

AMENDMENT #2

To the

ALGONA URBAN RENEWAL PLAN

CITY OF ALGONA, IOWA

Original Area Adopted – 1995

Amendment #1 – 2004

Amendment #2 – 2013

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CITY OF ALGONA, IOWA

The Algona Urban Renewal Plan (“Plan” or “Urban Renewal Plan”) for the Algona Urban Renewal Area (“Area” or “Urban Renewal Area”), adopted in 1995, and amended in 2004, is being further amended to add and/or confirm the list of proposed projects to be undertaken within the Urban Renewal Area by Amendment #2 (“Amendment #2” or “Amendment”). No land is being added to the Area by this Amendment.

Except as modified by this Amendment, the provisions of the original Algona Urban Renewal Plan, as previously amended, are hereby ratified, confirmed, and approved and shall remain in full force and effect as provided herein. In case of any conflict or uncertainty, the terms of this Amendment shall control.

AREA DESIGNATION

The Area originally was designated as appropriate for economic development. A blight designation was added on the Area as a part of Amendment #1. In July of 2013, a survey of properties located in the Urban Renewal Area confirms several pockets of blighted buildings located at various locations in the Area. This finding is the result of a combination of blighting influences associated with the identified properties including deteriorating structures, faulty lot layout, declining property values, delinquent taxes, incompatible land uses, and abandoned/vacant buildings. As a result, the Area continues to be a mixed area in which blighted conditions exist and an economic development district that is appropriate for the promotion of new commercial and industrial development.

PROJECT OBJECTIVES

Renewal activities are designed to eliminate blighting influences and to provide opportunities, incentives, and sites for community economic development purposes, including new commercial and industrial development. Objectives include:

1. To stimulate, through public action and commitment, private investment in new development, including commercial and industrial projects.
2. To provide for the installation of public works and facilities, which contribute to the sound development of the Area.
3. To provide a more marketable and attractive investment climate.
4. To eliminate blighting influences and to promote revitalization.

5. To encourage commercial and industrial growth and expansion through governmental policies which make it economically feasible to do business.
6. To help develop a sound economic base that will serve as the foundation for future growth and development.
7. To plan for and provide sufficient land for commercial and industrial development in a manner that is efficient from the standpoint of providing municipal services.
8. To achieve a diversified, well-balanced economy providing a desirable standard of living, creating job opportunities, and strengthening the tax base.
9. To provide public facilities and services that help to improve the quality of life and enhance the overall viability of the community.
10. To enhance the Algona community by fostering an entrepreneurial climate, diversifying the local economy, encouraging opportunities for new businesses, and supporting retention of existing businesses.

TYPES OF RENEWAL ACTIVITIES

To meet the objectives of this Urban Renewal Plan and to encourage orderly development of the Area, the City intends to utilize the powers conferred under Chapter 403 and Chapter 15A, Code of Iowa. Activities may include:

1. To undertake and carry out urban renewal projects through the execution of contracts and other instruments.
2. To arrange for or cause to be provided the construction or repair of public infrastructure including, but not limited to, streets, water and sewer systems, public utilities or other facilities in connection with urban renewal projects.
3. To provide for the construction of specific site improvements such as grading and site preparation activities, access roads and parking, fencing, utility connections, and related activities.
4. To arrange for or cause to be provided the construction, expansion, or repair of public buildings and facilities in order to enhance services, comply with current building standards, or preserve historic value.

5. To acquire property through a variety of means (purchase, lease, option, etc.) and to hold, clear, or prepare the property for redevelopment.
6. To dispose of property that has been acquired.
7. To make loans, forgivable loans, tax rebate payments or other types of grants or incentives to private persons or businesses for economic development purposes or to eliminate blighting influences on such terms as may be determined by the City Council.
8. To borrow money and to provide security therefor.
9. To make or have made surveys and plans necessary for the implementation of the Urban Renewal Program or specific urban renewal projects.
10. To use tax increment financing for a number of purposes, including but not limited to, achieving a more marketable and competitive land offering price and providing for necessary physical improvements and infrastructure.
11. To use any or all other powers granted by the Urban Renewal Act to develop and provide for improved economic conditions for the City of Algona and the State of Iowa.

PREVIOUSLY APPROVED URBAN RENEWAL PROJECTS

Numerous urban renewal projects were authorized prior to July 1, 2012, and the date of this Amendment and are continuing. These projects are not listed in this Amendment.

