

WEST BRANCH, IOWA

REPORT ON
CURRENT TAX INCREMENT
FINANCING DISTRICT
AND
PROPOSED AMENDMENTS

February 23, 1994

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Mayor Dick Rex
City of West Branch
P.O. Box 218
West Branch, Iowa 52358

Re: Current Tax Increment Financing District and Proposed Amendments

Dear Mayor Rex, City Council, and Interested Persons,

Hart Engineering has been requested to review the creation of the City's Urban Renewal Area/Tax Increment Financing District, to inform the City of the current status of incremental taxable valuations available to the City, and to offer suggestions on how Tax Increment Financing could be used towards the cost of future infrastructure projects.

Using these assigned tasks as an outline, I will present a chronology of the City's creation of the 1989 TIF district, provide a spreadsheet on known TIF valuations, and offer a brief description of steps to be taken to apply TIF dollars to possible streets, sewer, and water projects in the City of West Branch.

Attached to this report are several documents and maps which are numbered for reference by the reader.

Part One: Chronology of the 1989 TIF District

(PLEASE NOTE: Hart Engineering does not have all of the exact dates for the actions described below, and in some cases these actions are dated according to our "best guess".)

Late 1970s -

Early 1980s:

City of West Branch identifies the areas south of Interstate 80 as a potential industrial park.

1985-87

City of West Branch solidifies the Industrial Park concept by its support for a bond issue to extend a 12" water main to industries south of the Interstate.

1987-88

West Branch completes involuntary annexation A87-04 of portions of the southern half of Section 8 west of the Railroad ROW and east of Downey Road. No portion of Section 7 is included in this annexation.

- 1988-89 City is approached by PURethane for a possible relocation from Coralville. City agrees to support the relocation through municipal services, direct financial support, and assisting in Grant and Loan applications.
- 1988-89 Kirkwood Community College secures a bond issue for Job Training with property taxes from the PURethane property. City discovers that no additional property taxes will be forthcoming from that property for the life of the Job Training TIF district.
- April 1989 With assistance from East Central Iowa Intergovernmental Association (ECIA), the City begins preparation of an Urban Renewal Plan which identifies the industrial park area as an "economic development/urban renewal area". This original document lists only property in Section 8, and uses legal descriptions similar to those used in the involuntary annexation. (SEE 1)
- November 20, 1989 City Council passes Resolution 343, a "Finding of Necessity" to create an Urban Renewal Area. The original language in the resolution describes Urban Renewal property as the south half of Section 8 west of the Railroad right-of-way and south of the Interstate right-of-way except for a farmstead in the southwest corner and a sewage lagoon site. This Resolution was amended at the same meeting to include "the Southeast Quarter of Section 7". Approved by Council. The Resolution also sent the Urban Renewal Plan to the Planning and Zoning Commission for review and comment, as required. (SEE 2)
- November 23, 1989 The City of West Branch Planning and Zoning Commission publishes a notice of Public Hearing for the purpose of discussion on the proposed Urban Renewal Area. The Notice includes a description of the proposed area which includes all of the SE quarter of Section 7. The Public Hearing is set for November 30, 1989. (SEE 3)
- November 30, 1989 The Planning and Zoning Commission recommendation to the City Council is to keep all previously described portions of Section 8 in the Urban renewal Area, but to include only the North one-half of the Southeast Quarter of Section 7. (SEE 4)
- December 7, 1989 The City Council publishes a notice of Public Hearing, setting a date of December 18, 1989, for the readings of the ordinance establishing

the "tax increment financing district". The notice describes the area as including all of the SE quarter of Section 7. (SEE 3)

December 18, 1989 The City Council completes all readings and passes "Ordinance 421" approving the collection of incremental taxes in the urban renewal area for a period of up to 25 years (until 2014) to repay debts incurred in the area. The final description of the property included in this ordinance includes property in the south one-half of Section 8 south of the Interstate and west of the Railroad right-of-ways, and the North one-half of the Southeast Quarter of Section 7, excepting the farmstead and lagoon sites. (SEE 5)

December 28, 1989 The City publishes the Ordinance, here called "Ordinance 418", thereby creating the tax increment financing district. The description of property include is the same as above. This Tax Increment Financing District allowed for the collection of incremental taxes for the repayment of debts in the described district, based on "frozen" property values as of January 1st, 1987. (SEE 6)

