



TAX INCREMENT FINANCING & URBAN RENEWAL: OVERVIEW AND CURRENT LANDSCAPE

CITY COUNCIL ECONOMIC DEVELOPMENT COMMITTEE MEETING

OCTOBER 1, 2025



AGENDA

- TIF & Urban Renewal 101
 - Overview
 - Mechanics
 - Policy Environment
- Current Urban Renewal Districts
- Current Projects
- Upcoming Projects

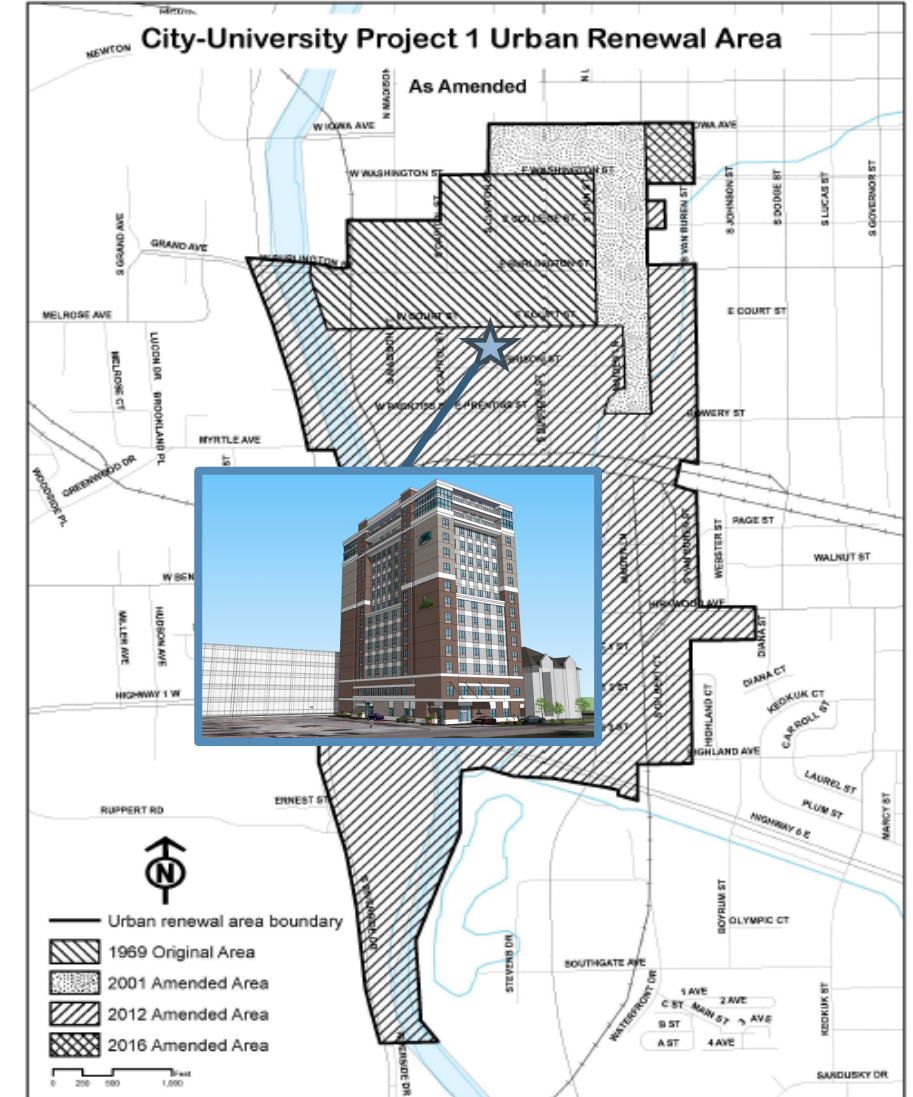


INTRODUCTION & LANDSCAPE



TAX INCREMENT FINANCING (TIF) & URBAN RENEWAL

- Urban Renewal Areas & TIF Districts are two separate concepts that work together
- **Urban Renewal Area:**
 - Designated area where you conduct urban renewal projects
 - i.e. infrastructure development, development agreements, blight remediation
- **TIF District:**
 - The taxing district and funding mechanism to support those urban renewal projects
 - When you establish a TIF district, you can capture the increment (increased tax revenue) from new development to help rebate these projects as an incentive



The Hilton Garden Inn project is one example of a **TIF Project** instead the broader City-University **Urban Renewal Area**