PROPOSED URBAN RENEWAL PROJECTS (Amendment #2)

Although certain project activities may occur over a period of years, in addition to the projects previously proposed in the Algona Urban Renewal Plan, as previously amended, the Proposed Urban Renewal Projects under this Amendment include:

1. Public Improvements

Project	Estimated Date	Estimated Cost	Rationale
Reconstruction of Snap-On Drive from Highway 18 to Poplar Street.	2013-2015	Not to Exceed \$750,000	Improves access to Industrial Park.

Infrastructure extensions and improvements to properties located adjacent to Highway 18 and Highway 169	2014-2019	Not to Exceed \$300,000	Highways 18 and 169 are main thoroughfares through the community and available lots adjacent to these highways offer good potential for development and redevelopment. The extension and improvement of municipal water mains, sanitary sewer lines, and storm drainage facilities to these sites could enhance the possibility of commercial or industrial development.
Remodeling of existing Public Library space and expansion into building space not currently occupied by the library. Current library has occupied this site for 30 years and improvements are necessary.	2015-2019	Not to Exceed \$600,000	The City's library is a vital component of the community. Its strategic and walkable location improves the overall quality of life for many residents, which in turn boosts the economic health of the community.
Improvements to Downtown Commercial District including the reconstruction of streets, curb and gutter, and related infrastructure	2016-2020	Not to Exceed \$600,000	Upgrades needed to improve access to Downtown Commercial District which will help to revitalize area, attract new businesses, and retain existing businesses.
Infrastructure extensions and improvements including water mains, sanitary sewer lines, and storm sewer drainage facilities serving the Industrial Park	2016-2020	Not to Exceed \$500,000	The extension of infrastructure and the improvement of existing infrastructure capabilities will ensure adequate service is available to handle the needs of companies locating in the Industrial Park.
TOTAL		Not to Exceed \$2,750,000	

2. Blight Remediation

A. The City is considering the establishment of a program intended to provide financial incentives to downtown property owners for the construction of building improvements in the Downtown Business District. A variety of improvements that result in property enhancements to privately owned buildings will be allowed by the program including, but not limited to:

- Façade reconstruction, signage, awnings, window replacements, roof repairs, and related exterior renovations.
- Interior building renovations.
- Sidewalk, landscaping, lighting, and related streetscape improvements.
- Demolition of deteriorated or dilapidated buildings.
- New construction of office buildings or retail commercial property.

Revitalization of the targeted buildings will reverse deterioration occurring to some downtown structures, enhance viability of the downtown commercial district and may stimulate other investment and development in the downtown area. The program may involve grants or loans to building owners who commit to constructing qualified improvements. This program will promote economic development and remediate blight by making building restoration costs affordable to owners. No publicly owned buildings will be eligible for funding through this program.

It is estimated that improvements would take place beginning in 2014 and the City expects to provide incentives of up to \$500,000. The City may determine to use loans, which would be repaid to the City in the future. [If the City receives repayments on loans that have been made from Tax Increment, the City will comply with Iowa law regarding how any net proceeds of the loans are handled.]

B. The City expects to consider providing economic development grants or loans to assist a developer who is renovating property formerly owned by the Algona School District. The project will involve two abandoned school buildings and will involve conversion of these structures to market-rate apartments. Additionally, rehabilitation of the gymnasium and auditorium areas of one of the buildings is proposed. Once completed, the renovated gymnasium and auditorium will be utilized by the City for a variety of city-sponsored recreational programming and will also be available to the general public on a rental basis for private functions.

The school buildings are located on S. Harlan Street and Nebraska Street and have been empty for 4 years. The main school building is 80 years old and, at one time, school district officials considered renovation of the structure in order to keep it as a functional part of the district. Estimated costs of the school renovation were \$6,000,000 – \$12,000,000. School officials concluded that it was more cost-effective to build a new facility rather than renovate the 80-year old building.

The financial burden on the school district to minimally maintain the empty buildings grows each year that the buildings stand empty. The sheer size of the buildings and property limit the potential for resale. The heating/cooling/electrical systems are obsolete and the outdated building materials will require substantial renovation costs for any further use of the structures.

Collectively, the outdated condition of the buildings, problems associated with continued vacancy, and the obsolescent nature of its operating systems impose a burden to the school district and impairs development potential of the area. These conditions result in this property being a detriment to the community and a blight finding for this area is warranted.

The specifics of assistance that might be provided to the developer are unknown at this time but a broad range of incentives may be considered, including but not limited to loans, grants, tax rebates, tax abatement, or a combination of these incentives. It is estimated that the City may provide incentives ranging from \$100,000 - \$800,000 for this project.

