

PUBLIC BUILDING ANALYSIS

A project proposed in this Amendment involves a public building. This project involves asbestos testing and renovation, demolition of the former hospital facility and subsequent site preparation.

If this project is ultimately approved by the City, the City intends to finance the cost through tax increment financing. For the costs of this project, the City proposes to issue general obligation bonds and abate 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.

Blight Remediation and Economic Development Potential:

The existing vacant hospital building presents a blighting influence on the area. It is suspected that the hospital contains asbestos, and the City has accepted a proposal for asbestos testing in the facility. The original part of the hospital was built approximately 60 years ago. The front façade of the building is approximately 30-years-old. The boiler system is aged. The rooms are small. The hospital's Board of Directors initiated a feasibility study for renovations in 2013. Based on the study's findings, it was estimated that renovations would cost between \$7-8 million. The Board decided to build a new hospital instead of renovate, and the Board gifted the former health facility and site to the City of Sioux Center.

The proposed demolition activities are anticipated to eliminate the blighted condition and boost the economic development potential of the area.

Demolition of the deteriorated targeted structure will improve livability of the community by ridding the area of blight conditions. Site deterioration that will result from the facility being vacated impairs the sound growth of the area and has a negative impact on surrounding properties. Currently, the hospital site is tax-exempt. Converting the site from a tax-exempt community hospital to highway-commercial development allows the City, County, and School District to eventually collect taxes on this property. It is anticipated that new development will result in \$3-5 million will be added to the assessed valuation in this area which will result in \$100,000 to \$200,000 in new taxes could be drawn from potential development. Redevelopment of the targeted site could attract potential employees and their families to Sioux Center. Increased employment opportunities and enhanced livability are necessary factors in sustaining the population of Sioux Center. An attractive, vibrant, and developing community, in turn, will benefit the Sioux Center School District and Sioux County.

Alternative Funding Options:

One alternative funding option for this blight remediation 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.

The City may also consider state, federal, and/or local grant programs to help finance a portion of this project. Although in past years demolition types of activities were eligible for funding

through Brownfield Redevelopment, CDBG, HOME, and NSP grant programs administered by the Iowa Economic Development Authority and Iowa Finance Authority, these revenue sources have either totally lost funding or no longer allow grant dollars to be used for demolition activities. Despite these funding resources no longer being viable, the City will continue to consider other grant and loan programs that might become available.

The use of TIF funds as a funding mechanism for redevelopment of the targeted properties is appropriate when considering the long-term economic development that the Project provides. Redevelopment of the targeted property will eliminate blighting influences, will help to rebuild the tax base, and could result in a ripple effect stimulating investment to and redevelopment of other surrounding properties.

The previously described alternative options for funding of the Urban Renewal Project are less feasible than the use of incremental tax revenues. The project benefits not only City residents, but also County and school district residents. As a result, the use of tax increment financing to pay the principal and interest payments from debt associated with the project is the most appropriate funding mechanism.

Issuing general obligation bonds that would be paid only with the City's debt levy on the hospital project is less feasible than the use of TIF funds because there would be no contribution of tax increment revenues from the School District and County. The proposed project demonstrates regional benefit and since both County and school district residents ultimately benefit from new development, other financing alternatives are less equitable than the use of TIF.

As a result of the proposed Urban Renewal Project benefiting County residents and school patrons, 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 a portion of the costs for the project. The project demonstrates regional benefit to both the County and School District.

For all of 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 project described above.