

Guidelines for the Use of Tax Increment Finance in Economic and Community Development Projects

City Council of the City of Mason City

January, 2003

Creation of Urban Renewal Districts

The Iowa Legislature enacted legislation that promotes economic development in cities through the use of Urban Renewal Districts. The legislation in Chapter 15A of the State Code of Iowa states that economic development is a public purpose for which the state, a city, or a county may provide grants, loans, guarantees, tax incentives, and other financial assistance for the benefit of private persons. The Iowa Code defines "Economic development" as "private or joint public and private investment involving the creation of new jobs and income or the retention of existing jobs and income that would otherwise be lost".

Goals of Urban Renewal Plans

The City of Mason City has established Urban Renewal Districts for the purpose of promoting and encouraging economic and community development. The intent of the Urban Renewal Plan is to:

- foster economic development through public improvements
- encourage expansion of existing business and industry
- make land sales more competitive and marketable in the area of the urban renewal plan

The Urban Renewal districts include the Community Growth Urban Renewal Area, the South Federal/Gateway Urban Renewal Area, the South Eisenhower Avenue Urban Renewal Area, the Westside Urban Renewal Area, and the Forest Park Urban Renewal Area.

Objectives of Urban Renewal Plans

The objectives for the development within the urban renewal areas are to:

- stimulate through public action and commitment, private investment in new industrial and commercial development and redevelopment
- plan for and provide sufficient land for new development in a manner that is efficient from the standpoint of providing municipal services
- help finance the cost of constructing street, water, storm sewer and sanitary sewer improvements in support of new development
- provide a marketable and attractive investment climate

Guidelines for Using Tax Increment Financing

The use of tax increment finance funds for the expansion of private business requires thoughtful consideration by the City Council. It is the obligation of the City Council to determine if (1) the amount of funds provided for private businesses or (2) the investment on the preparation of property for future development will generate a greater amount of gains and benefits for the public.

The determination of whether the amount of public gain is greater than the cost to the public will vary for each development proposal. There will be projects that have a high capital investment that do not have a large number of jobs. A project may add diversity to the job mix in the community, but may not have high wages. Another project may not have identified job creation, but may prepare the community for future economic development opportunities. The City Council must consider if the amount of benefit to the community will be greater than the amount of the financial incentive package or the amount of investment in new infrastructure.

The City Council has determined that there are several factors that are important in creating economic growth in the community. They are the foundation for City Council deliberation on whether an economic development incentive package is good for the citizens of Mason City. The City *Tax Increment Finance* that it values proposals for the use of tax increment Council has determined in developing the "*Guidelines for the Use of finance* in projects that produce some or all of the following benefits for the community through a (an):

- Higher number of *jobs*
- Higher level of *wages* *
- Increase in the number of *industrial jobs*
- Increase in the number of *office jobs*
- Increase in the number of *technology related jobs*
- Increase in the *diversity of jobs* to the community
- Increase in the amount of *new payroll dollars* that come from outside of the community
- Larger amount of *capital investment*
- Larger amount of *taxable valuation*
- *Lower usage of City services*
- Higher *reuse of land* near the core of the community
- More *competitive development cost* on land near the core of the community
- Number of infrastructure improvements that *prepare strategic areas* for future development

* The guidelines will use the State of Iowa's concept for awarding financial incentives for business development. The guidelines include a provision that the average wage or compensation must be equal to or greater than 90% of the average income of Cerro Gordo County in order for a business to qualify for a City economic development incentive package. The State of Iowa's CEBA program has a wage requirement of 90% of the average income of the County. For 2003, the wage would be \$10.13 per hour. Like the State of Iowa, the business must also offer a comprehensive benefits package to employees. The level of the incentive package would potentially increase with higher levels of wages.

Application of the Guidelines

The City Council must consider how each economic development incentive proposal benefits the community. The City Council must determine how each proposal adopts the City Council's values as described above. The City Council should ask the question, "Does this economic development incentive package produce a: higher number of *jobs*, higher level of *wages*, increase in the number of *industrial jobs*, increase in the number of *office jobs*, increase in the number of *technology related jobs*, etc.

The answers to the questions will provide the City Council guidance in weighing the benefits that are proposed in an economic development incentive package against the benefits to the community of the economic development project.

Analysis of Financial Condition

The City should have a reasonable assurance when it provides an economic development incentive package to a company that the company has the financial capacity to provide the new jobs to the community for the foreseeable future. This reasonable assurance can be determined through one or more of the following actions:

- Dunn and Bradstreet credit analysis of the company
- Review of the business plan of the company
- Overview of activities of companies under the same corporation
- References/testimonials from customers of the company

The review would be provided in confidence to members of the City Council.

RESOLUTION NO. 02 - 12

A RESOLUTION APPROVING GUIDELINES
FOR THE USE OF TAX INCREMENT
FINANCE IN ECONOMIC AND COMMUNITY
DEVELOPMENT PROJECTS FOR THE CITY
OF MASON CITY, IOWA

WHEREAS, the City Council of the City of Mason City, Iowa, has expressed a desire to implement guidelines for the use of Tax Increment Finance in economic and community development projects for the City of Mason City;

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Mason City, Iowa;

Section 1: That the guidelines for the use of Tax Increment Finance in Economic and Community Development Projects become effective upon adoption of this Resolution.

PASSED AND APPROVED this 7th day of January, 2003.

/s/Lori L. Henry

Lori L. Henry, Mayor pro tem

ATTEST:

/s/Tim Moerman

Tim Moerman, City Clerk