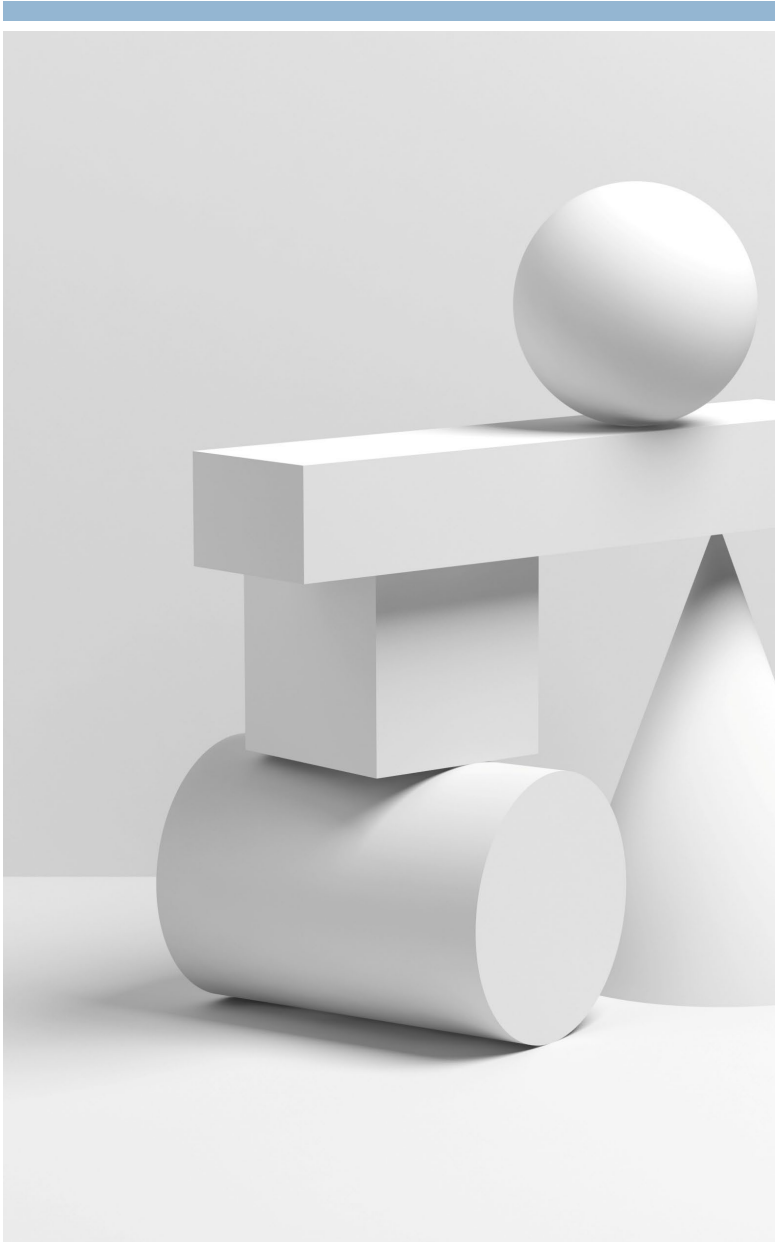
BALANCING THE USE OF TIF

ADVANTAGES:

- Catalyst for redevelopment / jumpstart revitalization in underperforming areas
- Attracts and leverages private investment
- Helps deliver community benefits the private market won't fund alone
- Offers the City a flexible financing tool to meet Strategic goals
- Leverages future tax growth to meet current needs (risk diverted from City and taxpayers to Developer)

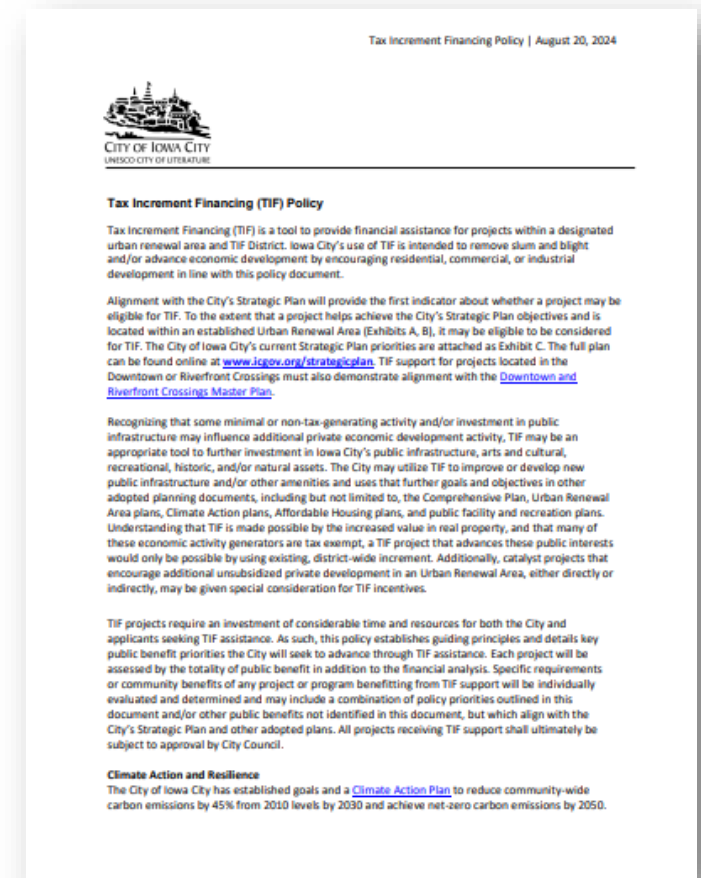
CONSIDERATIONS:

- Temporary diversion of tax revenue from other taxing entities and City's General Fund
- Risk of overuse if applied too broadly (e.g. subsidizing projects that might have happened anyway)
- Complex tool that requires strong staff oversight, public communication, and legal and financial monitoring
- Legislative scrutiny and potential for new restrictions in the future



IOWA CITY'S SAFEGUARDS: HOW WE AIM TO USE TIF RESPONSIBLY

- **Tax Increment Financing Policy**
- **Third-Party Financial Analysis** (for gap financing projects only)
- **Performance-Based Rebate / Reimbursement Model** is our standard (payments tied to actual tax increment generated, Developers must perform requirements before getting rebates, etc.)
- **Minimum Assessment Agreements** guaranteeing minimum value and expected tax increment
- **Transparency, oversight & reporting:**
 - Public hearing process for all projects and plan amendments
 - Annual TIF Certifications performed for each project
 - Annual County & State compliance reporting



LEGISLATIVE & POLICY CONSIDERATIONS

- Urban Renewal authority is provided & governed by the State (Chapter 403)
- New or proposed legislation impacting TIF is seen almost every session
- Across the aisle, legislators & advocates have identified strengths, concerns & opportunities for improvement
- Policy debates underscore importance for our continued balanced approach & robust process + transparency



