

# **SMART**

**Economic Development Conference**

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## **Local Government Financial Incentives for Economic Development**

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# Constitutional and Statutory Authority to Use Public Funds for Economic Development—Chapter 15A

**Iowa Constitution: No public funds may be used for a “private purpose” without approval by Legislature**

**Chapter 15A: Economic development is a “public purpose” and local governments may provide grants, loans, guarantees and tax incentives to private entities for economic development**

## **Constitutional debt limit considerations/ annual appropriation**

- **Debt payable from property taxes – including any form of tax increment debt – limited to 5% of actual valuation**
- **Annual appropriation provisions used in TIF rebate agreements, general obligation bond issues and lease-purchase transactions**

# Financing Infrastructure to Serve Private Development

- 1. Streets and County Roads**
  - A. General Obligation**
  - B. Special Assessment**
  - C. Road Use Tax Revenues**
  - D. TIF Revenues**
  
- 2. Utilities**
  - A. General Obligation**
  - B. Special Assessment**
  - C. Utility Revenues**
  
- 3. Use of Local Option Sales Tax and Hotel Tax Revenues**

# Financing Infrastructure to Serve Private Development

## 1. City Streets and County Roads

### A. General Obligation

- Counties need economic development purpose

### B. Special Assessment

- Voluntary assessments/waive limit on amount of assessment
- Local Bank to buy special assessment bonds

### C. Road Use Tax Revenues

### D. TIF Revenues

# Financing Infrastructure to Serve Private Development

## **2. Utilities**

**A. General Obligation**

**B. Special Assessment**

**C. Utility Revenues**

# Financing Infrastructure to Serve Private Development

## **3. Use of Local Option Sales Tax and Hotel Tax Revenues**

- **Need to confirm language of Local Option ballot proposition related to use of revenues for economic development**



# City and County Property Tax Tools for Economic Development

- I. Property Tax Abatement/Exemption**
- II. Tax Increment Financing**



# Property Tax Abatement/Exemption

- 1. Chapter 404 Urban Revitalization Tax Abatement**
  - Residential, Multiresidential, Commercial and Industrial**
- 2. Chapter 427B Industrial/Warehousing Tax Abatement**
- 3. Section 427.1(27) Speculative Shell Buildings**
- 4. Section 15.332 — High Quality Job Creation Act**
- 5. Chapter 368 — Annexation — Phase-in of City tax levy**
- 6. State Roll-back of Valuation**

# Property Tax Abatement/Exemption

## 1. Chapter 404 Urban Revitalization Tax Abatement/Exemption

- **Residential, Multiresidential, Commercial and Industrial**
- **Single-family Housing: Exempt up to 100%, up to ten years in blighted areas**
  - **Exempt first \$75,000 for five years in economic development areas**
- **Multiresidential: Exempt up to 100% up to ten years**
- **Commercial and Industrial: Exempt 100% for three years or sliding scale (80% to 20%) for ten years**

# Property Tax Abatement/Exemption

## **2. Chapter 427B Industrial/Warehousing Tax Abatement**

- **Exempt five-year sliding scale – 75% to 15%, city or county-wide**

# Property Tax Abatement/Exemption

## **3. Section 427.1(27) Speculative Shell Buildings**

- **Eligible for exemption until building is leased or sold**
- **May qualify later for exemption under either Chapter 404 or Section 427B.**

## Property Tax Abatement/Exemption

### 4. Section 15.332 — High Quality Job Creation Act

- *Exemption maximum 100% for up to 20 years, for \$10 million investment and at least 31 new jobs*

## Property Tax Abatement/Exemption

- 5. Chapter 368 — Annexation — Phase-in of City tax levy for up to ten years (levy imposed at 25%, increases to 85% by year ten)**

# Property Tax Abatement/Exemption

## **6. State Roll-back of Valuation: Residential, Multiresidential, Commercial, Industrial**

# **Tax Increment Financing — Chapter 403**

- 1. Economic Development and TIF Rebate Agreements**
- 2. Special circumstances in use of TIF**
  - a) County use of TIF from wind farms to fund county roads**
  - b) County/City cooperative urban renewal/TIF**
  - c) Consolidation of urban renewal areas; separation of TIF areas**
- 3. 2012 Amendments to TIF statute**
- 4. Proposed 2017 Amendment to TIF Statute**



# **Tax Increment Financing — Chapter 403**

## **1. Economic Development and TIF Rebate Agreements**

- **Economic development agreements obligate developer to complete project and commit city or county to provide certain incentives or benefits**
- **Rebate percentage of incremental taxes paid**
- **Debt service and certain school district property tax levies not included in TIF calculation**
- **Payments may be subject to annual appropriation by city council**
- **Payments may be assigned or made directly to a lender**
- **Minimum Assessment Agreements**
- **Rebate city or county general fund levy amount**
- **Provision for giving land to developer**

# **Tax Increment Financing — Chapter 403**

## **2. Special circumstances in use of TIF**

- a) County use of TIF from wind farms to fund county roads**
- b) County/City cooperative urban renewal/TIF**
  - **County urban renewal area includes all cities**
  - **County urban renewal area inside city for debt purposes**
- c) Consolidation of urban renewal areas; separation of TIF areas**

# Tax Increment Financing — Chapter 403

## 3. 2012 Amendments to TIF statute

- Annual Reports
- Limits on use for public buildings
- Must amend Plan for every new project
- “Anti-piracy” provisions

# Tax Increment Financing — Chapter 403

## 4. Proposed 2017 Amendment to TIF Statute

- Delete \$5.40 of school general fund levy from TIF calculation formula



## **Self-Supported Municipal Improvement Districts (Chapter 386)**

**Additional property tax levy initiated by downtown property owners, to be used for improvements, marketing or operation of downtown development organizations.**