

AMENDMENT No. 3 to the

NORTHWEST MARKET CENTER
URBAN RENEWAL PLAN

CITY OF URBANDALE, IOWA

ADOPTION OF ORIGINAL PLAN: November 14, 2000
FIRST AMENDMENT: October 19, 2010
AMENDMENT No. 2: November 27, 2012
AMENDMENT No. 3: August 5, 2014

PURPOSE AND INTENT

The Northwest Market Center Urban Renewal Plan ("Plan" or "Urban Renewal Plan") for the Northwest Market Center Urban Renewal Area ("Area", "Plan Area", or "Urban Renewal Area"), adopted in 2000 and amended in 2010 and 2012, is being further amended by this document ("Amendment No. 3" or "Amendment") to modify and add urban renewal projects that are proposed to be undertaken within the Urban Renewal Area, and to delete projects that have been completed. This Amendment does not add any territory to the Urban Renewal Area.

Except as expressly modified by this Amendment, all of the provisions of the existing Northwest Market Center Urban Renewal Plan as previously amended shall remain in full force and effect, except that in the case of any conflict or uncertainty, the provisions of this Amendment shall control.

DESIGNATION

This Plan continues to be designated as a mixed blight and economic development finding for the promotion of industrial and commercial development and redevelopment. No changes are made by this Amendment.

PLAN OBJECTIVES

No changes are made by this Amendment.

POWERS TO BE EXERCISED

The City will continue to support economic development and blight remediation projects through public infrastructure improvements, acquisition and disposition of property, rebates, grants and other incentives for development that increases taxable value and/or supports jobs growth, among other benefits. No changes are made by this Amendment.

DEVELOPMENT PLAN

Urbandale has a general plan for the development of the City as a whole, which is designated as the Urbandale Comprehensive Plan, adopted June 24, 2003 and last updated November 7, 2006. This Amendment is in conformity with the Urbandale Comprehensive Plan.

PREVIOUS URBAN RENEWAL PROJECTS

The City's acquisition and redevelopment of the property locally known as 9565 Hickman Road for public works functions and related City services were added as urban renewal projects by the First Amendment to the Plan. The City acquired the property in November, 2010 and TIF funding for the property purchase will be ongoing through

Fiscal Year 2017, for a total outstanding obligation of \$600,000. Bonded indebtedness was also incurred, prior to 7/1/2012, to replace the roof and siding as the initial rehabilitation of the existing structure, and TIF funding for retirement of an approximate total of \$147,000 of outstanding debt is ongoing through Fiscal Year 2021 for that work. None of the preceding is being modified, added to, or deleted by this Amendment. This Amendment does advance the scheduling of other planned TIF expenditures for rehabilitation and redevelopment improvements to the property, as ongoing phases of this Plan Project. The phased improvements that are being advanced are described in another section of this Amendment.

Two Development Agreements were approved prior to 7/1/2012, and payments will continue to be made in accordance with the Development Agreements through Fiscal Year 2016 for streetscape improvements in the Northpark development and through Fiscal Year 2017 for various public infrastructure improvements in the Paragon Office Park, in the remaining aggregate sum of \$1,850,000.

The following Urban Renewal Tax Rebate Projects were authorized under the existing Plan and are continuing after Fiscal Year 2014:

Property	Fiscal Year	Approximate Amount of Rebates Remaining as of 7/1/2014
Multiple properties located in Crossroads Business Park, Northpark, Paragon Office Park, and other individual locations	2014	\$350,000
Multiple properties located in Crossroads Business Park, Northpark, Paragon Office Park, and other individual locations	2015	\$370,000
Multiple properties located in Northpark, Paragon Office Park, and other individual locations	2016	\$235,000
Multiple properties located in Northpark, Paragon Office Park, and other individual locations	2017	\$160,000
Multiple properties located in Northpark, Paragon Office Park and other individual locations	2018	\$100,000
Multiple properties located in Northpark, Paragon Office Park and other individual locations	2019	\$55,000
Multiple properties located in Northpark, Paragon Office Park and other individual locations	2020	\$30,000
TOTAL AUTHORIZED & OUTSTANDING		\$1,300,000

NOTE: Developments are listed in the above table only as an identifier for one or more properties that are receiving a rebate; each development consists of multiple tax parcels, and each parcel may or may not be receiving a rebate. Amounts are rounded.