LIFECYCLE & MECHANICS OF URA & TIF DISTRICT



ESTABLISHING (AND AMENDING) AN URBAN RENEWAL AREA & TIF DISTRICT

STEP 1: ESTABLISH URBAN RENEWAL AREA

- **Draft Urban Renewal Plan** which includes the map, defines the type of URA (i.e. Slum & Blight vs. Economic Development), and describes the goals, objectives, and types of projects to be undertaken.
- **First Council Resolution** which includes declaration of necessity, sets a Consultation Meeting, sets a public hearing, and directs the URP to be sent to Planning & Zoning Commission for review (new plans only)
- **Hold Consultation Meeting** with Affected Taxing Entities, including time for written comment
- **P&Z Review** of URP for conformity with the City's Comprehensive Plan (new plans only)
- **Hold Public Hearing / Adopt Urban Renewal Plan by Resolution**

STEP 2: ESTABLISH TIF DISTRICT

- **Adopt Ordinance to establish the TIF District** within the URA (generally, 3 readings/meetings)

AMENDMENTS

- Follow same process as above, except no P&Z required for amendments

TERMINATING AN URBAN RENEWAL AREA & TIF DISTRICT

Terminating an URA/TIF District follows same steps as creation, but in reverse

TIF Districts sunset (expire) based on statutory limits

URAs do not statutorily expire but are recommended to be terminated when there is no active need.

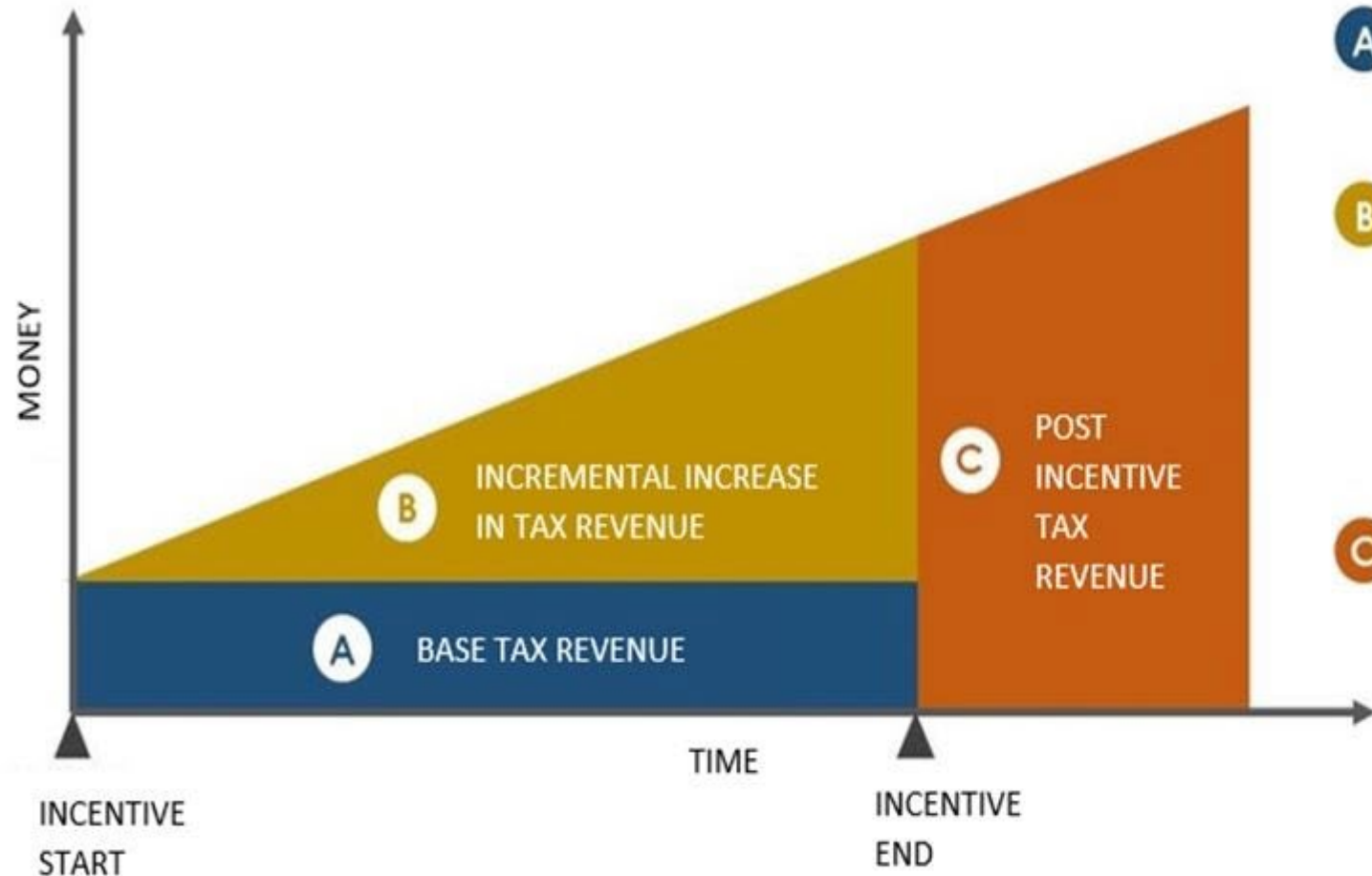
TYPES OF URBAN RENEWAL AREAS

- **Slum & Blight Remediation**
- **Economic Development**
 - Economic Development – Commercial/Industrial
 - Economic Development - Residential
 - LMI Residential Development
 - Infrastructure to support non-LMI residential development
- **Mixed**

TIF SUNSETS BY DESIGNATION

TYPE	STATUTORY SUNSET
Slum & Blight	None
Economic Development – Commercial & Industrial	20 years from 1 st certification of debt
Economic Development – LMI Residential	20 years from 1 st certification of debt
Economic Development – Non-LMI Residential	10 years from 2 nd calendar year after 1 st certification of debt
Mixed Econ Dev & Blight	None

How does Urban Renewal tax increment financing (TIF) and Urban Revitalization work?



