

Tax Increment Financing (TIF) Policy

Tax Increment Financing (TIF) is a tool to provide financial assistance for projects within a designated urban renewal area and TIF District. Iowa City's use of TIF is intended to remove slum and blight and/or advance economic development by encouraging residential, commercial, or industrial development in line with this policy document.

Alignment with the City's Strategic Plan will provide the first indicator about whether a project may be eligible for TIF. To the extent that a project helps achieve the City's Strategic Plan objectives and is located within an established Urban Renewal Area (Exhibits A, B), it may be eligible to be considered for TIF. The City of Iowa City's current Strategic Plan priorities are attached as Exhibit C. The full plan can be found online at www.icgov.org/strategicplan. TIF support for projects located in the Downtown or Riverfront Crossings must also demonstrate alignment with the [Downtown and Riverfront Crossings Master Plan](#).

Recognizing that some minimal or non-tax-generating activity and/or investment in public infrastructure may influence additional private economic development activity, TIF may be an appropriate tool to further investment in Iowa City's public infrastructure, arts and cultural, recreational, historic, and/or natural assets. The City may utilize TIF to improve or develop new public infrastructure and/or other amenities and uses that further goals and objectives in other adopted planning documents, including but not limited to, the Comprehensive Plan, Urban Renewal Area plans, Climate Action plans, Affordable Housing plans, and public facility and recreation plans. Understanding that TIF is made possible by the increased value in real property, and that many of these economic activity generators are tax exempt, a TIF project that advances these public interests would only be possible by using existing, district-wide increment. Additionally, catalyst projects that encourage additional unsubsidized private development in an Urban Renewal Area, either directly or indirectly, may be given special consideration for TIF incentives.

TIF projects require an investment of considerable time and resources for both the City and applicants seeking TIF assistance. As such, this policy establishes guiding principles and details key public benefit priorities the City will seek to advance through TIF assistance. Each project will be assessed by the totality of public benefit in addition to the financial analysis. Specific requirements or community benefits of any project or program benefitting from TIF support will be individually evaluated and determined and may include a combination of policy priorities outlined in this document and/or other public benefits not identified in this document, but which align with the City's Strategic Plan and other adopted plans. All projects receiving TIF support shall ultimately be subject to approval by City Council.

Climate Action and Resilience

The City of Iowa City has established goals and a [Climate Action Plan](#) to reduce community-wide carbon emissions by 45% from 2010 levels by 2030 and achieve net-zero carbon emissions by 2050.

In order to aid the City in meeting climate action and resilience goals, projects should clearly demonstrate leadership in sustainable development.

Examples of leadership in sustainable development for new construction projects may include:

- Green Building Certification: Achieving LEED Silver or higher certification for new construction or major rehabilitation of commercial, mixed-use, or residential construction.
- Alternative Green Building Certification: Other sustainable building ratings systems or standards that exceed the current energy code by a minimum of 25%.
- Energy Performance: Exceed adopted energy code performance by 25%.
- Electrification: Full building electrification supported by on-site renewable energy sufficient to offset 10% or more of total projected annual energy use.
- Embodied Carbon Reduction: Whole Building Life Cycle Assessment (WBLCA) that produces a 15% reduction in Global Warming Potential (GWP).

TIF may also be used to help finance climate action, resilience, and carbon reduction projects in existing buildings. Such uses shall advance the City's emission-reduction goals and be subject to specific impact and reporting requirements as determined appropriate by the City.

Projects and programs which go above and beyond or stack sustainability benefits are encouraged. Beneficiaries receiving TIF assistance that support climate action and resilience efforts should view the investment as a long-term commitment to sustainability. As such, the City will seek to verify the validity and impact of agreed upon strategies at multiple points over the lifetime of the TIF including, at a minimum, approval of the Development Agreement and the annual certification process. Acceptable methods of verification or reporting shall be subject to City approval, but may include third-party verification through a green building certification program, Energy Service Company (ESCO), or licensed green building professional and/or enrollment in the Energy Star Portfolio Manager in collaboration with the City. The City will work in partnership with the project developer to ensure each project has a tailored strategy that demonstrates leadership in climate action and resilience.

Historic Preservation

TIF-supported projects located in historic districts should increase the diversity and vibrancy of the district, while also preserving and enhancing the historic character. Building design should be contextual to the area and complement the historic character of the district. This may be achieved through design considerations such as size, form, materials, and engaging pedestrian-level streetscape.

Historic preservation projects may be eligible for TIF funding from district-wide increment to incentivize historic renovation projects that may not add enough taxable value to rely solely on the subject property's increment.

