal Law, Chapter 403, Code of Iowa
2. Mechanics – Taxes and Increment and TIF
3. Policy - Economic Development or Slum/Blight Alleviation
4. Procedure- Setting up an Urban Renewal Area and TIF District

B) Urban Renewal Projects

1. Public infrastructure
2. Direct financial assistance to private developers and businesses
3. Demolition and site preparation projects
4. Main Street, downtown and business revitalization projects
5. Housing development

C) Obligations

1. Types of Obligations
 - o Loans – General Obligation and Revenue loans
 - o Bonds – Pure TIF/Section 403.9
 - o Development Agreements
 - o Internal Advances
2. Authorizing processes
3. Certification of obligations

D) Limitations

1. Procedural Limitations
2. Time constraints on TIF collections
3. Business Relocations
4. Budget impact
5. Constitutional Debt Limit and Annual Appropriation
6. Political

III. Other Economic Development and Redevelopment Tools

A) Home Rule and Chapter 15A

B) Property Tax Abatement

Steps to follow every time you have a new TIF application:

- 1) Identify and plan your project**
- 2) Establish/update your plan and area**
- 3) Incur debt to fund your project**
- 4) Certify your debt to County and make a claim on TIF**
- 5) Receive TIF from County and make payment on debt**

A procedural outline for establishing urban renewal areas and TIF Districts

- 1) Identify the foundational need (Slum or Blight Alleviation, Economic Development).
- 2) Identify urban renewal projects.
- 3) Prepare an urban renewal plan.
- 4) Governing body action setting date for public hearing on urban renewal plan and area.
- 5) Publication of notice of hearing not less than 4 and not more than 20 days in advance of appointed hearing date.
- 6) Urban renewal plan submitted to and considered by planning and zoning commission for conformity with comprehensive plan of the municipality. No additional hearing, no veto, just review and comment by no later than appointed public hearing date and time.
- 7) Urban renewal plan, public hearing notice and invitation letter mailed to affected taxing entities announcing “consultation session” for them to attend. If possible, mail notice one week prior to “consultation session.”
- 8) Hold consultation session at least two weeks in advance of date appointed for public hearing. Session does not have to be held at a meeting of the governing body. Affected taxing entities may comment in writing and expect a written response, but there is no veto authority.
- 9) Is “agricultural land” being included in the urban renewal area? If yes, consent to include such property must be received from the property owner prior to the public hearing on the urban renewal plan.
- 10) City obtains necessary consent from county; county obtain necessary consent from cities.
- 11) Conduct the public hearing at the appointed date and time.
- 12) Adopt a resolution setting foundation, approving the urban renewal plan and establishing the urban renewal area.
- 13) Adopt an ordinance establishing part or all of the urban renewal area as a tax increment financing district.

TIF Incentives for Private Development

- A) Understand the Scope of the Project
 - New construction or redevelopment
 - Infrastructure construction
 - Job creation
 - Developer's costs
- B) Determine the Appropriate Incentive
 - Require the Developer to request specific incentive(s)
 - Cash contributions
 - ❖ Grant
 - ❖ Loan
 - ❖ Forgivable Loan
 - TIF rebate payments
 - Infrastructure construction
 - Real property considerations
 - Analyze risk to the municipality
 - Evaluate the limitations of the municipality in providing certain incentives
 - Time constraints on TIF collections
 - Limitations and requirements for housing projects
 - Business relocations
 - Constitutional debt limit
 - Political
 - Municipality's TIF policy
- C) Prepare a Development Agreement
 - Identify the obligations of the Developer and the Municipality
 - Identify risk management tools
- D) Determine the Appropriate Procedural Steps

An Outline of a Development (Rebate) Agreement

1) Preamble tells the story

2) Developer's Obligations

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

3) City's Obligations

A) TIF payments

- Maximum dollar amount
- Timing and frequency
- Source of payment
- Amount of payment
- Annual appropriation
- Other conditions

B) Infrastructure

C) Real property

D) Other financial obligations

4) Boilerplate Provisions

A) Assignability

B) Choice of Law

C) Running with the land

Property Tax Exemption (Abatement) Benefits In Iowa by Assessment Classification

Classification/ Source	Industrial	Commercial	Residential (Multifamily)	Residential (Single Family)
Chapter 404 Economic Development	3 year 100% or 10 year* sliding scale	3 year 100% or 10 year* sliding scale	10-year 100%	5 year 100% but only on the first \$75,000 of new value
Chapter 404 Blight/Historic	3 year 100% or 10 year* sliding scale	3 year 100% or 10 year* sliding scale	10-year 100%	10-year 100%
Chapter 427B	5 year** sliding scale	(Warehousing/Distribution Centers only) 5 year** sliding scale	N/A	N/A
Chapter 15 HQJP	20 year 100% for IEDA approved projects	20 year 100% for IEDA approved projects	N/A	N/A
Chapter 403	2 year 100% during construction	2 year 100% during construction	2 year 100% during construction	2 year 100% during construction

*The 10-year sliding scale is based upon the following declining annual percentages: 80%, 70%, 60%, 50%, 40%, 40%, 30%, 30%, 20%, 20%.

**The 5-year sliding scale is based upon the following declining annual percentages: 75%, 60%, 45%, 30%, 15%

*** Beginning in 2024 all commercial tax abatement applications under Chapter 404 must include a "minimum assessment agreement"

**** Beginning in 2024 all school district property tax levies will be imposed and paid in spite of residential tax abatement under Chapter 404