- A** Property taxes collected at existing level. Provided to taxing entities.
- B** Increase in property taxes. Reimburses for expenses incurred. Is dedicated to a specific use at time of plan adoption. Examples: infrastructure improvements, developer contracts, affordable housing.
- C** 100% of property taxes collected at new level provided back to taxing entities.

HOW TIF WORKS

DISTRICT INCREMENT:

URA & TIF District Established

Sets Base Year & Value

As properties improve or redevelop, taxable values rise

$\text{New Value} - \text{Base Value} = \text{District-Wide Increment}$

Collection of Increment

Occurs only if City certifies debt

Otherwise retained by all taxing entities

PROJECT INCREMENT:

Development Agreement Executed

Defines project, incentive & sets base value on project

Tax Revenue is Collected

Developer pays full property taxes → City retains all or portion of increment (debt certified to County) → remainder distributed to taxing entities

TIF Rebate / Incentive Issued

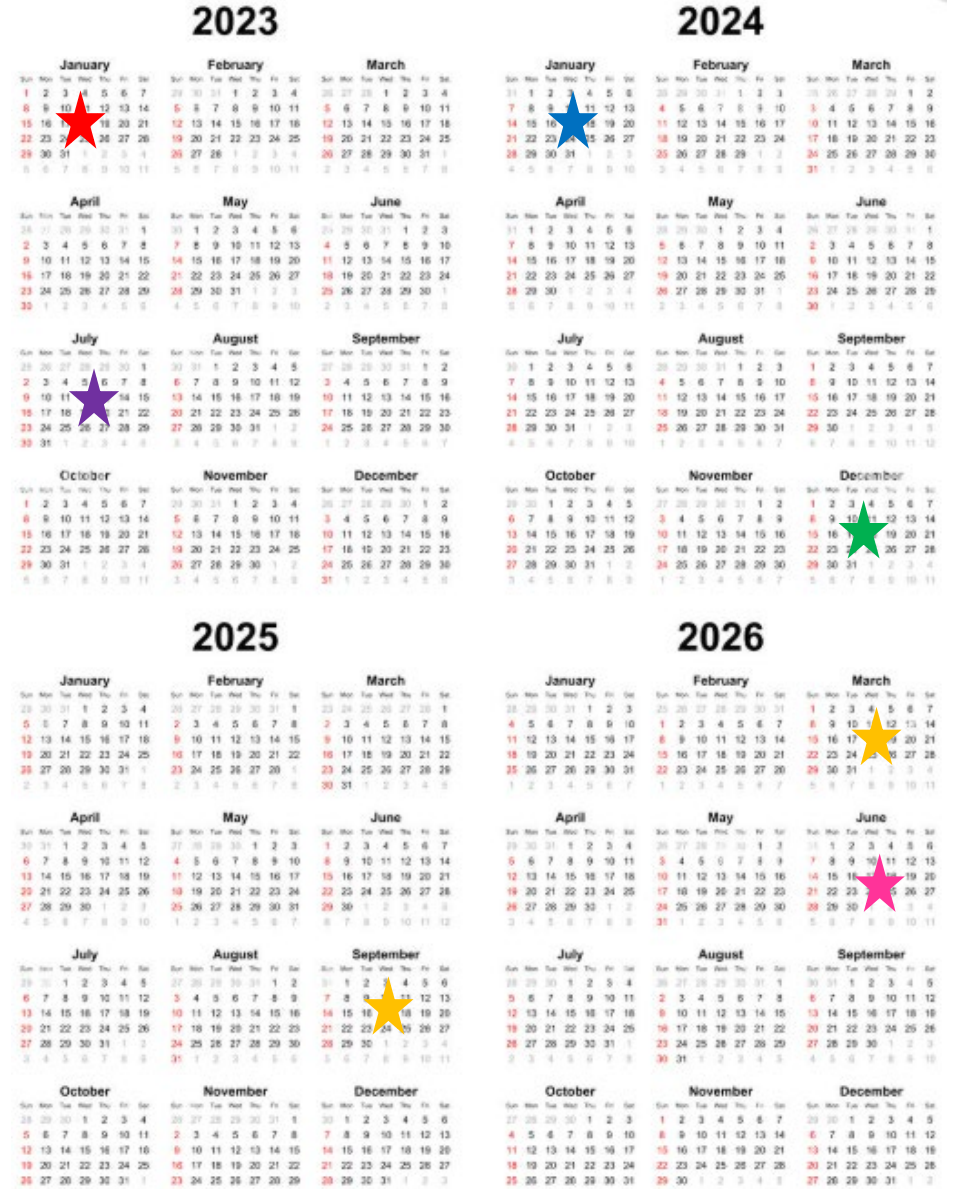
Based on actual increment received & project requirements being met

Incentive Period Ends

Per Development Agreement and no portion of increment is diverted to City – all tax revenue generated is allocated to taxing entities