The following table lists Urban Renewal Debt Retirement Projects that were authorized prior to 7/1/2012; debt issued in 2013 for Projects under the existing Plan; and the

aggregate amount of outstanding debt that will continue to be retired on an ongoing basis:

Year Issued	Plan Project	Amount of Original Bond Issuance
2003	Douglas Interchange	\$3,762,705
2004	Plum Drive paving, 100 th Street paving	\$1,637,800
2005	Meredith Drive paving & Interstate bridge replacement, Plum Drive paving	\$3,086,600
2007	Northpark Drive paving, 86 th & Northpark turn lanes	\$821,700
2008	86 th & Northpark turn lanes, 128 th Street paving, 100 th Street paving, 100 th & Douglas turn lanes	\$6,451,700
2009	Signals on Meredith @ 121 st , 123 rd , & 125 th Streets; 121 st Street widening	\$115,000
2010	Plum Drive paving, 109 th & Douglas	\$3,424,100
2011	111 th & Douglas intersection, 121 st Street paving	\$1,310,000
2012	Various street improvements: Douglas Avenue, Interchange & Collector Distributor, 100 th Street, 111 th Street, 121 st Street	\$4,215,000
2013	Various street and traffic signal improvements: Northpark Drive, NW Urbandale, 100 th & 54 th intersection, 100 th Street, 111 th Street, signal @ and 100 th & Northpark	\$3,540,000
Total Amount of Original Bonded Indebtedness		\$28,364,605
Outstanding Obligation as of 7/1/2014		\$9,298,422

PROPOSED URBAN RENEWAL PROJECTS
(Proposed by Existing Plan and as added or modified by this Amendment)

The Proposed Urban Renewal Projects and Activities listed in this section are intended to supplement the existing Northwest Market Center Urban Renewal Plan as amended and its listing of possible Urban Renewal Projects and Activities. This Amendment shall not be construed to alter, eliminate, or repeal any possible or proposed Project or Activity except as expressly noted herein. However, the list of Projects and Activities may be amended from time to time to maintain a current and reasonably accurate accounting of Proposed Urban Renewal Projects, in particular specific projects that are currently under way or expected to commence in the near term future. Some Urban Renewal Projects and Plan Activities may start later and/or take longer to complete than

previously anticipated, for various reasons. Some by nature will be ongoing over a period of years, and some may occur over a period of years due to scope. In addition, new Projects and Activities may be added to the Northwest Market Center Urban Renewal Plan from time to time to address new needs or opportunities. All new and amended Projects and Activities are hereby found to be appropriate and necessary to fully implement the amended Plan and its policies and objectives.

The specific Urban Renewal Projects and Activities that are to be expressly noted as being added, ongoing, or modified by this Amendment are as follows:

1. **Scheduled Tax Rebates:** The City expects to consider requests for property tax rebates pursuant to the terms of the Plan and in accordance with Plan provisions and requirements.

The amount of tax revenue to be partially rebated shall be based upon the following percentage of Taxable Value added by eligible New Construction as defined by the Plan and determined solely by the City, and limited to that portion of incremental property taxes that are actually received into the special fund of the municipality in accordance with Chapter 403.19 of the Code of Iowa as it currently exists and as it may hereafter be amended:

1. For the first year, seventy-five percent.
2. For the second year, sixty percent.
3. For the third year, forty-five percent.
4. For the fourth year, thirty percent.
5. For the fifth year, fifteen percent.

The above schedule (herein "Scheduled Tax Rebates") shall be followed for New Construction upon an administrative finding by City staff that the New Construction complies with the Plan as amended and is eligible for Scheduled Tax Rebates, without any further action or approval by the City Council to authorize Scheduled Tax Rebates for any New Construction; provided that an alternative schedule or incentive may be adopted by the City Council on a case by case basis in lieu of the Scheduled Tax Rebates, by approval of a Development Agreement in accordance with the Plan and subject to the provisions of the Code of Iowa. In the event that New Construction replaces an existing building or structure, only the incremental value of the New Construction above that of the existing building or structure shall be eligible for any rebate, and no rebate shall be paid if the assessed value of the New Construction is less than that of the previously existing building or structure, since no increment will have been created.

