

# CITY OF JOHNSTON

## TAX INCREMENT FINANCE PROGRAM (TIF)

Approved by the Johnston City Council on August 21, 2000

Revision adopted by the City Council October 15, 2007

Revision adopted by the City Council April 6, 2009

Revision adopted by the City Council December 20, 2010



# City of Johnston Tax Increment Finance (TIF) Program

## **GOALS:**

*The goals of Johnston's Tax Increment Finance (TIF) program include the following:*

1. To enhance areas in the city for the purpose of stimulating private investment in commercial, industrial, residential development/redevelopment and investment in public facilities through public action and commitments.
2. To increase commercial, industrial development, residential redevelopment and investment in public facilities in Johnston which will improve the economic and social environment of the community and sustain a desired balance between the non-residential and residential tax burden.
3. To provide adequate public infrastructure of sanitary sewer, storm water management, potable water, streets, and pedestrian walkways to ensure the public health, safety, and welfare.
4. To provide assistance and economic incentives for commercial, industrial development and residential redevelopment which may not otherwise occur without such assistance and incentives.
5. Other goals as stated in the city's urban renewal plans.

**POLICIES:** The following are the policies for the TIF program:

- This policy shall not be construed as obligating the City to use TIF for any or all projects that satisfy the criteria set forth in this policy. The decision to provide Tax Increment Financing incentives shall be at the sole discretion and approval of the Johnston City Council and shall be determined on a case by case basis. Tax Increment Financing is also subject to required legislative process (notice and public hearing).
- The City may provide TIF funds for the purpose of improving City infrastructure and structures as well as for structural and infrastructure improvements to privately owned commercial and industrial properties.
- The City shall give highest priority to the use of TIF funds for public infrastructure improvements.
- The City may consider the use of TIF to provide funds to a developer to assist in preparing a property for redevelopment (i.e. removal of existing structures, filling and grading).
- The City may consider the use of TIF funds for a project to assure Johnston is not at a competitive disadvantage when competing for projects with other communities.
- The city may consider action to encourage investment in areas that have fallen into a state of blight as defined in the Iowa code Chapter 403.17(5).
- The city may use TIF to invest in public facilities designed to improve the overall economic environment of the community and to provide quality services to its citizens.
- Any project making an application for TIF funds must be located in a designated Urban Renewal District.
- The public assistance granted to a business shall not result in a benefit exceeding market conditions and normal business expectations for finance terms or rate of return on investment. Applicants must be prepared to provide proof of their ability to finance the project contemplated in their TIF application.
- The City shall not provide TIF funds for residential developments or residential structures.
- "Chain" type stores, retail stores, service stations, or restaurants shall not be eligible for TIF funds.
- Speculative projects (with no guarantee of type of businesses to locate in the project or type and quality of jobs) shall not be considered for funding in excess of the amount provided for under the base TIF program.

- If the City has already extended TIF funds to improve a property (infrastructure or buildings), the City may reduce the amount of TIF assistance for subsequent improvements to the property or decline to provide any TIF assistance.

#### TIF FUNDING ALTERNATIVES:

Following are types of funding alternatives the city may consider.

- **Rebate** – Under the rebate program the developer/business constructs the improvements to the property and makes their annual property tax payments when they are due. The City receives the property tax payment and rebates a portion of the property taxes back to the developer/business. The amount and number of years for the rebate shall be established in a Development Agreement approved by the developer/business and the City Council.
- **Forgivable loan** – Under the forgivable loan program the developer/business constructs the improvements and the City provides the TIF funds in one payment once the developer/business receives a certificate of occupancy. The City forgives 20% of the loan over a five (5) year period. If the business ceases to exist before the entire amount of the loan is forgiven, they are responsible for refunding to the City any portion of the loan that has not been forgiven. The amount of the loan and schedule for forgiving the loan shall be established in a Development Agreement approved by the developer/business and the City Council. Providing a forgivable loan is subject to the City having the resources available to make the lump sum payment.
- The City may consider other funding alternatives, as approved by the City Council.

#### BASE TIF PROGRAM

The Base TIF program contemplates funding up to the equivalent of 50% of the incremental property taxes for up to five (5) years. Incremental property taxes are the new property taxes generated by improvements to the property. They are calculated by taking the taxable value of the property prior to improvements being made and subtracting it from the taxable value of the property after the improvements and multiplying the difference by the property tax rate.