Affordable housing

TIF projects in any urban renewal area with a residential component as part of the project must provide a minimum of 15% of the rental units as affordable to tenants at or below 60% AMI (area median income) for a minimum 20-year compliance period, with a strong preference for permanent affordability or longer-term commitments. If those housing units are for sale, 15% of the units must be targeted to households at or below 110% AMI. Current AMI limits are available on the City's

website: <https://www.icgov.org/government/departments-and-divisions/neighborhood-and-development-services/neighborhood-services/community-development/resources-for-organizations-receiving-city-funds>.

Developers may be eligible to negotiate a fee-in-lieu of providing on site affordable housing, or to provide affordable housing elsewhere in the community, subject to the City's sole discretion.

In exchange for the increased density allowed in the Riverfront Crossings (RFC) zone, any project with housing in the district, regardless of whether it is a TIF project, must include 10% affordable housing. TIF policy in the RFC zone is that any financial gap due to affordable housing created by zoning requirements (10%) is the responsibility of the developer and that affordable housing above the required 10% in RFC could be TIF eligible if the financial analysis determines a gap.

Economic Justice

The City will not contract with or provide any economic development incentives to any person or entity who has participated in wage theft by violation of the Iowa Wage Payment Collection law, the Iowa Minimum Wage Act, the Federal Fair Labor Standards Act (FLSA) or any comparable state statute or local ordinance, which governs the payment of wages, workplace safety, child labor, or other labor laws. Misclassification of employees as independent contractors is a violation of the FLSA and is included in the definition of wage theft.

Development Agreements for TIF projects shall include in the contract for the construction of the Minimum Improvements, between the Developer and the General Contractor, written provisions requiring compliance with all state, federal, and local laws and regulations governing wages, child labor, workplace safety, and other labor laws, proof of which must be provided to City prior to the start of construction. Additionally, the General Contractor of a TIF-supported project will be required to provide the Developer and City, no later than the filing of an application for a building permit, a list of the names and addresses of each subcontractor and the dollar value of the work the subcontractor is expected to perform.

Quality Jobs

When a TIF project is based on the creation or retention of jobs, certain wage thresholds must be met to help ensure the City's financial participation only serves to increase the average area wage. This policy does *not* require that every job associated with a TIF project, such as those that might be created by the addition of a new retailer in a building, or the construction jobs required to build a TIF project, meet these standards. Rather, as a policy to incentivize the addition or retention of high paying jobs to the local economy, a *jobs-based* TIF incentive would be structured using the thresholds of the State of Iowa High Quality Jobs Program.

Underwriting and Application

The following criteria are designed to provide a consistent and transparent process for the review and analysis of all applications for TIF assistance.

- a) **Application:** Developer must submit a complete application.
- b) **"But For" Test:** TIF support tied directly to private projects must meet a "but for" standard. That is, each project must sufficiently demonstrate need for the City's financial assistance, such that without it, the project would not occur. TIF assistance in the form of rebates will be used as gap financing as determined through a gap analysis. The City may enlist third party support to review private project financials and evaluate the need for TIF. Use of a third party is not anticipated

when TIF is being utilized to rebate costs of public infrastructure, state and federally-supported affordable housing projects, and projects that support non-property tax generating economic activity.

- c) **Structure of TIF financing:** The City reserves the right to determine the method of TIF financing that is in the best interests of the City. This includes variables such as the percentage of increment utilized, maximum rebate amount, and maximum term.
- d) **Developer equity:** For private development projects, developer equity must be equal to or greater than City funding. TIF assistance shall not exceed the amount of equity provided by the Developer. Equity is defined as cash, unleveraged value in land, or prepaid costs attributable to the project.
- e) **Project based TIF:** TIF for private developments must generate TIF increment sufficient to be self- supporting. Only in exceptional cases will the City consider using district-wide increment.