The owner of the property shall file an application for a partial rebate of taxes with the City of Urbandale each year for which the property is eligible for a partial rebate of tax revenue, beginning with the first year in which the New Construction is 100% complete and enrolled for taxation by the County. The application must be submitted prior to November 1 of each year in the form and manner prescribed by

the City, including but not limited to proof of payment of all applicable property taxes. Each rebate will be paid only in the same year that the New Construction is eligible for a rebate, and any rebates that are not applied for in the same year shall be deemed to be forfeited.

The City shall have complete and sole discretion in determining any questions of qualifications and eligibility for rebates and in computing the amount of each and any rebate.

A tax rebate shall not be granted if the property for which the rebate is claimed has received any property tax exemption authorized by law; incentives under a Development Agreement; if the owner has not satisfied the eligibility requirements of the Plan; or if taxes have not been paid in full prior to applying for a rebate. If the City Council revokes or amends the Plan, all existing properties that are eligible for partial tax rebates shall continue to receive rebates until the schedule for such partial rebates has expired. However, all Scheduled Tax Rebates and other rebate schedules and Development Agreements are subject to the City's ability to collect incremental taxes. For example, if the City has no ability to collect incremental taxes for any year because of the expiration of the City's ability to collect incremental taxes, or for any other reason, rebates and other incentive payments will not be paid for such year or any future year in which the City is unable to collect incremental taxes under this amended Plan.

The total amount of Incremental Taxes to be expended by such Scheduled Tax Rebates is unknown at this time, but based on past history, and dependent on development opportunities and climate, the City expects the costs of such Scheduled Tax Rebates to be paid after Fiscal Year 2014 will not exceed \$2,300,000 excluding the Previous Tax Rebate Projects that have been authorized to date and that are listed in this Amendment. As stated above, all Tax Rebates authorized under the provisions of this amended Plan are subject to the City's ability to collect incremental taxes.

2. **Development Agreements:** The City may consider requests for Development Agreements for projects that are consistent with this amended Plan, in the City's sole discretion. No such Agreements are being considered by the City Council at this time, but based on past history, and dependent on development opportunities and climate, the City expects that it may be asked to consider a broad range of incentives as authorized by this amended Plan, including but not limited to land, loans, grants, tax rebates and other incentives, at some future date. The costs of any such Development Agreements cannot be determined at this time, in the absence of any Projects or correlating request, but based on past history, and dependent on development opportunities and climate, the City expects that the costs of any new Development Agreements that might be approved by the City Council for payment after Fiscal Year 2014 will not exceed \$10,000,000. As stated elsewhere, any and all incentives authorized or approved by Development Agreements are subject to the City's ability to collect incremental taxes.

3. Fees and Costs for Planning, Engineering, and Legal Services for Urban Renewal preparations, that are not specific to an individual Project:

Fees and Costs	Estimated Costs
Fees and Costs as described above	\$350,000

4. Public Infrastructure Improvements:

Project	Approximate Year of Construction	Estimated TIF Expense
Douglas Avenue Beautification (convert rural cross-section to urban design by adding curb & gutter and storm sewers, eliminating ditches, and other work); Parks & Public Works Maintenance Facility Redevelopment—grounds and facility development and other work; Northpark Drive widening to four traffic lanes plus turn lanes and other work between 86 th and 100 th Streets; traffic signal @ Douglas & Pilot and other work, to remediate blight and to promote and support economic development	2014	Not to exceed \$3,000,000
Douglas Avenue Beautification (convert rural cross-section to urban design by adding curb & gutter and storm sewers, eliminating ditches, and other work), to remediate blight and to promote and support economic development	2015	Not to exceed \$900,000
Public Works & Parks Maintenance Facility (9565 Hickman Road) Redevelopment—grounds and facility development and, other work, to remediate blight and to promote and support economic development	2015	Not to exceed \$750,000
NW 54 th Avenue paving, four traffic lanes plus turn lanes and other work, to promote and support economic development	2016 or later	Not to exceed \$1,000,000
Aurora Avenue reconstruction and other work, 112 th Street to RR, & replace RR crossing and other work, to promote and support economic development	2016	Not to exceed \$520,000
100 th Street bridge replacement and other work & traffic signal @ 100 th & Northpark and other work, to promote and support economic development	2016	Not to exceed \$8,500,000

