

## **SPECIAL REVENUE FUNDS**

### **TAX INCREMENT FINANCING (TIF) FUND - DOWNTOWN**

#### **GENERAL INFORMATION:**

This fund was first established in order to separately account for the incremental taxes collected and debt service payments on an April 1980 bond issue for \$780,000. This issue represented the permanent financing of a downtown project known as Urban Renewal Project No. 2, which incorporated one-half of a City block. Debt service requirements on the Tax Increment Revenue Bonds were funded from incremental taxes received from the property benefited from the project. The incremental tax levy is the total current levy of the City, County, and School less the total debt service levy for those governmental units. The tax levy is applied to the additional value of the property above the initial frozen value as determined at the beginning of the project. In November of 1995 the balance in the Downtown Tax Increment Fund was sufficient to call all outstanding bonds relating to the 1980 tax increment bond issue.

In August of 1994 the City expanded the Downtown Urban Renewal Area originally created for Project No. 2, to incorporate a much larger area including most of the downtown and the riverfront. As a result of state mandated reductions in commercial property values, the Downtown TIF was restructured in 1996. The current Downtown TIF includes most city owned properties in the immediate downtown area and only those private properties that produce a significant increment.

Improvement costs were incurred by the City beginning in 1995 for the acquisition of property, demolition costs, and the development of a public parking lot across from City Hall. The new parking lot opened in 1996. Interim financing notes were used to finance the improvement costs until the long term bonds were issued June 26, 1997 in the amount of \$1,795,000. This issue funded the Downtown Parking Lot Project previously mentioned as well as the Downtown Streetscaping Project, City Hall building improvements, and improvements to the heating, ventilation and air conditioning (HVAC) system at the City's Public Safety Building. The final payment on this issue was made in 2010/2011.

In 1995 the City entered into a Development Agreement with HON Industries which provided for a rebate of 2/3 of the incremental taxes from their construction of a new warehouse and manufacturing facility on Orange Street. The final payment on this rebate agreement was made in 2011/2012.

In September of 1998 the Council amended the Downtown TIF to include new increment-producing properties. This action was consistent with the direction and intent that the City Council established in August of 1994 when they first amended the Downtown TIF area.

In 2003/2004 the City acquired the Hawkeye Lumber property located in the riverfront area. Downtown tax increment funds were used to finance the purchase with \$10,878 of project costs funded from the available balance in this fund and \$420,000 funded from Tax Increment revenue bonds sold in April of 2004. The final payment on this issue was made in 2011/2012.

#### **CURRENT TRENDS AND ISSUES:**

Since 2008/2009 the City has not claimed the full amount of incremental taxes due to the balance which had accumulated in the Downtown Tax Increment Fund. The amount claimed for the 2008/2009 year was approximately \$100,000 less than the total that would have been available. This allowed a portion of the incremental values to go back to regular taxable valuations for all the local taxing entities. In 2009/2010

the City claimed approximately \$172,600 less than the amount that would have been available. In 2010/2011 a property tax appeal reduced the increment available from this area and the increment claimed was approximately \$140,000 less than the amount available. For 2011/2012 the amount claimed was \$125,000 less and for 2012/2013 \$126,000 less than the amounts that were available. For 2013/2014 the amount claimed is \$210,000 which is approximately \$126,000 less than the amount available.

In 2009/2010 the City completed a number of capital projects in the Downtown Tax Increment area which were funded from the TIF portion of the June 2010 general obligation bond issue. The TIF portion of the bond issue totaled \$1,535,000. These bonds will be repaid with future incremental taxes from the downtown area. Improvements funded from this issue included improvements to the 3<sup>rd</sup> and Chestnut parking lot, resurfacing of other downtown parking lots, downtown handicapped ramps, Cedar Street resurfacing, improvements on the Riverfront related to the 2008 flood, and funds to replace the boiler at City Hall. The debt service payments on this issue are \$209,625 in 2012/2013 and \$206,225 in 2013/2014. In 2013/2014 Downtown TIF funds will also be used to repay an internal advance of \$43,100 which completed the financing for the City Hall Boiler Replacement project.