The following factors will be considered in determining whether a project is eligible for Base TIF funding:

- The project is a new or existing business that is improving property with expanded infrastructure or building expansion.
- The project creates additional tax base for the community.
- The project creates or maintains quality employment in the community.
- The project is a new or existing business that is compatible with the community environment and maintains and promotes a strong sense of community.
- The project meets or exceeds the architectural standards established by the City and is compatible with the surrounding development.
- The project does not cause undue stress on city services or infrastructure and is sensitive to the environment.
- The project does not create an unfair advantage for the applicant over existing businesses in the community.
- The project will not occur in Johnston or the scope of the project will be reduced if TIF funds are not available.
- Any other considerations determined by the City Council to be relevant.

#### EXPANDED TIF PROGRAM

The Expanded TIF program contemplates funding up to the equivalent of 80% of the incremental property taxes for up to five (5) years. The following factors will be considered in determining whether a project is eligible for Expanded TIF funding:

- The amount of tax base created - Does the project provide for a significant expansion of the property tax base (greater than \$2,000,000)?
- Number of new jobs - Does the project create a significant number of new jobs? If so, how many?
- Quality of jobs - Does the project create new jobs that pay at least 125% of the median income for Polk County and provide insurance benefits? If so, how many?
- Preferred areas - Is the project located in West Park, Johnston Commons or is it infill development along Merle Hay Road or NW Beaver Drive?
- Existing business - Is the project an existing business in Johnston that is seeking to expand?
- Architecture - Does the project involve significant investment in architectural design that is above and beyond the architectural requirements of the City?

- Redevelopment - Does the project involve investment in the redevelopment of an existing structure or property?
- Leadership in Energy and Environmental Design (LEED) Certification – Will the building(s) be constructed to meet LEED Certification?
- Public Art – Does the project involve the creation and construction of public art or an amenity that would be unique to the project and of interest to the public?
- Other – Any other considerations determined by the City Council to be relevant.

### **TIF PROGRAM FOR RESIDENTIAL REDEVELOPMENT**

The TIF program for residential redevelopment focuses on properties within the Merle Hay Road Redevelopment Study area. The general area defined in the study is bordered by NW 59<sup>th</sup> Court on the west; NW 66<sup>th</sup> Avenue on the north; ½ block east of Merle Hay Road on the east; and NW 62<sup>nd</sup> Avenue on the south.

Some properties located in the Merle Hay Road Redevelopment area are in a state of blight. Many of the properties are platted into smaller parcels that diminished their value regarding redevelopment. The blighted properties and small lots impair the sound growth of the community and limit their usefulness and opportunities for commercial and residential growth. The layout of the lots restricts traffic circulation and the ability for the city to provide adequate water, sanitary sewer and storm sewer facilities. Due to their condition, property values and tax base has declined.

The TIF program for residential redevelopment is intended to stimulate investment in high-density residential projects (high density is defined in the 1998 Comprehensive Plan as ‘multi-family housing at densities exceeding 6 units per acre’) located within the Merle Hay Road redevelopment area. The program addresses areas that have fallen into a state of blight or are not of adequate size for redevelopment. This investment will increase property values and stimulate population growth that will encourage investment in commercial development/redevelopment. TIF funds may be used to improve/expand public infrastructure and/or to purchase/prepare properties for redevelopment.

The following factors will be considered in determining whether a project is eligible for Residential TIF funding:

- The project must be located in the Merle Hay Road Redevelopment area, primarily north of NW 62<sup>nd</sup> Avenue.
- The property on which the project is located must have fallen into a state of blight (as defined by the Iowa Code Chapter 403).
- The project must meet a recognized need for additional housing.
- The project is compatible to the community environment and maintains and promotes a strong sense of community
- The project must provide residential housing and an increase in population that will encourage additional investment in commercial development/redevelopment within the Merle Hay Road redevelopment area.
- The design of the project meets or exceeds the architectural standards established by the city and is compatible with the surrounding community.
- The project does not cause undue stress on city services or infrastructure and is sensitive to the environment.
- The project is designed to encourage energy efficiency, walkability and access to public and private facilities.
- The project generates incremental property taxes that can be used to invest in public infrastructure or costs to prepare the property for development or redevelopment.