- 1990 - present
- (1) The City of West Branch has not utilized any of the incremental taxes for the repayment of debts incurred in the TIF district.
 - (2) Cedar County officials have tracked the incremental values for the PUREthane Job Training TIF district which they identified as "West Branch TIF Increment", but kept no records of the potential tax increment for the City's TIF district. The City's TIF district should record all increases in taxable values within the described area, subtracting out the PUREthane increments until the Job Training TIF bond is paid off.
 - (3) The City's TIF district includes property not within the corporate limits. While this is uncommon, the City is allowed by law to collect incremental taxes in areas adjacent to, but outside of the City.

February 1994 Kirkwood Community College is preparing to collect the last year of its Job Training TIF for the PUREthane site. The College will proceed with another job training assistance program for this company, but the next program will be repaid from payroll, not property taxes. Assuming the Job Training TIF is paid off in 1995, beginning January

1996 the City of West Branch will be eligible to use the incremental taxes from the PURethane property to repay any debts in the City's TIF district.

**PART ONE
SUMMARY:**

While there was some confusion over the description of the property to be included in the City's TIF district, the City appears to have meet all requirements in the legal establishment of an Urban Renewal Area/Tax Increment Financing District. The current district remains valid until December 31, 2014. A map of the 1989 West Branch TIF District is provided (SEE 7)

Part Two: Tax Increments Available to the City of West Branch

Tax increments are the dollars collected by all taxing bodies (County, School, City, and others) from increased assessed property valuations in a TIF district. The total incremental taxes are exclusively collected by the City, if the City takes the following steps:

1. The City has a valid Urban Renewal Area/Tax Increment Financing District.
2. The City incurs debts from projects or assistance programs that support the described district, and conform with the goals established in the City's Urban Renewal Plan.
3. The City submits to the County an annual certificate stating the amount of debt before December 31st of each year.
4. The City will collect all of the available annual incremental tax dollars if the total debt exceeds the annual tax increment; the City will receive only the funds needed to repay the debt if the debt is less than annual tax increment.

The following are some key features of Tax Increment Financing:

- TIF does not change or increase Tax Rates set by the Taxing Bodies.
- TIF debts must be incurred after the passage of the TIF Ordinance.
- TIF can repay both principal and interest of debt.
- TIF can repay the City for the costs of establishing or amending the TIF District.
- TIF debts can be in the form of bonds, loans, grants or gifts to businesses, transfers between City accounts, or reimbursement for City materials and personnel costs.
- The City of West Branch will have access to the PURethane tax increment once the Kirkwood job Training TIF bond is repaid.

Attached to this report is a spreadsheet showing the amount of tax increment dollars available to the City. The spreadsheet shows varying debt levels and repayment schedules. Please note the assumptions given. A conservative estimate is also provided.

Starting at the far left hand column (SEE 8), notes are provided to describe significant events during the remaining life of the 1989 West Branch TIF district. Shown are the frozen valuations, the years left for the TIF District, and the 1993 valuations for property in the TIF district. Cedar County has provided summaries of the changes in the valuations for these properties. One summary (SEE 9) is for the property in Section 7, which is outside of the current corporate limits. The other summary is for the TIF Property in Section 8, which has been annexed to the City of West Branch. (SEE 10) Please note that tax rates are different for City and ex-corporation properties.

The County Assessor has reported that revaluations of properties have reduced the incremental values between 1988 (the year values were frozen) and the most recent valuation of 1993.

Also shown on the spreadsheet (SEE 8) are the total incremental values, the taxes to be collected from these incremental increases, and a conservative estimate of 90%, which takes into account reduced TIF availability due to school bond issues, and possible decreases in tax rates.

Different scenarios are presented on the spreadsheet (SEE 8) for possible debts to be incurred by the City. If, for example, the City was to bond for \$300,000 in 1995, the City would be obligated to repay a total of about \$411,300 over a period of ten years (assuming a 6% interest rate for the bond). Actually the City could repay this debt with TIF revenues much sooner, in about five or six years. A debt of \$650,000 could be repaid in about 9 years.

