

Tax Increment Financing – Economic Development Tools for Iowa Cities

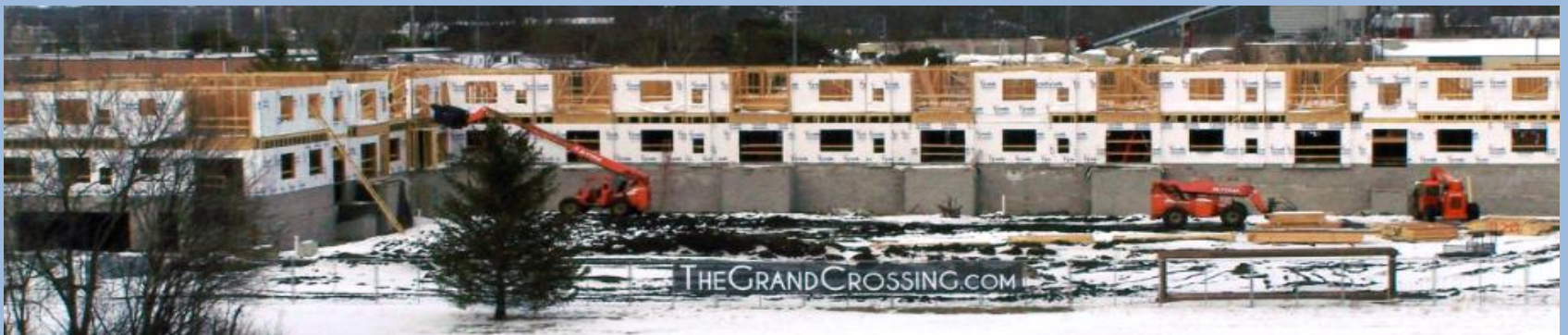
What's in it for me?



Why Use TIF?

◆ **Tax Increment Financing (TIF)**

- ◆ The primary economic development tool available to cities
- ◆ Can provide additional jobs, resulting a positive financial impact
- ◆ Allows all taxing bodies that benefit from new development to participate in funding
- ◆ City tax levies capped by state law
- ◆ 43% of Iowa cities use TIF



How does TIF work?

- ◆ A portion of the additional taxes (called increment) generated by new development in the area are used to pay for infrastructure in the district and incentives so that the business builds in the city
- ◆ The taxes paid on the base value continue to be distributed to all taxing bodies
- ◆ Taxes generated by debt service levies for the city, county and school and the school instructional support levy and physical plant and equipment levy (both on the base and the increment) are distributed to all taxing bodies



How does TIF work?

◆ *Example:*

<i>Base Value – Vacant Land</i>	<i>\$ 50,000</i>
<i>Taxes Distributed</i>	<i>1,000</i>
<i>Incremental Value – New Building</i>	<i>950,000</i>
<i>Taxes Paid to TIF District</i>	<i>29,070</i>
<i>New Taxes Distributed</i>	<i>6,840</i>



How many cities use TIF?

◆ **15 Largest Cities by Population – Percentage of Taxable Property Valuation in TIF Districts**

◆ Ames	0.87%
◆ Iowa City	1.06%
◆ Bettendorf	3.39%
◆ Davenport	3.80%
◆ Cedar Rapids	4.97%
◆ Marion	5.40%
◆ Council Bluffs	5.76%



How many cities use TIF?

◆ **15 Largest Cities by Population – Percentage of Taxable Property Valuation in TIF Districts**

◆ West Des Moines	7.92%
◆ Urbandale	7.95%
◆ Ankeny	8.75%
◆ Waterloo	9.14%
◆ Des Moines	9.58%
◆ Dubuque	13.06%
◆ Sioux City	15.08%
◆ Cedar Falls	15.22%



How many cities use TIF?

- ◆ Waterloo ranks 5th in the percentage of property valuation in Tax Increment Financing Districts, which is the same as its population ranking



How do properties in TIF Districts affect my personal budget?

◆ **Commercial Businesses that generate jobs**

- ◆ Businesses and employees pay Local Option Tax – used for road construction and repairs
- ◆ Businesses and employees pay Road Use Taxes – used for street maintenance, snow removal, traffic signals, street lights and engineering services
- ◆ Businesses and employees pay Sewer and Water User Fees – used to fund sewer and drinking water operations



How do properties in TIF

Districts affect my personal budget?

- ◆ **Commercial Businesses that generate jobs**
 - ◆ Businesses and employees pay Storm Water User Fees – used to fund storm water engineering, storm sewer maintenance and street sweeping
 - ◆ New construction generates permit fees that fund building inspections and planning and zoning
 - ◆ Businesses and employees pay utility franchise fees – used to support general operations, including public safety services



When will property values be removed from TIF?

- ◆ Economic Development TIF Districts are limited to 20 years from the first year taxes are collected:
- ◆ Martin Road – one part will be “released” from TIF for fiscal 2019, \$4.6 million in value, generating approximately \$156,000 in taxes for the city, county and schools
- ◆ San Marnan – one part will be “released” from TIF for fiscal 2022, \$5.4 million in value, generating approximately \$182,000 in taxes for all entities



How would my property taxes be impacted if TIF value is released?

- ◆ Example:
- ◆ To release \$1,000,000 per year for all levies other than debt service would require \$70 million in taxable value to be released per year (1/3 of all taxable value in TIF districts)
- ◆ That would reduce total revenue to the TIF district to promote economic development by \$2,400,000 per year



Can the City afford to Release TIF Value?

- ◆ The City would fall behind other cities in economic development if TIF isn't used
- ◆ New infrastructure would be paid for using the debt service levy, increasing property taxes
- ◆ Funding for services would be severely hampered if economic development expenses were paid by the general \$8.10 levy



What are the property values and debt in Waterloo TIF Districts?

District	Taxable Value	Net Debt 2015
◆ Logan	\$ 8.9 million	\$ 781,790
◆ Rath	9.7 million	2,527,192
◆ Martin Road	16.4 million	2,669,412
◆ San Marnan	35.5 million	3,097,301
◆ Northeast Site	40.1 million	4,380,111
◆ MidPort	48.2 million	3,621,762
◆ Downtown	56.3 million	15,951,562



What benefits have been created in Waterloo TIF Districts?

According to the Greater Cedar Valley Alliance –

- ◆ Since 1995, 2,300 hundred new jobs have been created in Waterloo TIF districts
- ◆ 1,371 of these jobs, or 60%, have resulted in average annual salaries of \$35,402, or hourly wages of \$17.08



City of Waterloo, Iowa

The Mission

Effectively and efficiently utilize the various resources of city government in order to help make Waterloo the best possible place to live, work, do business, play and raise a family for all citizens.

