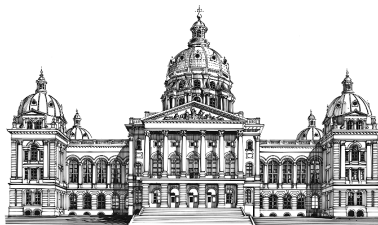


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County Tax Increment Financing

ISSUE

Senate File 424 (Tax Increment Financing Debt Reporting Act) as passed by the 2003 General Assembly required each city or county government with an active Tax Increment Financing (TIF) area to report TIF debt to the Department of Management by April 1, 2003. Cities reported \$1.613 billion and counties reported \$128.7 million in outstanding TIF obligations as of April 1, 2003. The debt is spread out over 17 years or more. This **Issue Review** presents information on county TIFs, while a separate **Issue Review** will discuss city TIFs.

CODE AUTHORITY

Chapter 403, Code of Iowa

CURRENT SITUATION

Chapter 403, Code of Iowa, "Urban Renewal," was enacted in 1957 and has been amended and expanded several times. As currently enacted, Iowa's Urban Renewal law allows cities and counties to establish Urban Renewal Tax Increment Financing (TIF) areas in portions of the municipality designated as slum/blighted or as economic development. Development may be commercial, industrial, residential, or a combination. Once the requirements of the law have been met, the municipality may utilize the consolidated (city, county, school district, community college, etc.) property tax levy revenue from the taxable property of the TIF area to repay debt incurred to finance development projects within the area.¹ Economic development TIFs (with no portion designated slum or blighted) are limited to 20 years in duration. Slum and blighted TIF areas are not limited in duration.

A total of 26 counties have active TIF areas in FY 2003. Those counties received \$7.0 million in diverted property tax revenue during the fiscal year. The largest amount (\$2.9 million) was collected by Muscatine County, where the TIF area associated with the Ipsco Steel Plant has been active since 1995. Guthrie County (Lake Panorama dredging) received \$1.3 million in TIF revenue in FY 2003. Other significant tax revenue diversions for TIF projects occurred in Union County (\$700,000, Crestland Cooperative), Jefferson County (\$486,000, road paving), and Pottawattamie County (\$383,000, water line extension).

¹ Debt levies and some or all of the school Physical Plant and Equipment Levy (PEEL) are exempted from TIF.

Three additional counties reported TIF area debt repayment starting after FY 2003, bringing the number of counties with active TIFs to 29. The total reported outstanding debt (including interest) equaled \$128.7 million. The present value of the debt schedule is \$95.2 million. Five counties reported TIF debt in excess of \$10.0 million. Those counties include:

- Muscatine County - \$25.1 million. Debt associated with location and construction of the Ipsco steel plant in the mid 1990's. The bond payments extend through FY 2012.
- Jasper County - \$19.9 million. Funds are used to repay debt incurred to match a Department of Transportation Revitalize Iowa's Sound Economy (RISE) grant. Water and sewer lines were also extended from Colfax to a new development. The County reports bond debt past FY 2018 and repayment of a \$4.1 million self-financed loan due in FY 2004.
- Guthrie County - \$18.8 million. Projects included dredging of Lake Panorama and road/water line construction. The County reports \$7.0 million in bond debt payments due through FY 2024 and \$11.3 million in other project debt due through FY 2014. Ninety-two percent of the taxable value in the County TIF areas is classified residential or agricultural. The frozen assessed base value is \$114.8 million and the FY 2003 base taxable value was \$35.6 million.²
- Marshall County - \$15.0 million. Housing development and tax rebatement of all remaining incremental tax revenue associated with the Harvester golf course development for 20 years.
- Polk County - \$15.0 million. Tax rebatement (14 years) for the Tournament Club of Iowa golf course development located near Polk City.

The attached spreadsheet provides basic tax revenue and TIF statistics for each county with active TIF areas. The information provided includes:

- FY 2003 County Taxes – Total amount of taxes levied by county government.³ The amount listed includes the full county government levy on all taxable land, including land located in TIF areas. The amount therefore represents the total revenue capacity of the county at FY 2003 county tax rates.
- FY 2003 TIF Revenue – Total amount of TIF property tax revenue generated within the county-approved TIF areas during FY 2003. The revenue associated with levies exempt from TIF (debt levies and school Physical Plant and Equipment Levies) is not included in this number.
- Reported Outstanding TIF Debt – The amount of TIF project debt reported by the county in response to the reporting requirement established in SF 424.
- Present Value of Outstanding TIF Debt – Outstanding TIF debt discounted at a constant rate of 4.5% per year. Fiscal Year 2003 amounts are not included in the present value and FY 2004 amounts are included at face value. All future years are discounted.
- Present Value of Debt as a Percent of FY 2003 Taxes – Provides a reference point to compare the amount of debt to the FY 2003 tax capacity of the county. Six counties reported present value TIF debt exceeding 100.0% of the county's FY 2003 tax revenue. Guthrie County's reported present value debt of \$13.5 million is equal to more than five times the county's FY 2003 tax revenue of \$2.4 million.⁴
- Project Descriptions from Annual TIF Reports – A brief description of TIF projects as provided by the county in annual TIF reports required by Section 403.23, Code of Iowa.

