

## **PUBLIC BUILDING ANALYSIS**

One project proposed in this Amendment No. 5 involves a public building (in addition to the Sioux Center Public Library project, which was previously identified in Amendment No. 4, with a public building analysis in that Amendment No. 4). If this project is approved by the City, the City intends to finance some of the costs through tax increment financing.

### **Outdoor Aquatic Center**

A planned expansion to the Sioux Center Outdoor Aquatic Center, as proposed in this Amendment, would result in the construction of a public building. If the outdoor aquatic center is ultimately approved by the City, the City intends to finance some of the cost through tax increment financing funds. For a portion of the costs, the City proposes to issue general obligation or revenue bonds and abate a part of the principal and interest payments from incremental tax revenues within the Area, if available. Specifically, under these circumstances, Iowa law requires an analysis of alternative development options and funding for the outdoor aquatic center and reasons why such options would be less feasible than the use of incremental tax revenues for the outdoor aquatic center.

The City's existing outdoor aquatic center is too small to meet the needs of the growing population in Sioux Center. The 2010 Census showed that the City had a population of 7,048 and based on recent estimates the population is estimated to be over 7,500 in 2016. In addition to providing valuable recreational opportunities for the City, the outdoor aquatic center also provides a regional benefit through swimming lessons, swim team competitions, and other regional events. In 2017, 30% of the swimming lessons were taken by non-residents of Sioux Center. The surrounding small towns of Boyden, Maurice, and Doon do not have public pool facilities and the larger towns of Hawarden, Ireton, and Rock Valley only have small municipal pools with no amenities, so they rely on the Sioux Center Outdoor Aquatic Center for use by their residents. In addition to the Sioux Center Community School District and the Sioux Center Christian School District, schools from the surrounding area including Rock Valley/ Boyden-Hull, Marcus Meridan Cleghorn, South O'Brien, LeMars Gehlen, Dordt College, and Northwestern College all use the facility for purposes including swimming lessons, swim teams, fun days, and athletics. The outdoor aquatic center brings visitors to the community and has an economic development impact on other businesses in the community; an increased capacity of the aquatic center is expected to further increase the number of visitors brought to the community and, in turn, the economic impact of those visitors on local businesses.

Existing businesses, as well as potential new businesses, are vital to the City because of the jobs they provide and the economic development potential they bring to the community. The current unemployment rate in Sioux County is less than 2% so it is important for the City to be able to provide quality-of-life amenities in order for the businesses and industries to recruit and maintain an available workforce. A strong and developing community, as well as increased employment opportunities in Sioux Center, will benefit not only the community but also the Sioux Center Community Schools and Sioux County. The proposed outdoor aquatic center project contributes to an attractive quality of life in Sioux Center and the surrounding region.

### Alternative Funding Options:

For a portion of the project costs, the City proposes to issue general obligation and/or revenue bonds and abate a part of the principal and interest payments from incremental tax revenues within the Urban Renewal Area, if available.

It is proposed that approximately 60% of the principal and interest from the project will be financed with funds from TIF. The remaining debt service will be financed with a combination of property taxes, cash reserves, and Local Option Sales Tax (LOST) funds.

One alternative funding option is to rely on revenues from the user fees by increasing existing admission rates in order to pay the debt resulting from the project. Increasing the existing pass and daily fees to collect enough funds to cover the expected debt service would result in admission charges not being affordable to users.

A second alternative funding option for this project would require the City to go through a process that would result in the issuance of general obligation bonds paid only by the City's debt service levy to fund this project. The issuance of general obligation bonds paid only by the City's debt service is less equitable and feasible than the use of tax increment financing because the outdoor aquatic center provides many services and benefits to residents living outside the City limits of Sioux Center.

A third alternative is the use of grant funds. Grant programs available to fund projects such as municipal pools, can be a potential funding source for the aquatic center. Because Sioux Center is not considered a disadvantaged community, the potential State and Federal grant sources are limited. In addition, funding from grant programs is extremely competitive and, even if successful, generally only provides a small percentage of the total capital needs for the construction of a new pool. The City will continue to explore available grant programs to help with financing.

The use of TIF funds as a funding mechanism for a portion of the construction of the outdoor aquatic center is appropriate when considering the larger pool and amenities that this project will provide to the City and the region.

Issuing general obligation or revenue bonds that would be paid only with a combination of the City's debt levy or LOST funds, is less equitable and feasible than including the use of TIF funds because there would be no contribution of tax increment revenues from the schools and County. Because the proposed urban renewal project, and the resulting retention and attraction of creation of commercial and industrial businesses, will benefit County residents and school patrons, the use of tax increment is the most appropriate funding mechanism because it is fair for the Sioux Center Community School District and the County to share in the costs of the project. The project demonstrates regional benefit to both the County and the School District.

For all of the aforementioned reasons, the use of TIF funds (either to support revenue bonds or abate general obligation debt) for a portion (approximately 60%) of the project costs is the most feasible, fair, and equitable mechanism for funding a portion of the project described above.