Interchange modifications and Collector-Distributor System and other work: Construct Collector-Distributor Street System along Interstate 35/80 and other work, Meredith Drive to 100 th & add Interstate 35/80 on-off ramps @ Meredith & 100 th and other work, to promote and support economic development	2016 or later	Not to exceed \$11,800,000
Northpark Drive extension and other work, 100 th Street to NW 54 th Avenue, to promote and support economic development	2018 or later	Not to exceed \$1,800,000
111 th Street paving and other work, south of Justin Drive, to promote and support economic development	2018 or later	Not to exceed \$1,000,000
104 th Street Total Reconstruction, Hickman to Douglas, as 3-lane urban cross-section with curb & gutter and storm sewer, and filling in ditches, and other work, to promote and support economic development	2018 or later	\$3,500,000
Total Calendar Years 2014-2020		Not to exceed \$32,770,000

5. **Property Acquisition:** The City anticipates that TIF may be used to acquire property that is necessary for rights-of-way and easements for the Public Infrastructure Improvements listed in the existing Plan and in this Amendment. Such acquisitions usually occur one to three years in advance of Projects, but are very difficult to project relative to a specific year for the same reasons that fees are difficult to project. The total costs for such acquisitions for Projects being implemented or under design during calendar 2014 through 2020 are not expected to exceed a total of \$4,250,000.

SUMMARY OF DEBT AND OTHER OBLIGATIONS

A specific amount of debt or other obligations to be incurred for planned Urban Renewal Projects has not yet been determined. The City Council will consider each proposed Project on a case-by-case basis to determine if participation in the Project is in the public's best interest. Projects may commence and be ongoing over a number of years before being concluded. It is further expected that any debt issued for such Projects, including interest on the same, or other obligations that may be incurred, may be financed in whole or in part with tax increment revenues from the Urban Renewal Area.

Subject to the foregoing, the total expenditure of TIF is not anticipated to exceed \$62,839,000 for all committed and planned Projects listed in this Amendment, both those that have been implemented and have outstanding TIF obligations and those that are anticipated or scheduled to be implemented, that each and all have been approved

by or are subject to approval by the City Council in the manner noted herein and in accordance with the Code of Iowa.

Said total expenditure of TIF includes \$13,169,000 in outstanding TIF obligations for existing and committed Projects, and not more than an estimated \$49,670,000 of TIF expenditures for planned, anticipated, and potential Projects of which \$32,770,000 is the total bonded indebtedness that may be issued for proposed capital improvement Projects as listed in the Plan and this Amendment, to be repaid with TIF.

At no time will the City exceed its constitutional debt limit:

July 1, 2013 constitutional debt limit:	\$201,617,957
Outstanding general obligation debt:	\$ 53,150,000

**ANALYSIS OF ALTERNATIVE DEVELOPMENT OPTIONS
AND FUNDING FOR PUBLIC BUILDING AND GROUNDS**

When the City Council adopted the First Amendment to the Plan in 2010, it found that portions of the Original Plan Area were or might become blighted, and authorized projects that were intended to eliminate or mitigate blighting conditions and to thereby upgrade those portions of the Original Plan Area. The First Amendment specifically identified what it called the “Hickman Properties” as exhibiting conditions of blight, among them being properties that were formerly engaged in wholesale or retail sales of building materials. The Hickman Properties were found to be land parcels and buildings whose areas and shapes were large and deep relative to their street frontage and store front exposure, and that such characteristics made the adaptation and reuse of such properties challenging, with long-term vacancies and significantly diminished property valuations being a probable result. The First Amendment stated that the City would acquire property if necessary to facilitate the proper growth and development of the community in accordance with sound planning standards and local community objectives, and specifically in the case of the Hickman Properties, because of blight, deterioration of site, economic disuse, and faulty lot layout (parcel size and shape).