² Guthrie County TIF areas were established in 1996 and 1998.

³ The county tax rate does not include levies for county assessors or county hospitals, if applicable.

⁴ The TIF debt is not repaid by the county levies alone. School district, agriculture extension, community college, and other levies are also included in the TIF revenue amount.

BUDGET IMPACT

New construction and property value appreciation occurring outside a TIF area contributes to the tax base of all levy authorities that encompass that property. New construction and appreciation occurring within a TIF area does not. In some instances, the combination of new construction and the residential rollback act to remove some or all of the original (base) value of the TIF area from traditional taxation. This requires the local levy authorities to set higher tax rates to raise the same amount of tax revenue.

In addition, new value within a TIF area does not fully contribute to school finance levies and therefore increases the school district's reimbursement through the State General Fund School Aid Formula. In FY 2003, \$307.9 million in rural property value was held in the increment portion of TIF areas. This increased State General Fund School Aid payments by \$1.7 million for the year.

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County Tax Increment Financing

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County Tax Increment Financing

County	FY 2003 County Taxes *	FY 2003 TIF Revenue	Reported Outstanding TIF Debt	Present Value of Outstanding TIF Debt	Present Value of Debt as a Percent of FY 2003 Taxes	Project Description From Annual TIF Report
Adair County	\$ 2,640,677	\$ 111,014	\$ 1,348,405	\$ 1,052,275	39.8%	Rail spur.
Audubon County	3,138,492	2,409	1,600	600	0.0%	T-Bone Trail - project paid by grant money.
Benton County	5,520,796	138,080	1,339,362	1,062,626	19.2%	Water & sewer lines, water tower and treatment plant.
Butler County	3,996,869	15,233	63,520	52,675	1.3%	Sinclair elevator.
Cedar County	6,025,228	8,281	18,000	6,500	0.1%	Improvements for road leading to new commercial golf course.
Cherokee County	3,204,319	95,680	1,884,817	1,404,336	43.8%	Seed processing and storage-Sand Seeds of Iowa.
Dallas County	13,778,641	30,799	2,217,061	1,334,609	9.7%	No projects listed in report.
Dickinson County	5,159,492	221,305	558,934	289,834	5.6%	Fire hydrants, sanitary sewer lines.
Franklin County	4,226,711	-	446,000	365,759	8.7%	Gatham Seed addition.
Fremont County	3,052,131	54,386	6,321,597	4,521,708	148.1%	Tax rebate to developer for road building.
Grundy County	3,972,498	-	1,528,317	1,527,298	38.4%	No report on file.
Guthrie County	2,446,310	1,287,617	18,827,185	13,450,119	549.8%	Lake Panorama dredging, road building & water line.
Harrison County	5,356,907	15,491	177,375	142,099	2.7%	Streets & water main.
Howard County	2,991,958	56,837	689,352	512,349	17.1%	Industrial plant construction, development tax rebate.
Jasper County	9,443,808	96,599	19,872,621	14,772,138	156.4%	RISE match for street improvements, extend water & sewer lines.
Jefferson County	4,306,170	486,453	1,813,850	1,427,881	33.2%	Road paving.
Marion County	7,403,261	87,324	332,959	247,960	3.3%	Vermeer expansion & road building.
Marshall County	8,335,448	23,103	15,000,000	10,354,800	124.2%	Harvester golf course.
Mills County	4,411,186	30,902	395,000	350,369	7.9%	Sewer line extension and asphalt road.
Muscatine County	10,799,993	2,907,382	25,113,639	20,080,073	185.9%	Ipsco steel plant.
Palo Alto County	4,519,603	10,261	71,089	54,739	1.2%	Manufacturer addition.
Plymouth County	4,983,811	33,945	285,200	219,529	4.4%	Tax rebate.
Polk County	90,273,399	-	15,000,000	10,165,011	11.3%	North of Polk City - Golf course tax rebates.
Pottawattamie County	20,284,149	382,686	4,382,527	3,526,023	17.4%	Water line extension, new water plant, wells, and tower.
Poweshiek County	4,163,097	71,085	2,686,497	2,189,006	52.6%	Roadway improvements.
Shelby County	5,743,761	13,466	94,126	82,819	1.4%	Reimburse county general fund.
Union County	3,588,405	699,585	7,869,837	5,736,846	159.9%	Crestland Cooperative improvements.
Winnebago County	3,169,047	89,892	318,787	260,637	8.2%	No projects listed in report.
Worth County	2,445,077	21,828	75,000	48,923	2.0%	Convenience store, fast food facility, Welcome Center.
Total	\$ 249,381,244	\$ 6,991,643	\$ 128,732,657	\$ 95,239,541	38.2%	

* Includes all taxes generated by the general county levies, including revenue ultimately diverted to TIF projects.