The balance in the Downtown TIF fund is estimated at \$36,889 at the end of the 2013/2014 fiscal year.

## Tax Increment Fund - Downtown

### Fund Statement

	<u>Actual 2010/2011</u>	<u>Actual 2011/2012</u>	<u>Budget 2012/2013</u>	<u>Revised Estimate 2012/2013</u>	<u>Budget 2013/2014</u>
Beginning Balance, July 1	\$ 426,769	\$ 81,062	\$ 77,108	\$ 77,139	\$ 76,014
Revenues					
Incremental Taxes	\$ 201,988	(1) \$ 212,394	(2) \$ 210,000	(3) \$ 208,300	\$ 210,000
Interest	<u>944</u>	<u>237</u>	<u>200</u>	<u>200</u>	<u>200</u>
Total Revenues	<u>\$ 202,932</u>	<u>\$ 212,631</u>	<u>\$ 210,200</u>	<u>\$ 208,500</u>	<u>\$ 210,200</u>
Funds Available	<u>\$ 629,701</u>	<u>\$ 293,693</u>	<u>\$ 287,308</u>	<u>\$ 285,639</u>	<u>\$ 286,214</u>
Expenditures:					
Bonds	\$ 375,000	(5) \$ 85,000	\$ 0	\$ 0	\$ 0
Interest	23,787	3,613	0	0	0
Tax Rebate - HNI	57,127	57,716	(6) 0	0	0
TIF Administrative Fee	1,500	0	0	0	0
Transfers:					
Bonds	50,000	30,000	170,000	170,000	170,000
Interest	41,225	40,225	39,625	39,625	36,225
City Hall Boiler Project	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,100</u>
Total Expenditures	<u>\$ 548,639</u>	<u>\$ 216,554</u>	<u>\$ 209,625</u>	<u>\$ 209,625</u>	<u>\$ 249,325</u>
Ending Balance, June 30	<u><b>\$ 81,062</b></u>	<u><b>\$ 77,139</b></u>	<u><b>\$ 77,683</b></u>	<u><b>\$ 76,014</b></u>	<u><b>\$ 36,889</b></u>
<b>Increase (Decrease) in Fund Balance</b>	<b>\$ (345,707)</b>	<b>\$ (3,923)</b>	<b>\$ 575</b>	<b>\$ (1,125)</b>	<b>\$ (39,125)</b>

1. For the 2010/2011 year, the City certified approximately \$140,000 less than the total available increment. A property tax appeal reduced the increment in total by \$804,060.
2. For the 2011/2012 year, the City certified approximately \$125,000 less than the total available increment.
3. For the 2012/2013 year, the City certified approximately \$126,000 less than the total available increment.
4. For the 2013/2014 year, the City certified approximately \$126,000 less than the total available increment.
5. The 2010/2011 bond payments included \$150,000 to call the bonds from the June 26, 1997 issue originally scheduled for maturity on June 1, 2012 on June 1, 2011. This resulted in an interest savings of \$8,625.
6. FY 2011/2012 was the final year of the 15 year TIF rebate agreement with HNI and the final payment on the April 23, 2004 bond issue.

## **TAX INCREMENT FUND - DOWNTOWN**

### **STATEMENT OF BOND AND INTEREST REQUIREMENTS**

**General Obligation Bonds Funded from  
Downtown Urban Renewal Tax Increment Revenues  
3rd and Chestnut Parking Lot Reconstruction,  
Downtown Parking Lots, Street and Alley Resurfacing,  
Riverfront Flood Repairs, and City Hall Boiler Replacement  
\$1,535,000 of \$7,425,000 Issue Dated June 1, 2010**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2012/13	\$ 170,000	\$ 39,625	\$ 209,625
2013/14	170,000	36,225	206,225
2014/15	175,000	32,825	207,825
2015/16	180,000	28,450	208,450
2016/17	180,000	23,050	203,050
2017/18	185,000	17,650	202,650
2018/19	195,000	12,100	207,100
2019/20	<u>200,000</u>	<u>6,250</u>	<u>206,250</u>
Total	<u><u>\$ 1,455,000</u></u>	<u><u>\$ 196,175</u></u>	<u><u>\$ 1,651,175</u></u>