EXAMPLE: TIF TIMING

- ★ Project Completed: Summer 2023
- ★ Project Fully Assessed: January 2024
- ★ City Certifies Debt on Project: December 2024
 - ★ Sets Base Value: January 2023
- ★ Taxes Collected: September 2025 & March 2026
- ★ Rebate Paid: June 2026



EXAMPLE: HOW TO CALCULATE TIF

#1: Calculate Assessed Valuation Growth

New Value After Improvements	\$2,000,000
Less: Frozen Base Value	\$50,000
Assessed Valuation Change	\$1,950,000

#2: Calculate TIF Levy

Consolidated Tax Levy (City, County, School, etc.)	\$32 per \$1,000 value
Less: Protected (Debt service, school foundation, etc.)	\$4 per \$1,000 value
TIF Levy	\$28 per \$1,000 value

#3: Calculate Tax Increment

Assessed Valuation Change x **TIF Levy** = **Tax Increment**

\$1,950,000 x **(\$28/\$1,000)** = **\$54,600 in yearly tax increment**

HOW CAN TIF BE USED?

Authorized use of TIF:

- Located within an Urban Renewal Area & TIF District
- Use is authorized by Iowa Code Sections 403.6 or 403.12
- Project is identified in the Urban Renewal Plan
- Consistent with URA's designation (e.g. Slum & Blight vs. Economic Development)

Limitations on use of TIF:

- Business relocation from another municipality – (requires agreement between the municipalities)
- Public buildings – must determine alternative source is less feasible

URBAN RENEWAL FINANCING ALTERNATIVES

- **Development Agreements:** Typically, “rebate style” reimbursement to developer
- **Internal Loans:** City can “advance” funds with cash on hand from a fund and pay itself back with TIF dollars
- **Urban Renewal Bonds:** Can be repaid by TIF, other project income, or both
 - **General Obligation:** Lower interest rate, backed by property tax authority
 - **Revenue:** Higher interest rate, backed only by TIF revenue (risk is on bondholders)
- **Purchase Agreements:** Payment can be made from TIF fund

DEVELOPER INCENTIVE ALTERNATIVES

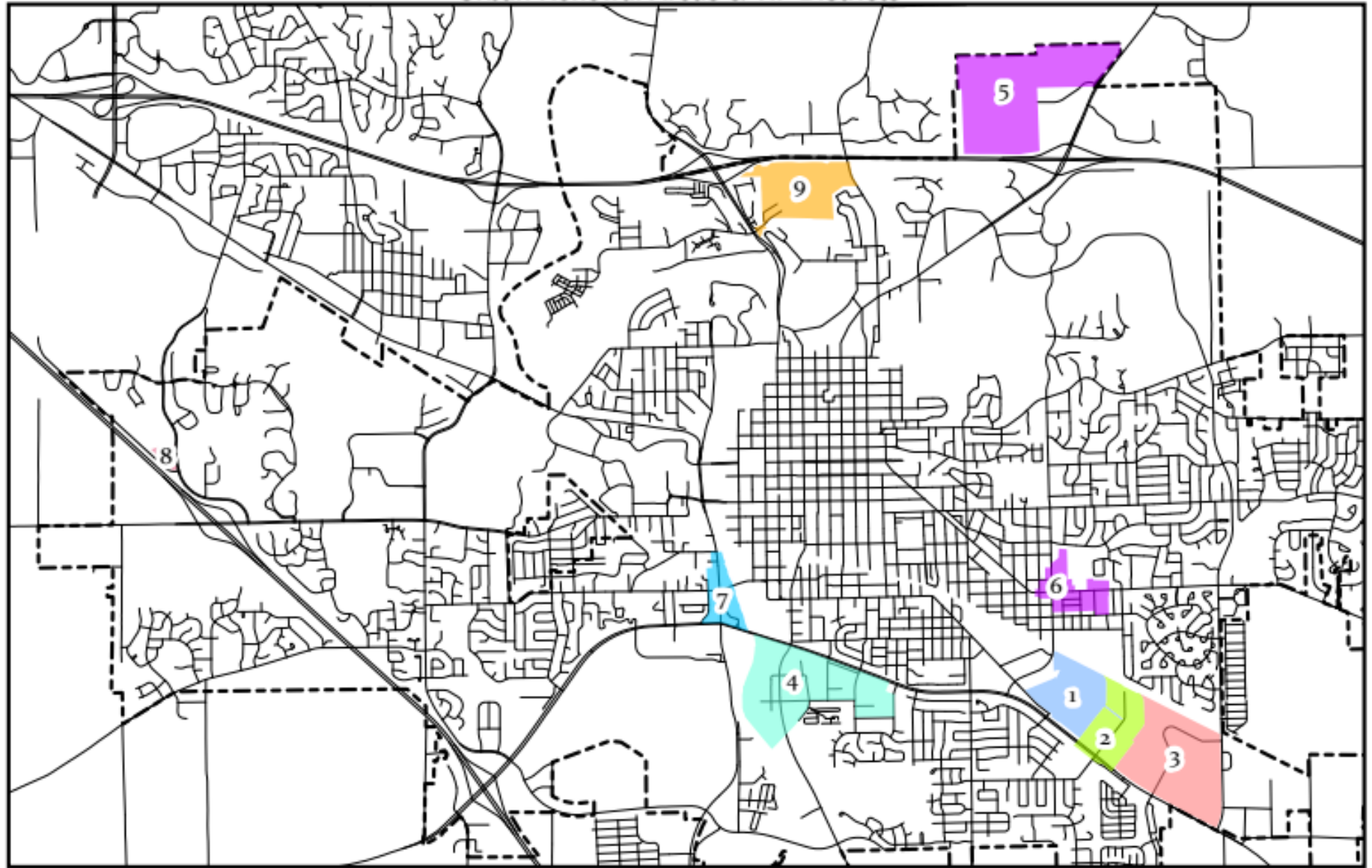
- Rebate / reimbursement
- Grant
- Forgivable loan
- Loan
- Build public improvements or infrastructure improvements
- Acquire and assemble land for development
- Purchase of property or assets
- Contamination cleanup
- Etc.



