TIF, Tax Abatement and Financing Tools   
for Cities in Iowa

Iowa Municipal Finance Officers

Fall Conference

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PROGRAM AGENDA:

I. Introductions

II. Urban Renewal and Tax Increment Financing

A) Foundations

1. Law – Iowa’s Urban Renewal Law, Chapter 403, Code of Iowa  
 2. Mechanics – Taxes and Increment and TIF  
 3. Policy - Economic Development or Slum/Blight Alleviation  
 4. Procedure- Setting up an Urban Renewal Area and TIF District

B) Urban Renewal Projects

1. Public infrastructure  
 2. Direct financial assistance to private developers and businesses  
 3. Demolition and site preparation projects  
 4. Main Street, downtown and business revitalization projects  
 5. Housing development

C) Obligations

1. Types of Obligations

* + Loans – General Obligation and Revenue loans
  + Bonds – Pure TIF/Section 403.9
  + Development Agreements
  + Internal Advances

2. Authorizing processes

3. Certification of obligations

D) Limitations

1. Procedural Limitations  
 2. Time constraints on TIF collections  
 3. Business Relocations  
 4. Budget impact  
 5. Constitutional Debt Limit and Annual Appropriation   
 6. Political

III. Other Economic Development and Redevelopment Tools

A) Home Rule and Chapter 15A  
  
 B) Property Tax Abatement

IV. Financing Tools for Cities in Iowa

**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**

**A procedural outline for establishing urban renewal areas and TIF Districts**

1. Identify the foundational need (Slum or Blight Alleviation, Economic Development).
2. Identify 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 obtains 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 the urban renewal area as a tax increment financing district.

TIF Incentives for Private Development

A) Understand the Scope of the Project

* New construction or redevelopment
* Infrastructure construction
* Job creation
* Developer’s costs

B) Determine the Appropriate Incentive

* Require the Developer to request specific incentive(s)
* Cash contributions
* Grant
* Loan
* Forgivable Loan
* TIF rebate payments
* Infrastructure construction
* Real property considerations
* Analyze risk to the municipality
* Evaluate the limitations of the municipality in providing certain incentives
* Time constraints on TIF collections
* Limitations and requirements for housing projects
* Business relocations
* Constitutional debt limit
* Political
* Municipality’s TIF policy

C) Prepare a Development Agreement

* Identify the obligations of the Developer and the Municipality
* Identify risk management tools

D) Determine the Appropriate Procedural Steps

**TIF For Housing Rules to Remember**

1. If your project is in a slum or blight alleviation designated urban renewal area, then the terms of Section 403.22 do not apply.
2. If your project is in an economic development designated urban renewal area the terms of Section 403.22 do apply.
3. Shortened TIF collection availability (11 years, unless 5-year extension approved by County, School District and Area College).
4. LMI set aside required.

* Determine County specific percentage
* Apply that percentage to the amount of TIF being used for urban renewal project cost
* Resulting figure is the aggregate amount of LMI funds to be set aside
* Determine if City will set aside LMI funds year by year or up front
* Determine if application for relief will be made to Iowa Economic Development Authority

1. Uses of LMI Set Aside Funds – Anywhere in City’s Area of Operation

* Down payment assistance
* Rental assistance
* Habitat for Humanity Home construction
* Support of local housing trust or non-profit
* Support of tax credit housing development or any other affordable housing construction
* Limited infrastructure applications
* No time limit
* Other creative ideas that demonstrably assist people of low and moderate income with their housing needs

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Classification/ Source** | **Industrial** | **Commercial** | **Residential (Multifamily)** | **Residential (Single Family)** |
| Chapter 404 Economic Development | 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/Distribution Centers 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%, 30%, 20%, 20%.

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

\*\*\* All commercial tax abatement applications under Chapter 404 must include a “minimum assessment agreement”  
  
\*\*\*\* All school district property tax levies will be imposed and paid despite residential tax abatement under Chapter 404

FINANCING TIPS FOR CITIES

1) Understand your project(s) and the costs – create efficiencies

2) Municipal borrowing is not a “do it yourself at home” project

3) Find your professional friends – bond counsel, underwriters/financial advisors, city attorneys, bankers, consultants, etc.

4) Whenever possible use grant money!

5) Be certain of how you will pay the loan back

6) Understand your loan – structure, repayment, collateral

7) Understand how this loan will relate to existing City debt and budget

8) Keep some debt capacity in reserve, please

9) Follow the procedures to get AUTHORITY

10) Get the lowest possible interest rate

a) Pick your source of credit

b) Issue tax-exempt obligations

11) Attend to disclosure issues if necessary