

CITY OF BAXTER, IOWA

URBAN RENEWAL PLAN AMENDMENT
BAXTER URBAN RENEWAL AREA

December, 2013

The Urban Renewal Plan (the “Plan”) for the Baxter Urban Renewal Area (the “Urban Renewal Area”) is being amended for the purpose of identifying a new urban renewal project to be undertaken within the Urban Renewal Area.

1) Identification of Projects. By virtue of this amendment, the list of authorized urban renewal projects in the Plan is hereby amended to include the following project description:

A) Name of Project: Medical Clinic/Municipal Police Station Project (the “Project”)

Name of Urban Renewal Area: Baxter Urban Renewal Area

Year of Establishment of Urban Renewal Area: _____

Date of Council Approval of Project: December 9, 2013

Description of the Project: The City will acquire a building situated at 208 E. Buchanan Street in the Urban Renewal Area. The City intends to lease the a portion of the building to a doctor for the operation of the medical clinic. The City will also undertake the improvement of the portion of the building not being occupied by the medical clinic for use as the municipal police station (the “Police Station Project”)

Description of Public Infrastructure: The City does not intend to construct public infrastructure improvements in connection with Project.

Description of Use of TIF: It is anticipated that the City will pay for the Project through the issuance of urban renewal tax increment revenue bonds or notes (the “Bonds”) in an amount not to exceed \$110,000. The Bonds will be repaid with incremental property tax revenues derived from the Urban Renewal Area.

Analysis of Use of TIF: In accordance with the requirement of Section 403.5(2)(b)(1) of the Code of Iowa, the City has analyzed its proposed use of incremental property tax revenues for the funding of the Police Station Project and alternative development and funding options for the Police Station Project. The results of that analysis are summarized as follows:

1) Alternate Development Options: The City Council has determined that a need exists for the provision of new and improved police facilities in the Area. The City’s ability to fulfill its duty of police protection in the Area is diminished by inadequate, outdated and undersized administrative facilities. There is no conceivable way for the

City to outsource or privatize the police protection, and the use of the unoccupied space in a City-owned building for the municipal police station is an optimal use for such building. Promoting other types of development on the Property will not meet the public need being addressed by the Police Station Project.

2) Alternate Financing Options:

* Local Option Sales and Services Tax Revenues are unavailable to assist with the Police Station Project because such Revenues have been allocated to other projects in the City.

* General Fund: The City is at its \$8.10 per thousand levy limit for the General Fund, and the annual proceeds from this levy are fully committed to maintain the operational integrity of the City. The City cannot access its General Fund reserves to aid in the Police Station Project funding without risking unsound fiscal practice.

* Capital Improvements Levy: The City does not have a Capital Improvements Levy available, and the imposition of such additional levy would require a successful referendum, which is not feasible at this time.

* Debt Service Levy: The City Council has determined that the debt service levy rate should not be raised for the Police Station Project. The City has a significant debt service levy in place because the City has issued general obligation debt that cannot be repaid from alternative sources. The City Council may need to raise the debt service levy in the future for other upcoming projects in the City for which tax increment financing is not available. Raising the current debt service levy rate for the Police Station Project would result in an undue burden to the citizens of the City. The use of tax increment financing will lessen the burden on individual tax payers that would result from a spike in the debt service levy rate and will shift that burden onto valuation increases resulting from the City's successful economic development initiatives, which are enhanced by the provision of improved recreational facilities.

* Utility Surpluses: The City does not have identified surpluses in its sewer and water utility funds that could aid in the funding of the Police Station Project.

* Lease Payments: The City intends to use the lease payments received by the medical clinic for use of a portion of the building to retire the Bonds. In the event that the medical clinic does not make the lease payments, the City will use incremental property tax revenues to repay the Bonds.

2) Required Financial Information. The following information is provided in accordance with the requirements of Section 403.17 of the Code of Iowa:

Constitutional debt limit of the City:	<u>\$2,155,926</u>
Outstanding general obligation debt of the City:	<u>\$</u>
Proposed maximum indebtedness to be incurred in connection with this December, 2013 Amendment	<u>\$110,000</u>