CURRENT PROJECTS & DISTRICTS



Urban Renewal Areas & TIF Districts



Urban Renewal Area	Basis	Created	Sunset	Active TIF Projects
City-University	Slum & Blight	1969	Perpetual	<ul style="list-style-type: none"> • Augusta Place • Chauncey Redevelopment • Sabin (Harrison St) Townhomes Development • Hilton Garden Inn Development • Hieronymus Square Development • Tailwind Nest/College St Redevelopment • Senior Center Exterior Renovation Project • Building Change Grant Program
Camp Cardinal	Econ Dev	2013	N/A*	None
Forest View	Mixed	2019	Perpetual	None
Foster Rd	Econ Dev for LMI	2018	2031	<ul style="list-style-type: none"> • Public Improvements – Foster Road
Heinz Rd	Econ Dev	2002	2025	None
Highway 6	Econ Dev	2003	2025	None
Industrial Park	Econ Dev	2002	N/A*	None
Muscatine & HWY 6	Econ Dev	2002	N/A*	None
Moss Green	Econ Dev	2010	2040	None
Riverside Dr	Slum & Blight	2011	Perpetual	<ul style="list-style-type: none"> • Riverview West Development
Towncrest	Slum & Blight	2010	Perpetual	<ul style="list-style-type: none"> • Building Change Grant Program

**No debt certified to date, thus “clock” has not started*

CITY-UNIVERSITY URA: ACTIVE TIF PROJECTS

#1: HILTON GARDEN INN

Project Description: 12-story, 140 room Hilton Garden Inn Hotel Conference Center & Vue Rooftop Restaurant/Venue

Incentive Structure:

- 100% increment rebate + 50% of hotel/motel tax revenue generated by property
- For a max of 21 years or \$8.8 million (in aggregate)

Public Benefits:

- Sustainability features: steel-frame construction, Hilton hotel sustainability certification, certified heightened energy standards
- Generates new hotel/motel tax revenue



Dev Agreement Signed:	2015
Total Project Cost:	\$33.2 million
Maximum TIF Amount:	\$8.8m or 21 years
Rebate Status:	6 of 21 (\$4 million)
Base Value:	\$417,380
Minimum Assessed Value:	\$15.1 million
Current Assessed Value:	\$17.7 million

CITY-UNIVERSITY URA: ACTIVE TIF PROJECTS #2: SABIN TOWNHOMES

Project Description: 28 townhome units

Incentive Structure:

- 100% increment rebate for a maximum 13 years or \$976,277

Public Benefits:

- 3 affordable housing units sold to The Housing Fellow (serve <80% AMI)
- Provides pedestrian-oriented use as linear wrap around City parking facility
- Sustainability features: high-efficiency HVAC, low flow plumbing fixtures & recycled product for exterior cladding



Dev Agreement Signed:	2015
Total Project Cost:	\$6.9 million
Maximum TIF Amount:	\$976,277 or 13 years
Rebate Status:	6 of 13 (\$668,540)
Base Value:	\$0
Minimum Assessed Value:	\$4.75 million
Current Assessed Value:	\$21 million

CITY-UNIVERSITY URA: ACTIVE TIF PROJECTS

#3: AUGUSTA PLACE



Project Description: Townhomes & multi-family

Incentive Structure:

- 100% increment for a maximum 9 years or \$4,020,292
- Forgivable loan of \$650,831 (3.84% interest)
- Land deal + buyback of parking lot and on-site affordable units
- Total City Assistance ≈ \$6.35 million

Public Benefits:

- Parking spaces for City use
- Fire Station #1 and City Hall entryway improvements
- Iowa Avenue streetscape improvements
- 18 affordable units: 6 on-site + 12 off-site (<60% AMI)
- Preservation & rehabilitation of historic Unitarian Universalist Church

Dev Agreement Signed:	2017
Total Project Cost:	\$35 million
Maximum TIF Amount:	\$4 million or 9 years
Rebate Status:	5 of 9 (\$2 million)
Base Value:	\$576,570
Minimum Assessed Value:	\$14.4 million
Current Assessed Value:	\$33.2 million

CITY-UNIVERSITY URA: ACTIVE TIF PROJECTS

#4: THE CHAUNCEY

Project Description: 15-story mixed-use including Class A Office, hotel, bowling alley, FilmScene, coffee shop, exhibition space, condominiums, green space.