The property locally known as 9565 Hickman Road was one of Hickman Properties, and exhibited all of the conditions of blight that were identified in the First Amendment when it was acquired by the City in 2010 as a blight remediation Project. It had been occupied by a wholesaler of building materials for decades. Upon retirement in 2009, the owner was forced to liquidate the business for lack of a buyer, thereby demonstrating that the property was blighted by reason of “economic disuse”.

The building was structurally solid and added value to the property, but it was not weather-tight and would rapidly deteriorate if roof leaks and other deferred maintenance were not immediately rectified. As typical of blighted buildings, the building’s design made conversion to some other viable economic use very difficult, commonly referred to as “functional obsolescence,” and it also was visually unappealing.

The land parcel was blighted and obsolete because of faulty lot layout (parcel size and shape), being excessively deep relative to its street frontage. The rear half of the property had never been developed and is the primary focus of the current phase of the ongoing blight remediation and redevelopment Project, to correct its abandoned and overgrown condition, poor drainage and adverse topography that primarily results from long-abandoned rail spurs, and rehabilitate this blighted property into an economically viable use.

Immediately prior to the City's acquisition of the property, a private party submitted an offer to buy at below-market value. However, their "due diligence" process concluded that the property was not economically viable due to the blighting conditions noted above. The limited street frontage made it impractical to divide the property into two parcels, separating the undeveloped rear half from the building and its related site improvements. The rear parcel would have almost no visibility due to the placement of the existing building, severely limiting its economic value. The existing building remained too valuable to demolish in spite of its limitations. In summation, by outward appearances the property appeared to have great potential for private sector redevelopment/reuse because of its Hickman location, but closer examination found it to suffer severe economic disuse due to faulty lot and building layout, and to therefore be a substantial risk for the initiation and spread of urban blight.

The property adjoins the City's existing, undersized Public Works facility. The City had attempted to acquire its undeveloped rear portion for expansion years ago but the owner rejected all attempts, so the City had acquired another location in the western part of the City for public works expansion.

However, in 2010 the owner needed to sell the property for tax reasons and given the complete lack of interest from the private sector, the owner offered the property to the City for below market value. The ability to remediate blight by voluntary acquisition at below-market pricing, if the property could be used to expand the existing Public Works facility, offered the City a unique opportunity to optimize public funding given that blight remediation projects usually require a "write down" from acquisition and site clearance costs. A study found that the existing building could be used to store equipment for a period of time, and the overall property could be redeveloped to expand the public works "yard".

The use of TIF to acquire and rehabilitate property to remediate blight, and restore property to viable economic use is a traditional and time-honored urban renewal tool. In this particular case, the only viable economic use for the property was for the City to acquire and rehabilitate the property for its public works operations. Its location is well-suited as a Project to support economic development in addition to being a blight remediation Project, since most of the City's economic development lies within the Plan Area and is served by this public works facility, while the City's western public works site serves mostly residential areas to the west of this Urban Renewal Area. Economic development relies heavily upon the availability of well-maintained infrastructure, and

9565 Hickman Road is very well-located to serve that need. Therefore, the utilization of TIF funding for the project is also warranted by its support of economic development.

This Project, like most urban renewal projects, is large in scale, from its first phase acquisition through full implementation of the last redevelopment phase. Accordingly, blight remediation Projects usually cannot be funded out of operating funds. The City did not have funds available in its operating budget for the Project at the time that the property became available, since operating funds were fully committed for that Fiscal Year. Operating revenues have been and continue to be reduced by the combined effects of the recessionary drop in real estate values, and changes to the tax code for commercial properties (including multi-family residential) that have reduced cities' tax bases and correlating revenue. Actuarial shortfalls in pension funding, particularly in the 411 system, and similar obligations also pressure all cities' operating budgets.