Key to these debt scenarios is the completion of the Kirkwood Community College Jobs Training TIF account for PURethane. Kirkwood has reported that they expect 1994-95 to be the last year they will collect property taxes to repay this bond. The fiscal year 1996-97 should be the first year that the sizeable increase in TIF revenues for PURethane become available for City use.

The spreadsheet estimates the total cumulative remaining TIF revenues to be collected to be about \$1.9 million. This is based on a conservative collection, with no further development, and with property values increasing about one-half of one percent per annum.

**PART TWO
SUMMARY:**

The City of West Branch should have access to a significant increase in TIF revenues after 1995. The City could utilize these funds to finance community projects or infrastructure improvements within the Tax Increment Financing district. Over the remaining life of the City's 1989 TIF district, the City could have access to at least \$1.5 million.

Part Three: Use of TIF Revenues Towards Future Projects in West Branch

In informal discussions with Hart Engineering, several community projects and infrastructure improvements have been discussed as possibly being funded with TIF revenues. These are listed below with very rough cost estimates:

1.	Main Street Resurfacing and Improvements	\$ 450,000
2.	Hoover Park Sanitary Sewer Interceptor	\$ 250,000
3.	Lift Station Improvements	\$ 50,000
4.	Sewer Improvements on 2nd and College St.	\$ 70,000
5.	Industrial Park Sanitary Sewer Interceptor	\$ 275,000
6.	Water Main Extension to Tidewater Property	\$ 20,000
	TOTAL COMBINED PROJECTS	\$1,115,000

It is conceivable that the City could utilize the current estimated TIF revenues to pay for all of the above describe projects in a period of 10 to 15 years. The City's tax rates would not need to be increased to make payments on these projects.

TIF debt is considered to be a general obligation, so the total combined project cost given above may exceed the City's available general obligation debt limit, and would definitely exceed a prudent level of approximately 70% of the debt limit, which cities should not exceed. Cities should retain at least 30% of their debt limit for unforeseen emergencies, and as protection of their bond ratings. The City would want to make some of the project debts repayable from revenue bonds, but using TIF revenues to make the actual payments.

However, if the City of West Branch wanted the option of using TIF revenues for some of these projects, the City would need to take the following steps:

1. To be eligible for reimbursement with TIF Revenues, debt must be incurred within the City's TIF District. This means that the City must amend the current Urban Renewal Plan and TIF Ordinance to include those areas were these projects would take place. The following actions are required:

- a. The Urban Renewal Plan is rewritten to include these project areas.
 - b. New descriptions of additional properties are created.
 - c. The P&Z reviews the amendments, and comments to the Council.
 - d. A public hearing date is set to discuss the amendments.
 - e. A public hearing is held by the City.
 - f. The City Council receives P&Z recommendation to approve the amended Urban Renewal Plan.
 - g. The City amends the TIF Ordinance.
 - h. The amended Ordinance is published.
2. The City may want to consider annexation of those properties in the current TIF district that are outside of the City limits.
 3. The amended TIF district should include the City's wastewater treatment facility.

The City will require about three months to complete all of the steps required to amend the TIF district. The City can expect to pay between \$1,200 and \$1,800 for the planning and legal services necessary to complete the amendment.

In order to accommodate all of the potential projects described above, the City may wish to amend the district to include the properties shown on the Proposed TIF Amendment map (SEE 11). These areas include the Main Street, Lift Station, and Hoover Park project area, as well as Downey/Parkview Streets and the former Railroad right-of-way to connect them to the current TIF district. Also included is the wastewater treatment facility, and the new residential subdivisions in the northwest of the community. These new housing tracts would also increase the TIF revenues available if the TIF District is amended before December 31, 1994.

PART THREE SUMMARY:

The City of West Branch can amend the existing 1989 Urban Renewal Area/Tax Increment Financing District before the end of 1994 to include new housing developments and possible project sites. By amending the TIF district, the City could use the anticipated TIF revenues to pay for some, or all, of these projects' costs.

I hope this information proves useful to the City of West Branch. Please contact me at Hart Engineering with any questions you might have on this matter. I would be happy to attend a City Council meeting to discuss this information in person.

Sincerely,



Michael R. Singer
Project Coordinator
Hart Engineering

cc: West Branch Files wbranch\tifinfo.rpt
Bruce Goddard, West Branch City Attorney
Deb Miller, Cedar County Assessor
Pat Meixner, Cedar County Auditor