3. Development Agreements

A. *Crimmins Investment LLC.*: Economic Development Grants in the form of tax rebates to support Crimmins Investment LLC. warehouse project located on Lot 2 Snap-On Industrial Park. The project consists of constructing a 100,000 square foot warehouse and building. Construction will take place in November 2013. Crimmins Investment LLC. is expected to invest an estimated \$4 million in the Project. The City expects to make Economic Development Grants in the form of rebates of incremental taxes generated by the Project of approximately \$900,000 to \$950,000 over a 10-year period.

B. *Additional Development Agreements*: The City expects to consider requests for Development Agreements for projects that are consistent with this Plan, in the City's sole discretion. Such Agreements are unknown at this time, but based on past history, and dependent on development opportunities and climate, the City expects to consider a broad range of incentives as authorized by this Plan, including but not limited to land, loans, grants, tax rebates, public infrastructure assistance, and other incentives. The costs of such Development Agreements will not exceed \$600,000.

4. Planning, engineering fees, attorney fees, other related costs to support urban renewal projects and planning

Project	Date	Estimated cost
Fees and costs	Undetermined	Not to exceed \$25,000

FINANCIAL INFORMATION

1.	July 1, 2013 constitutional debt limit:	\$15,658,490
2.	Outstanding general obligation debt:	\$4,491,828
3.	Proposed amount of indebtedness to be incurred: A specific amount of debt to be incurred for the Proposed Urban Renewal Projects (Amendment #2) has not yet been determined. This document is for planning purposes. The estimated project costs in this Amendment are estimates only and will be incurred and spent over a number of years. In no event will the City’s constitutional debt limit be exceeded. The City Council will consider each project proposal on a case-by-case basis to determine if it is in the City’s best interest to participate before approving an urban renewal project or expense. It is further expected that such indebtedness, including interest on the same, may be financed in whole or in part with tax increment revenues from the Urban Renewal Area. Subject to the foregoing, it is estimated that the cost of the Proposed Urban Renewal Projects as described above will be approximately as follows:	\$4,875,000 to \$5,625,000

PUBLIC BUILDING ANALYSIS

Planned improvements to the Algona Public Library (“Project”) as proposed in this Amendment would result in renovations to a public building. If the Project is ultimately approved by the City, the City intends to finance some or all of the cost through tax increment financing. For a portion of the Project costs, the City proposes to issue general obligation bond notes and abate all or 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 project and reasons why such options would be less feasible than the use of incremental tax revenues for the Project.

One alternative funding option for this Project is the issuance of general obligation bonds that would be paid by the City’s debt service levy (i.e. without using incremental tax revenues). This option would mean that only taxpayers of the City would be responsible for payment of the bonds/notes. However, the library improvement project benefits not only City residents, but also

County and school district residents. In such a case, the use of tax increment financing to pay principal and interest payments from debt associated with the Project is the most appropriate funding mechanism.

The use of tax increment funds as an appropriate funding mechanism for the Project is evident when considering the long-term economic development impact that the library provides to the community:

- The downtown library is a facility that is a community gathering place for County residents as well as City residents. Algona currently has one of the highest user rates for its library when compared to other similarly sized communities.
- Library records show that library cards are held by 1,433 individuals who reside outside of the Algona corporate limits. In addition, the library offers numerous programs, classes, book discussion groups, homebound services, and children's events which are open to residents of Algona as well as County residents. Library records indicate that residents who reside in the unincorporated area of the County actively participate in these library-sponsored events.
- Additionally, school-aged children who benefit from the City library further confirm the widespread usage of the facility. Library records show 900 youth (children younger than 6th grade) as having library cards. The library works closely with the Algona Community School District to provide reading programs for school-aged students.
- Recently, the Iowa Workforce Development office that had been located in Algona for many years was closed due to state budget reductions. In a response to no longer having a local workforce development site, the library has purchased additional computers to allow area residents better access to tools needed for job searches, word processing, or related correspondence.
- The Stinson Prairie Arts Council is a local arts group that extensively utilizes the library building. The conference room of the library is the site of regular meetings of the Arts Council as well as their numerous arts exhibits.
- Both the Kossuth County Economic Development Corporation and the Algona Economic Development Corporation actively work to help foster the expansion and creation of businesses in the Algona area. These development groups consistently promote quality of life issues which are important to businesses locating in the area. Continual improvement to quality of life services available to residents of the community is an important component in supporting the efforts of these development corporations.

Collectively, the diverse uses of the City's public library result in important services that benefit City and County residents, school children, economic development efforts, and overall quality of life issues of the area. Therefore, the use of tax increment is the most appropriate funding mechanism because it is fair for the school district and the County to share in the costs of the project.