Exhibit A Urban Renewal Areas Enabling Tax Increment Financing

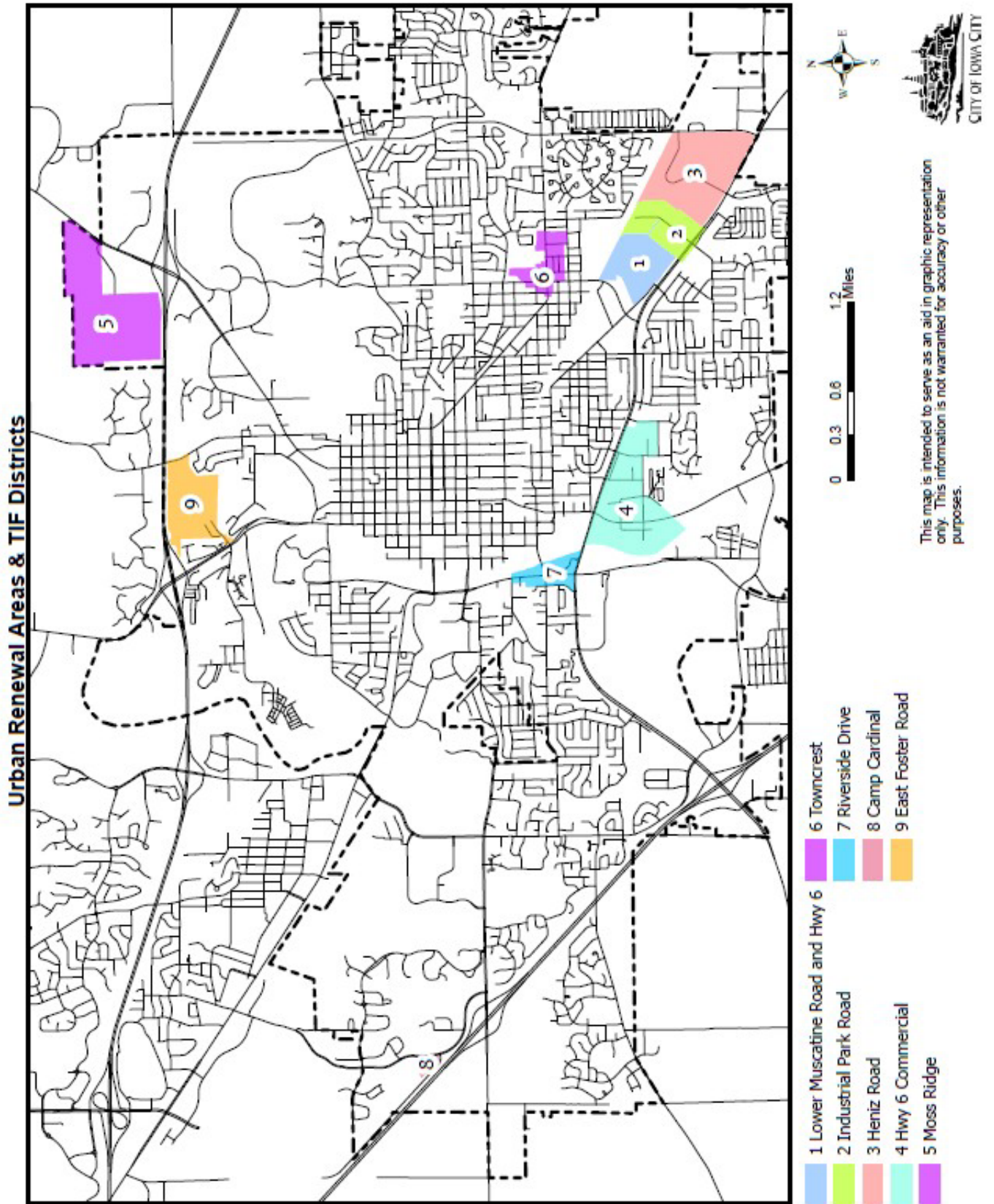


Exhibit B City-University Project 1 Urban Renewal Area

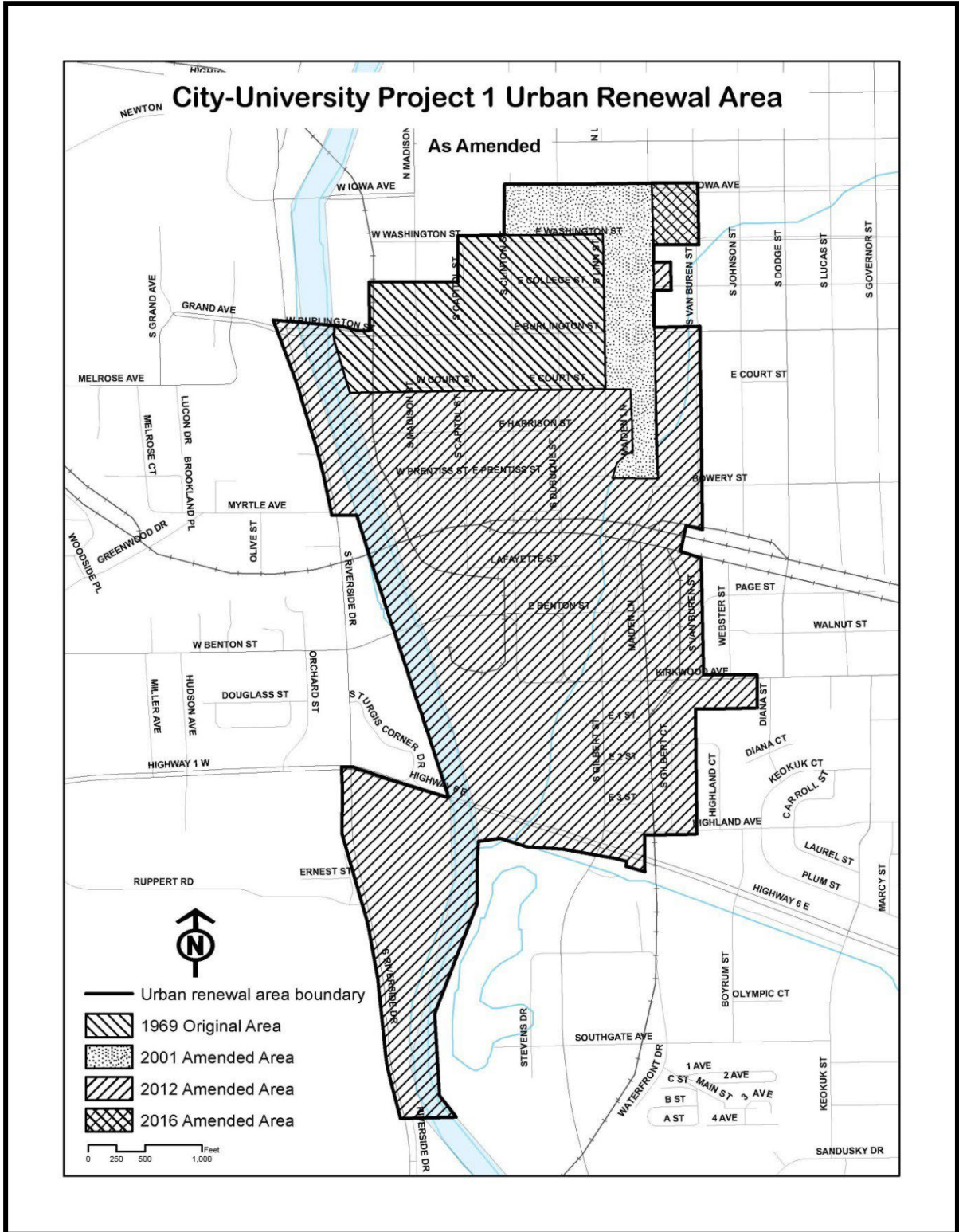


Exhibit C

City of Iowa City FY2023-2028 Strategic Plan

The full Strategic Plan document is available online at www.icgov.org/StrategicPlan.

VALUES

- **Racial Equity, Social Justice & Human Rights:** We prioritize diversity, equity, and inclusion, elimination of systemic barriers, and facilitating equal access for all.
- **Climate Action:** We are leaders in reducing greenhouse gas emissions and adopt sustainable energy, transportation, land, and water practices.
- **Partnerships & Engagement:** We are transparent and foster trust, involve the public in decision-making, and offer facilities and services that foster community connection.

IMPACT AREAS & STRATEGIES

Neighborhoods & Housing

- Update City Comprehensive Plan and Zoning Code to encourage compact neighborhoods with diverse housing types and land uses.
- Partner in projects that serve as models for desired future development.
- Create inviting and active outdoor spaces with unique and engaging recreation offerings.
- Address the unique needs of vulnerable populations and low to moderate-income neighborhoods.

Mobility

- Expand the access and convenience of environmentally friendly and regionally connected public transit.
- Design and maintain complete streets that are comfortable and safe for all users.
- Grow and prioritize bike and pedestrian accommodations.

Economy

- Reinforce Iowa City as a premier community to locate and grow a business.
- Ensure appropriate infrastructure is in place for future business growth and development.
- Cultivate a strong entrepreneurial and small businesses ecosystem with a focus on creating new pathways to success for marginalized populations.
- Build Iowa City's image as the Greatest Small City for the Arts.
- Strengthen the Iowa River's role as a signature community amenity and tourism generator.

Safety & Well-Being

- Implement and expand innovative public safety models and facilities to improve outcomes and relationships within the community.
- Partner with non-profits to address the most emergent and foundational community safety and well-being needs.
- Build community by fostering social connections and developing safe, accessible public spaces for gathering.