Incentive Structure:

- \$14.2 million construction grant, - funded by City-issued TIF revenue bonds & repaid with project's own TIF increment over 25 years
- Land sale at appraised value
- Buyback of 5 public housing units

Public Benefits:

- Constructed to LEED Silver standards
- Relocation of the Bike Library, new FilmScene location
- Chauncey Swan Park improvements
- 5 on-site public housing units



Dev Agreement Signed:	2015
Total Project Cost:	\$49 million
Max. TIF Amount:	\$14.1 million
Base Value:	\$0
Minimum Assessed Value:	\$30.1 million
Current Assessed Value:	\$57.8 million

CITY-UNIVERSITY URA: ACTIVE TIF PROJECTS

#5: HIERONYMUS SQUARE

Project Description: 7-story mixed use (45 residential units, Class A office & retail space, 91-room Element hotel with amenities)

Incentive Structure:

- \$600K lump sum upon completion + up to 15 years of TIF rebates at 100% increment
- Not to exceed 15 years or \$8 million (in aggregate)

Public Benefits:

- 15% affordable housing requirement (7 units), including 2 on-site + fee-in-lieu
- Sustainability: Hotel Green Seal Certification, solar
- First floor retail w/ engaging pedestrian-level design
- Generates hotel/motel tax revenue



Dev Agreement Signed:	2017
Total Project Cost:	\$40.7 million
Maximum TIF Amount:	\$8m or 15 years
Rebate Status:	4 of 15 (\$2.9 million)
Base Value:	\$1.3 million
Minimum Assessed Value:	\$16.7 million
Current Assessed Value:	\$30.6 million

CITY-UNIVERSITY URA: ACTIVE TIF PROJECTS

#6: TAILWIND/NEST



Project Description: 11-story multi-family residential building and historic rehab of ped mall properties

Incentive Structure:

- TIF rebate at 100% for first 8 years, 75% for next 7
- Not to exceed 15 years or \$12.25 million

Public Benefits:

- \$1.9 million affordable housing payment (fee-in-lieu)
- Rehab of College St. ped mall block for ground floor commercial use & upper-level residential use:
 - Conversion of multi-story bar to restaurant or commercial use
 - Riverside Theatre space, controlled rent
 - ADA accessibility improvements
- LEED Gold Certification, preference for EE points

Dev Agreement Signed:	2021
Total Project Cost:	\$54.4 million
Maximum TIF Amount:	\$12.25m or 15 years
Rebate Status:	1 of 15 (\$472,514)
Base Value:	\$7,607,972
Minimum Assessed Value:	\$24.5 million
Current Assessed Value:	\$43.9 million

ACTIVE TIF PROJECTS

FOSTER ROAD & VINTAGE SENIOR LIVING

Project Description: Senior housing development & public improvements (Foster Road)

Incentive Structure:

- TIF rebate of 55% of increment to reimburse developer for 75% of public improvement cost
- City receives remaining 45% of increment as LMI housing set-aside
- Maximum rebate of \$3.36 million or actual improvement cost (lessor), up to 10 years

Public Benefits:

- Construction of Foster Rd from Prairie du Chien to Dubuque
 - Includes landscaping, sidepath, bike lanes, and utility improvements
- LMI housing funds



Dev Agreement Signed:	2018
Total Project Cost:	\$20.2 million
Maximum TIF Amount:	\$3.36m or 10 years
Rebate Status:	4 of 10 (\$599,889)
Base Value:	\$2 million
Minimum Assessed Value:	\$14 million
Current Assessed Value:	\$17 million

ACTIVE TIF PROJECTS

RIVERVIEW WEST

Project Description: 96-unit apartment building

Incentive Structure:

- TIF rebate of 100% increment up to 10 years or \$1,809,875

Public Benefits:

- 12 affordable units rented <120% AMI
- Sustainability: rooftop solar
- Riverside Drive Streetscape improvements, including pedestrian extension under railroad



Dev Agreement Signed:	2015
Total Project Cost:	\$16.1 million
Maximum TIF Amount:	\$1.8m or 10 years
Rebate Status:	8 of 10 (\$1.8 million)
Base Value:	\$2 million
Minimum Assessed Value:	\$1.5 million
Current Assessed Value:	\$19.9 million

OTHER RECENT DISTRICT-WIDE TIF USES

SENIOR CENTER HISTORIC REHAB

Project Description:

- Exterior restoration and rehab (2023, *City-University Amendment #17*)
- Interior renovation and improvements, 2026 – 2030 (2025, *City-University Amendment #18*)

Public Benefits:

- Rehab of historic structure
- Energy Efficiency Improvements
- Accessibility improvements

Internal loan repaid by TIF increment

Phase	Total Project Cost	TIF Internal Loan
Exterior	\$4,265,000	\$1.1 million
Interior	\$3 million	\$2.4 million



OTHER RECENT DISTRICT-WIDE TIF USES GRANT PROGRAMS

Project Examples:

- Towncrest Façade Grants
- Building Change Grant & Loan Program
- Commercial/Industrial Energy Efficiency Matching Grant

Use of district-wide increment to fund projects

Public benefits:

- Rehab of historic properties
- Invest in quality building stock
- Energy efficiency improvements
- Leverage private dollars



OTHER RECENT DISTRICT-WIDE TIF USES STRENGTH-GROW-EVOLVE

Project Description:

\$1 million TIF grant to help fund restoration/renovation:

- Englert → Marquee, windows, façade, roof, HVAC, A/V equipment, seating, structural repairs, carpeting, electrical, elevator, accessibility improvements
- FilmScene → A/V equipment, seating, accessibility improvements

Use of district-wide increment to fund projects

Public benefits:

- Rehab of historic properties
- Invest in quality building stock
- Energy efficiency improvements
- Leverage private dollars (fundraising campaign)
- Support for non-profit activities contributing to Quality of Life