Other alternate funding options that the City may consider include sources such as state, federal and/or local grant programs available for library restoration, as well as private donations. However, funding from most grant programs is extremely competitive and, even if successful, generally only provides a small percentage of the total capital needed for a renovation project. While private donations will be solicited, library user fees are not expected to be a viable source of funding. The Iowa Library Association urges libraries not to charge user fees for the use of a library. Libraries have historically been a free service for patrons.

Local option sales tax (LOST) revenues is another potential source of funding for the proposed project. However, for fiscal year 2013/2014 the City pledged LOST funds to re-roof the library building prior to other library renovation work being started. Due to the need for funding of other locally important projects, continued allocation of LOST funds to the library will be difficult.

In summary, these alternative funding sources, as well as the use of general obligation debt paid solely from City revenue, are less feasible than the use of increment tax financing. For all of the aforementioned reasons, the tax increment revenue funding alternative option (general obligation debt abated by incremental tax revenues) is the most fair and equitable mechanism for funding of the Project described above. Alternative options for funding of the Urban Renewal Project are less feasible than the use of incremental tax revenues.

DEVELOPMENT PLAN

Algona has a general plan for the physical development of the City, as a whole, outlined in the City's zoning and subdivision ordinances. The projects proposed in this Amendment are consistent with these zoning and subdivision regulations.

URBAN RENEWAL FINANCING

The City of Algona intends to utilize various financing tools such as those described below to successfully undertake the proposed urban renewal actions. The City of Algona has the statutory authority to use a variety of tools to finance physical improvements within the Area. These include:

A. Tax Increment Financing

Under Section 403.19 of the Iowa Code, urban renewal areas may utilize the tax increment financing mechanism to finance the costs of public improvements associated with redevelopment projects. Upon creation of a tax increment district within the Area, by ordinance, the assessment base is frozen and the amount of tax revenue available from taxes paid on the difference between the frozen base and the increased value, if any, is segregated into a separate fund for the use by the City to pay costs of the proposed urban renewal projects. The increased taxes generated by any new development, above the base value, are distributed to the taxing entities, if not requested by the City and in any event upon the expiration of the tax increment district.

B. General Obligation Bonds

Under Sections 384.23 to 384.36 of the Iowa Code, the City has the authority to issue and sell General Obligation bonds for specified essential and general corporate purposes, including the acquisition and construction of certain public improvements within the Area. Such bonds are payable from the levy of unlimited ad valorem taxes on all the taxable property within the City of Algona. It may be the City will elect to abate some or all of the debt service on these bonds with incremental taxes from this Area.

The City may also determine to use tax increment financing to provide incentives such as cash grants, loans, tax rebates or other incentives to developers in connection with the commercial or industrial development. In addition, the City may determine to issue general obligation bonds, tax increment revenue bonds or such other obligations, or loan agreements for the purpose of making loans or grants of public funds to private businesses located in the Area. Alternatively, the City may determine to use available funds for making such loans or grants.

Nothing herein shall be construed as a limitation on the power of the City to exercise any lawful power granted to the City under Chapter 15, Chapter 15A, Chapter 403, Chapter 427B, or any other provision of the Code of Iowa in furtherance of the objectives of this Urban Renewal Plan.

PROPERTY ACQUISITION/DISPOSITION/DEVELOPMENT AGREEMENTS

Notwithstanding prior Plan provisions, the City will follow any applicable requirements for the acquisition and disposition of property, and shall determine the terms of development agreements, subject to the City's discretion.

URBAN RENEWAL PLAN AMENDMENTS

The Algona Urban Renewal Plan may be amended from time to time for a variety of reasons, including but not limited to, adding or deleting land, adding urban renewal projects, or modifying goals or types of renewal activities.

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

EFFECTIVE PERIOD

This Algona Urban Renewal Plan Amendment #2 will become effective upon its adoption by the City Council. Notwithstanding anything to the contrary in the Urban Renewal Plan, any prior amendment, resolution, or document the Urban Renewal Plan 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 be consistent with Chapter 403 of the Iowa Code. The division of revenues shall continue on the Area, including Amendment #1 Area, for the maximum period allowed by law.

The Urban Renewal Area is a mixed economic development/blight area. Notwithstanding anything to the contrary in the Urban Renewal Plan, any prior amendment, resolution, or document, incremental tax revenues can continue to be collected through fiscal year 2024/2025 for the entire Urban Renewal Area.

REPEALER

Any parts of the previous Plan, as previously amended, in conflict with this Amendment are hereby repealed.

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 previously adopted Plan as a whole or the previous amendments to the Plan, or any part of the Plan not determined to be invalid or unconstitutional.