



City of Muscatine Tax Increment Financing (TIF) Policy

The City of Muscatine is committed to creating a positive environment for economic development in the Muscatine community. The City offers economic development programs that promote a broad mix of housing and business programs to ensure a vibrant community where residents and businesses thrive. The City utilizes Tax Increment Financing to support residential, commercial, and industrial growth within the Muscatine Community.

The goals of Muscatine's TIF program include:

- Ensure that the City provides economic support to strategic projects that accomplish a public purpose.
- Support City goals as outlined in the City's Strategic Plan through new construction and rehabilitation of existing properties in strategic locations throughout the community.
- Promote quality development of residential, commercial, and industrial properties and add or retain high quality jobs.
- Improve overall economic conditions and meet community housing needs.
- Continue to increase the taxable valuation of properties in the City of Muscatine.
- Drive future development through strategic public infrastructure projects in lieu of increasing general obligation debt.
- Provide a guide to developers seeking economic incentives from the City.
- Where applicable, alleviating conditions of blight and deterioration in the City and/or preventing the spread of such conditions.

The City of Muscatine developed this policy to document the goals of the TIF program and to establish structure and objectivity for evaluating economic development projects. Establishing a policy framework for TIF incentives ensures that the City's financial resources are used as efficiently and effectively as possible while accomplishing key City goals.

TIF Program Policies

The following are the policies for Muscatine's TIF program:

1. The City may provide TIF funds for projects that meet City goals, align with the City's comprehensive plan, and comply with the City's development standards and zoning ordinances.
2. The City may provide TIF funds for projects that are in the best interests of the overall community and do not deter from quality of life or environment.
3. The City may provide TIF funds for projects that improve property designated as "blighted" in the City's Urban Renewal Plan.



4. Any applicant seeking TIF funds must demonstrate the extent and importance of requested TIF funding relative to the timing, scope and feasibility of the proposed project. The greater the demonstrated importance of TIF funding, the greater the likelihood of approval.
5. The City may provide TIF funding to residential, commercial and/or industrial projects.
6. The amount and structure of TIF funding is dependent on whether the project meets certain goals such as meeting affordable housing needs, whether there is a need for public infrastructure to serve the project, or if the project is located within strategic areas of the City.
7. Meeting policy guidelines or other criteria does not guarantee the award of financial assistance. City Council may also consider other factors not listed in this policy when determining if a project will receive TIF funding.
8. Situationally, the City may request all manner of private participation from the applicant as a condition to any award of TIF funding, including, but not limited to, sharing in initiation and set up fees, minimum assessment agreements, guarantees or other sureties, claw-back rights, mortgages and other securities.

TIF Funding Calculations and Definitions

TIF funding is exclusively sourced from incremental property tax revenues to be received by the City. Incremental property tax revenues are derived from new property taxes generated from valuation increases on real estate resulting from constructed improvements to the private property. The increased property valuations are multiplied by each year's TIF tax rate which is determined by subtracting any protected levies (e.g. the debt service levies) from the consolidated tax rate of the property. This calculation determines the amount of TIF funding available to a project.

Property valuations are independently determined by the Muscatine County Assessor unless otherwise fixed by a minimum assessment agreement.

Funding Mechanism

TIF rebates are the City's standard mechanism for providing TIF funding support. These rebates are provided under a contract between the City and the business/developer, called a Development Agreement. The Development Agreement will set forth the situationally required (subject to negotiation) performance measures of both the business/developer and the City. TIF rebate payments are routinely made subject to business/developer compliance with the terms of the Development Agreement and to annual appropriation determinations by the City Council under these development agreements, and will not be guaranteed. In a typical scenario, the developer/business constructs the improvements to the property and makes their annual property tax payments when they are due. The City receives much of the property tax payment as TIF revenues and then (subject to annual appropriation) rebates a portion of the TIF revenues back to the developer/business. The amount of rebate and the number of years for the rebate is established in a Development Agreement approved by the City Council and the developer/business prior to the start of construction.

The City may situationally consider other TIF funding mechanisms, such as direct provision of infrastructure improvements to support projects, if warranted under the facts and circumstances.



Standard TIF Program

In order to maintain appropriate and consistent tax revenues for all taxing entities, TIF rebates will generally not exceed 50% of the available TIF increment created by the TIF property for a maximum of 10 years. This limitation is set to realize the needs and obligations of the general fund, the County and school districts and to ensure that the utilization of TIF will have minimal impact to their ongoing operations.

A project may be eligible for standard TIF funding if it can be demonstrated to align with the TIF program goals and policies outlined above.

Expanded TIF Program

The City may consider TIF rebates larger than 50% and up to a maximum of 20 years if the project provides significant urban renewal benefits as determined by the City. Criteria the City may consider for expanded TIF assistance include:

1. The degree to which a project alleviates blight by rehabilitating existing properties and/or buildings or adapting current buildings for a new use.
2. Projects that fill a critical unmet need in the community (e.g. housing, retail, etc.).
3. Projects that provide for a significant expansion of the City's property tax base.
4. Projects that create a significant number of new, quality jobs.
5. Any other considerations as determined by City Council.

TIF Application Process

The following is the general process for projects requesting TIF Assistance:

1. Consultation Meeting

The City Administrator and Finance Director will schedule a consultation meeting to discuss the potential project upon request of the applicant and to determine if the project may be eligible for TIF. The applicant must submit a written request for TIF funding assistance demonstrating the amount of assistance being asked for and the reason why such assistance is needed under the circumstances.

2. Information Gathering

If the project is determined to be eligible, City staff will gather information from the applicant regarding the project and discuss key development agreement terms to be brought before City Council for an endorsement of the project concept.

3. City Council Concept Endorsement

City Council may/may not endorse a project concept based on the recommended development agreement terms. If Council supports the project, it may proceed to the next step.



4. Amendments to the Urban Renewal Area, the Urban Renewal Plan, and/or creation of a Tax Increment District (if needed)

Any TIF project must be located within the City's Urban Renewal Area (the City limits), be included in the City's Urban Renewal Plan and be in a new or existing Tax Increment District. Staff will assist you in ensuring these criteria are met. The process to meet these criteria includes public notices, public hearings, and consideration by City Council at several meetings and can take several months depending on the steps required.

5. Development Agreement – the Development Agreement is the formal document outlining the TIF funding mechanism and timeline as well as any other key terms associated with the development. A public hearing is required prior to approval by the City Council and must also be signed by the applicant. The Development agreement is prepared by the City's bond counsel based on information provided by City staff and the developer.

6. Development Review Process

Once a development agreement has been approved, the project may proceed through the City's standard development review process.

Other Economic Development Programs

Other funding alternatives may be available through the City, including tax abatement and Small Business Forgivable Loans. The City provides general information about these programs on the City's website.