### **APPLICATION PROCEDURE:**

- Any developer/business interested in applying for TIF funds shall submit an application as early as possible in the planning process. At a minimum, the application must be submitted prior to submittal of a site plan or plat, as applicable.
- Once an application is submitted, the City Council will conduct a work session to review the project. If the Council determines the application is acceptable for funding, staff will be directed to prepare an appropriate Development Agreement.
- Once the Development Agreement has been reviewed and accepted by the applicant and city staff, the City Council will conduct a public hearing after due notice and consider public input before taking action on the agreement.
- The city may utilize a private financial consulting firm to help review an applicant’s submittal for TIF funding if the city feels that the complexity of an application requires such a review. If the city finds it is necessary to utilize a private consultant, the cost of the consultant will be accounted for in the TIF funding provided. Before the city utilizes a consultant, it shall notify the applicant

with an estimate of cost.

# CITY OF JOHNSTON TIF APPLICATION

This application must be completed by a developer/business who intends to apply for Tax Increment Finance (TIF) assistance from the city of Johnston. Feel free to attach additional information to expound on any information requested in the application.

**Note: The decision to provide Tax Increment Financing incentives shall be at the sole discretion and approval of the City Council and shall be determined on a case by case basis. The approval process is subject to required legislative policies (published notice and public hearing)**

1. Legal Name of Applicant: \_\_\_\_\_  
Contact Person: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_  
\_\_\_\_\_  
State of Incorporation: \_\_\_\_\_  
Telephone #: \_\_\_\_\_  
Fax #: \_\_\_\_\_  
E-mail address: \_\_\_\_\_
2. Type of business for which TIF funds are requested: \_\_\_\_\_
3. Physical location (address/description) of project: \_\_\_\_\_
4. Zoning classification of the subject property: \_\_\_\_\_
5. TIF District in which the project will occur: \_\_\_\_\_
6. The request is for ( ) expansion of an existing business, ( ) a new business ( ) residential redevelopment
7. For what purpose(s) are TIF funds being requested? ( ) infrastructure or ( ) building ( ) property redevelopment
8. Amount of TIF funds requested: Building \_\_\_\_\_ Infrastructure \_\_\_\_\_ Property  
redevelopment \_\_\_\_\_ Total \_\_\_\_\_
9. Current taxable value (including structures) of the property for which TIF funding is requested: \_\_\_\_\_
10. Describe minimum improvements (building(s) or infrastructure) for which TIF assistance is being  
requested: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
11. Total investment for the construction of minimum improvements: \_\_\_\_\_
12. Square feet of building(s) to be constructed: \_\_\_\_\_
13. Estimated taxable value of the property once the improvements are made: \_\_\_\_\_
14. Estimated start date for construction: \_\_\_\_\_
15. Estimated completion date for construction: \_\_\_\_\_
16. Estimated substantial completion date (if different from above): \_\_\_\_\_
17. Number of jobs generated by the project: \_\_\_\_\_ existing jobs, \_\_\_\_\_ new jobs

18. Describe the types of jobs maintained or created by the project (including wage ranges and benefits): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

19. When will new jobs be added? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

20. Are you applying for funding from state economic development programs? \_\_\_\_yes, \_\_\_\_no, if yes, attach a copy of your application.

21. Describe specific utility/infrastructure needs of the project: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

22. Describe any unique architectural aspects of the project: \_\_\_\_\_  
\_\_\_\_\_

23. Will the project be LEED Certified? \_\_\_\_\_

24. Will the project involve public art or an amenity that would be of interest to the public? \_\_\_\_\_

25. How will the City benefit from the project? \_\_\_\_\_  
\_\_\_\_\_

26. How does the project accomplish the goals of the TIF program to encourage quality economic development, enhance the industrial, commercial and residential property tax base, create quality employment and attract businesses that contribute to the general well-being and quality of life of Johnston's residents and business community?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

27. Describe why the TIF funding is necessary for the project to be constructed in Johnston or how the scope of the project may be affected if TIF funds were not available. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

28. If you would like to be considered for expanded funding as described in the TIF criteria, on a separate sheet of paper provide justification for the expanded funding. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Signature of Applicant

Title of Applicant

Date