

The Current State of Economic Development: Cities and the Iowa Law

Presented at the Iowa League of Cities 2021 Annual Conference

Date: September 16, 2021
Location: Coralville, Iowa
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AGENDA:

1) Introductions

2) Legal Framework

A) Chapter 15A

B) Home Rule

C) "Ordinary" City powers

D) "Extraordinary" City powers – Chapters 403 and 404

3) Primary Tools

A) Tax Abatement

B) Urban Renewal and Tax Increment Financing

C) Taxation, Revenue Generation and Infrastructure Financing

4) Limitations

A) Risk

B) Constitutional Debt Limit

C) Relocation Restrictions

D) Authority and Ultra Vires

E) Budget Constraints

4) Public Private Partnerships

A) What are they?

B) What do they do?

5) Impact of Legislation

A) Contract Procurement

B) Uncertainty for the future

6) Conclusions

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

Classification/ Source	Industrial	Commercial	Multi-family Residential	Single-family Residential
Chapter 404 Ec Dev	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/Distribu tion Ctrs 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%, 20%, 20%.

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

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**
- 6) Rinse and repeat**

A procedural outline for establishing urban renewal areas and TIF Districts

- 1) Identify your foundational need (Slum or Blight Alleviation, Economic Development).
- 2) Identify your 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 obtain necessary consent from county; county contain 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 your urban renewal area as a tax increment financing district.

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