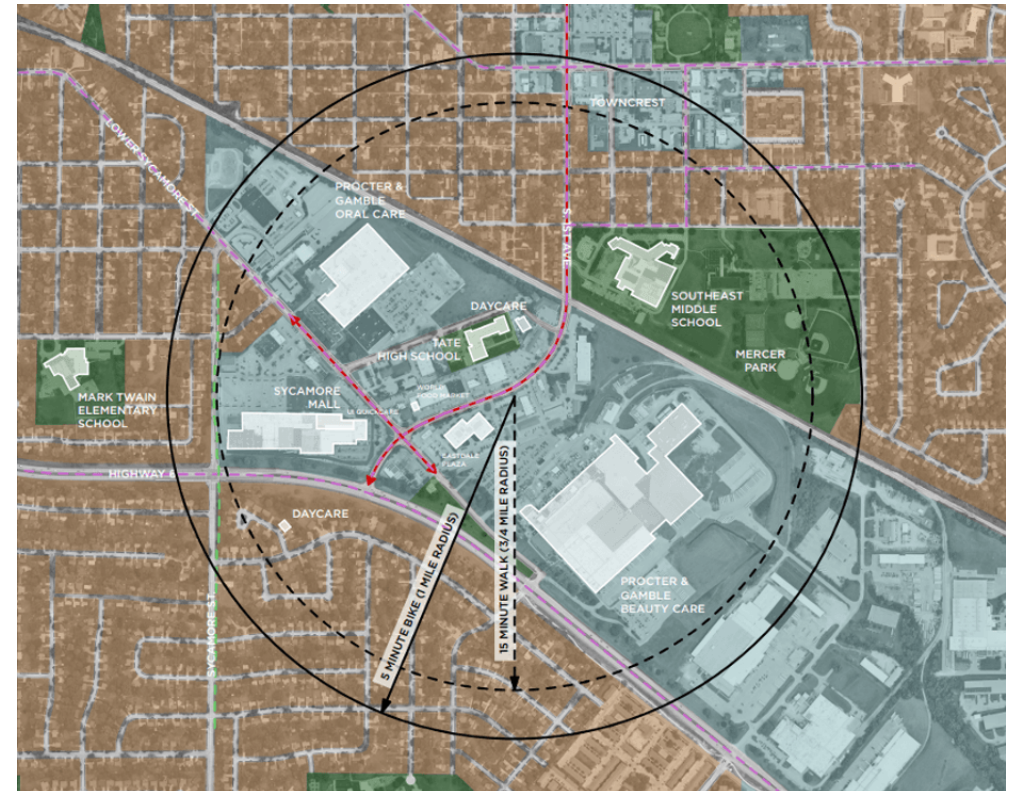


ANTICIPATED & UPCOMING



ANTICIPATED & UPCOMING URBAN RENEWAL AREAS

- **Sycamore Strategic Investment District**
 - Consider establishing an URA/TIF District to support STRID efforts
- **ACT Redevelopment**
 - Consider establishing an URA/TIF District to help fund public improvements serving the redevelopment
- **Gateway Redevelopment (N Dubuque & I-80)**
 - Existing URA; consider establishing TIF District to help fund public improvements serving the redevelopment
- **Carson Farms Development**
 - Anticipate similar approach to Foster Rd (LMI Housing)
 - Supports Strategic Plan action item to consider residential TIF for annexations



EXPIRING TIF DISTRICTS

- Expired January 1, 2025:
 - Heinz Road Urban Renewal Area
 - HWY 6 Urban Renewal Area
- Established, but never used (staff recommending voluntary termination):
 - Industrial Park Road Urban Renewal Area
 - Lower Muscatine Rd & HWY 6 Urban Renewal Area



MEASURING THE VALUE OF IOWA CITY'S URBAN RENEWAL AREAS



NEW VALUE CREATED OVER BASE AREA IN URBAN RENEWAL AREAS

Urban Renewal Area	Base Year	Base Value	2024 Value	% Increase	\$ Increase	# Total Years (Base to Current)
City-University	2002	\$123,717,983	\$458,271,240	270.4%	\$334,553,257	22
Riverfront Crossings	2002	\$15,247,160	\$447,700,798	288.5%	\$332,453,638	22
City-Univ + RFC	2002	\$238,965,143	\$905,972,038	279.1%	\$667,006,895	22
Towncrest	2011	\$32,550,010	\$49,487,226	52.0%	\$16,937,216	13
Riverside	2011	\$22,466,946	\$38,049,930	69.4%	\$15,582,984	13
Foster Rd	2019	\$3,729,370	\$19,467,270	422.0%	\$15,737,900	5
Total		\$297,711,469	\$1,012,976,464	240.3%	\$715,264,995	

NEW VALUE CREATED OVER BASE AREA BY TIF PROJECT

Project	Base Value	2025 Value	New Value Created by TIF Project	TIF Cost
Augusta Place	\$576,570	\$33,249,960	\$32,673,390	\$4,671,123
Hieronymus Sq	\$1,364,880	\$37,289,100	\$35,924,220	\$8,000,000
Hilton Garden Inn	\$417,380	\$17,732,480	\$17,315,100	\$8,800,000
Sabin Townhomes	\$0	\$21,047,460	\$21,047,460	\$976,277
The Chauncey	\$0	\$57,880,650	\$57,880,650	\$32,215,422
Tailwind/Nest	\$7,607,972	\$43,919,220	\$36,311,248	\$12,250,000
Foster Road	\$2,111,720	\$17,066,930	\$14,955,210	\$3,367,000
Riverview West	\$1,326,840	\$19,936,410	\$18,609,570	\$1,809,875
Total	\$13,405,362	\$248,122,210	\$234,716,848	\$72,089,697

MEASURING THE VALUE OF IOWA CITY'S ACTIVE TIF PROJECTS

\$72 million in TIF

has leveraged

\$235 million in New Value

AVERAGE PRIVATE INVESTMENT LEVERAGED THROUGH IOWA CITY TIF PROJECTS

\$1 : \$4.55

Public Dollar

Private Dollars



QUESTIONS

