

CITY OF PALO, IOWA  
URBAN RENEWAL PLAN AMENDMENT  
PALO URBAN RENEWAL AREA

May, 2013

The Urban Renewal Plan (the "Plan") for the Palo Urban Renewal Area is being amended for the purposes of identifying a new urban renewal project to be undertaken therein.

**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 described projects:

**A) 2013 FEMA Community Safe Room Project**

**Name of Project:** 2013 FEMA Community Safe Room Project (the "Safe Room Project")

**Name of Urban Renewal Area:** Palo Urban Renewal Area (the "Area")

**Year of Establishment of Urban Renewal Area:** November 9, 1998

**Date of Council Approval of Project:** May 20, 2013

**Description of Project and Project Site:** The City has constructed a community safe room and tornado shelter at the Palo City Hall Community Center to provide enhanced protection to citizens and individuals visiting the City and surrounding areas including Pleasant Creek State Park. The City will use Incremental Property Tax Revenues to fund the local match requirement of an Iowa Homeland Security and Emergency Management Division and Federal Emergency Management Agency grant, the proceeds of which have been used to fund the majority of the costs of the Safe Room Project.

**Description of Use of TIF:** It is anticipated that the City will pay for the local match requirement with the proceeds of an internal advance of City funds on-hand. The City's obligations incurred in connection with the Safe Room Project will be repaid with Incremental Property Tax Revenues. It is anticipated that the City's use of Incremental Property Tax Revenues for the Safe Room Project will not exceed \$80,000.

**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 Safe Room Project and alternative development and funding options for the Safe Room Project. The results of that analysis are summarized as follows:

A) Alternate Development Options: The City Council in consultation with City staff and personnel from the Federal Emergency Management Agency and the Iowa Homeland Security Emergency Division have determined that a need exists for the construction of the Safe Room Project in order to provide increased protection in the City

from flooding or other severe weather events. There is no conceivable way for the City to outsource or privatize the protection of the health and welfare of the citizens of and visitors to the City of Palo. Promoting other types of development at the Palo City Hall Community Center will not meet the public need being addressed by the Safe Room Project.

**B) Alternate Financing Options:**

\* **Local Option Sales and Services Tax Revenues:** The Local Option Sales and Services Tax Revenues of the City are unavailable to assist with the Safe Room Project because such Revenues have been allocated to other projects for the alleviation of flood damage in the City and to necessary street improvement 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 Safe Room 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 until current outstanding general obligation indebtedness of the City can be retired. Raising the current debt service levy rate 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 public safety facilities.

\* **Utility Surpluses:** The City does not have identified surpluses in its sewer and/or water utility funds that could aid in the funding of the Safe Room Project.

\* **Grant Proceeds:** The City has received a grant from the Federal Emergency Management Agency and the Iowa Homeland Security Emergency Management Division, the proceeds of which have covered 85% of the Safe Room Project.

**B) 2013 Municipal Fire Station Project**

**Name of Project:** Municipal Fire Station Project (the "Fire Station Project")

**Name of Urban Renewal Area:** Palo Urban Renewal Area

**Year of Establishment of Urban Renewal Area:** November 9, 1998

**Date of Council Approval of the Project:** May 20, 2013

**Description of Project and Project Site:** The City will construct a new municipal fire station on City-owned property at 2797 Creek Ridge Drive in the City (the "Property"). It is anticipated that the completed Fire Station Project will have a direct, positive impact on increased and improved commerce and development in the Area through the provision of enhanced services and municipal facilities.

**Description of Use of TIF:** It is anticipated that the City will pay for a portion of the Fire Station Project with the proceeds of an internal advance of City funds on-hand. The City's obligations incurred in connection with the Fire Station Project will be repaid with Incremental Property Tax Revenues. It is anticipated that the City's use of Incremental Property Tax Revenues for the Fire Station Project will not exceed \$300,000.

**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 Fire Station Project and alternative development and funding options for the Fire Station Project. The results of that analysis are summarized as follows:

A) **Alternate Development Options:** The City Council has determined that a need exists for the provision of a new and improved fire station in the Area. The City's ability to fulfill its duty of fire 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 its fire protection services, and the use of the Property as the site for the Fire Station Project is an optimal use for this land. Promoting other types of development on the Property will not meet the public need being addressed by the Fire Station Project.

B) **Alternate Financing Options:**

\* **Local Option Sales and Services Tax Revenues:** The Local Option Sales and Services Tax Revenues of the City are unavailable to assist with the Fire Station Project because such Revenues have been allocated to other projects for the alleviation of flood damage in the City and to necessary street improvement 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 Fire 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 until current outstanding general obligation indebtedness of the City can be retired. Raising the current debt service levy rate 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 the new municipal fire station.

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

\* Grant Proceeds: The City has received an IJOBS grant for the Fire Station Project, the proceeds of which will cover the majority of the Fire Station Project.

**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>\$2,829,440</u>
Outstanding general obligation debt of the City:	<u>\$2,116,260</u>
Proposed obligations to be incurred in connection with the Project:	<u>\$380,000</u>