The City's debt retirement fund is fully committed in accordance with the City Council's fiscal policies to finance its Capital Improvements Program, for infrastructure in support of economic development and for residential growth. Urbandale was the second-fastest growing city in Iowa from 2000 to 2010 and continues to be one of the fastest growing cities. The majority of Urbandale's residential growth has been in Dallas County, where there was no urban infrastructure prior to annexation. Due to the constraints that the State of Iowa places on infrastructure financing within growth areas, the substantial needs for new streets to carry the traffic from recent/new development are nearly always funded after the development has occurred and there is a great, urgent need to "catch up". The City has been financing the construction of new streets at a level that is unprecedented in its entire history, because of the need.

Accordingly, the City Council identified TIF, whether as a direct expenditure or to repay bonded indebtedness, as the appropriate and only viable funding source when it undertook this Project in 2010 to remediate blight and support economic development, through the acquisition and redevelopment of the property as part of the City's public works facilities and operations. The use of TIF to eliminate and remediate blight is a traditional use of TIF. The owner and a prospective buyer had demonstrated that there were no viable private sector uses for the property, and that its only viable economic use was to convert it for public use. This ongoing Project is first and foremost a Project to remediate blight and to prevent its spread. While the Project is not yet completed, it appears to have stabilized the immediate Plan Area and facilitated commercial development, as evidenced by recent private sector investments in nearby properties that previously had appeared to be in danger of also becoming blighted.

Therefore, the conclusions of this analysis are that the City Council finds the ongoing use of TIF for this blight remediation Urban Renewal Project, consisting of the acquisition of the property and its ongoing rehabilitation for use in support of the City's public works operations as were contemplated at the time the Project commenced in 2010, was reasonable and appropriate when the Project was commenced in 2010 and continues to be reasonable and appropriate.

The site redevelopment and rehabilitation phase of the Project that is now being advanced in the schedule is part of the original Project as contemplated at the time of its 2010 acquisition, and is not a new Project or a new use of TIF. From the beginning, this blight remediation Project has been planned with TIF as the funding mechanism, with the change to the Code of Iowa that necessitates the justification of TIF funding for public buildings and grounds being the only change since the inception of this blight remediation Project. The 2010 acquisition and correction of the deferred maintenance constituted the initial phase of the Project. The current and future phases are necessary to fully redevelop and rehabilitate the property and complete the Project that started in 2010, so the property will not remain blighted.

For the aforementioned reasons, the tax increment revenue funding alternative option (general obligation debt abated by incremental tax revenues) is the most feasible, fair, and equitable mechanism for funding the 9565 Hickman Road Project described above, since its purpose from inception has been to remediate blight within the Urban Renewal Area and matching TIF District, and to also support economic development. Accordingly, alternative funding options are less feasible than the use of tax increment revenues.

PROPERTY ACQUISITION OR DISPOSITION

The City will follow all applicable requirements for the acquisition and disposition of property.

PLAN AMENDMENTS

The Northwest Market Center Urban Renewal Plan may be amended from time to time for a variety of reasons, including but not limited to adding or deleting territory; modifying, adding, or deleting urban renewal projects; or modifying, adding, or deleting Plan Objectives or Powers to be Exercised.

The City Council may amend this Plan in accordance with applicable state law.

EFFECTIVE PERIOD

This Amendment will become effective upon its adoption by the City Council. Notwithstanding anything to the contrary in the Plan or any prior amendment, resolution, or document, the Plan as amended shall remain in effect until terminated by the City Council, and the use of incremental property tax revenues, or the "division of revenue," as those words are used in Chapter 403 of the Code of Iowa, will continue for the maximum period of time that is consistent with Chapter 403 of the Iowa Code.

The Original Plan Area was first certified for TIF expense in the last quarter of calendar year 2000. The First Amendment to the Plan added a finding of blight for a portion of the Original Plan Area, so the Tax Increment Finance District for the Original Plan Area does not have a sunset.

RULE OF CONSTRUCTION

If any portion or provision of the adopted Plan is found to be in conflict or inconsistent with the provisions of this Amendment, the provisions of this Amendment shall control.

SEVERABILITY CLAUSE

If any part of the Amendment is determined to be invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the validity of the Amendment as a whole, or the existing, adopted Plan as amended in whole or in part, or any part of the Amendment or adopted Plan not determined to be invalid or unconstitutional.