

City of Fairfield

Housing TIF Objectives and Policies

ADOPTED ON: December 15th 2014

INTRODUCTION

The Housing Needs Assessment conducted by the Area 15 Planning Commission and an on-line survey conducted by the Fairfield Economic Development Association identified two primary housing needs within the City of Fairfield: 1) provide adequate and affordable housing, and 2) create additional housing for Fairfield residents. In order to serve the housing needs of young professionals, young families, and retirees, Fairfield needs a variety of housing types – condominium-style housing units, apartments, and detached single-family homes. To meet Fairfield's growing housing need it is important to encourage development of a diverse range of new housing and the renovation of existing, deteriorating, housing stock.

The biggest barrier to providing these housing options is the overall cost of development. The cost of building a mid-range home coupled with the cost of necessary infrastructure (street, sanitary sewer, potable water, gas, electric, broadband, cable TV, drainage, etc.) push the cost beyond the affordable cost threshold¹. Some cost variability can be managed by adjusting the materials used in the design and building materials. However, the cost of infrastructure is generally related to legislated land-use regulations (zoning and subdivision ordinances) and minimum standards set by county, state, and federal regulatory agencies (ie. the Iowa DNR sets standards for sanitary sewer and potable water supply).

To address this barrier and to establish a range of quality housing types, the City of Fairfield has adopted a policy to utilize **Tax Increment Financing**, when the City Council has determined it is appropriate, to help finance necessary improvements to serve new housing developments and make the renovation of existing units affordable.

Tax Incremental Financing (TIF) is a governmental finance tool that the City of Fairfield uses to provide funds to construct public infrastructure, promote development opportunities and expand the future tax base. Upon creation of a tax increment district within an Urban Renewal 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 value and the increased value, if any, can be 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.

SECTION 1: STRATEGIES, TIF GOALS AND OBJECTIVES

Strategies to Support Neighborhood Revitalization:

- (1) Improve public infrastructure.
- (2) Provide TIF assistance to private development projects that:

¹ "Affordable" cost threshold was identified by local residents via the on-line survey and cross-checked with HUD's identified limits. The building costs were reviewed with local and regional builders and developers. Affordable cost estimates are available at Fairfield Economic Development Association.

- A. Provide a variety of housing choices, through renovation and rehabilitation of existing buildings and new construction in selected areas to increase the quality and diversity of housing stock.
- B. Stimulate the rehabilitation or removal of deteriorated or dilapidated buildings and the creation of in-fill redevelopment.
- C. Provide transportation linkages to existing roads and trails.
- D. Increase the supply and variety of high-quality, home ownership opportunities.

Goal 1: Support Neighborhood Revitalization, Including Downtown TIF Objectives

(1) **High-Need Areas.** Improving conditions in blighted “high need” areas that demonstrate a **significant and substantial** combination of the following examples of physical deterioration:

- A. Deteriorating or obsolete housing stock.
- B. Stagnation or decline in property values.
- C. Existence of conditions which endanger life or property by fire or other causes.
- D. Any combination of factors conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime, and is detrimental to the public health, safety or welfare.
- E. Land upon which buildings or structures substantially impairs or arrests the sound growth of the community.

(2) **Historic Revitalization.** Assisting revitalization of historic or architecturally significant buildings.

(3) **Adaptive Re-use.** Adaptive re-use of obsolete or deteriorating property into other appropriate uses.

(4) **Higher Standards of Building Design, Materials.** The City encourages projects that include additional housing performance standards that incorporate materials, fixtures, designs and appliances which provide health-related benefits and energy conservation, and enhance quality of life including accessibility. Such standards may include: energy conservation equipment and appliances, designs and fixtures that provide for fully accessible dwelling units, and equipment that provides a high level of air quality.

(5) **Urban In-fill.** Encourage urban in-fill projects, consistent with the comprehensive plan, that replace dilapidated or demolished structures and build the tax base.

(6) **Affordable or Workforce Housing** (rental or owner-occupied)

Goal 2: Encourage a Diverse Range of New Housing TIF Objectives

(1) **Expand the range of quality housing options in the City of Fairfield.**

(2) **Encourage the expansion of infrastructure to appropriate growth areas.**

- A. Higher standards of public infrastructure. Encourage high quality infrastructure and minimize long-term maintenance costs of public infrastructure.
- B. Encourage on-site water drainage and non-traditional infrastructure alternatives.

(3) **Increase the tax base for the City of Fairfield.**

- A. Encourage new market rate housing within city limits in order to minimize the tax burden of Fairfield property owners.
- B. Incentivize appropriately dense development so as to minimize the maintenance burden placed on the city by under-utilized infrastructure.

SECTION 2: TIF PROCESS

2.1 TIF Application Process and Eligibility

(1) Simultaneous land use, TIF application.

- A. Prior to or simultaneous with the initiation of the land use approval process, developers seeking TIF assistance should meet with economic development staff and other city staff as appropriate.

- I. Requests for Tax Increment Financing (TIF) assistance are made on application forms provided by the City².
- B. All development projects seeking TIF assistance must receive project land use approvals simultaneous to the review for TIF assistance. In the case where land use process is completed before the TIF process, the land use resolution will be deferred by the Planning Commission until the TIF Application process is completed and economic development staff recommends approval of the Urban Renewal Project to the City Council. Land use approval does not constitute or otherwise influence TIF approval.
- C. Prior to the creation of an Urban Renewal Area³ the City shall;
 - I. Prepare or cause to be prepared an Urban Renewal Plan for the proposed Urban Renewal Area in accordance with Iowa Code Chapter 403.
 - II. Review the Urban Renewal Plan for conformance with the general plan of development for municipality as a whole and seek approval from the Planning and Zoning commission as to the same.
 - III. Hold a consultation with the designated representatives of the “affected taxing entities” to discuss the proposed Urban Renewal Plan and the division of revenue described therein.
 - IV. Publish notice of and hold a public hearing on the Urban Renewal Plan.

Following such hearing the proposed Urban Renewal Area may be approved provided the conditions laid out in Iowa Code 403.5 have been met. The foregoing outlines the general process to adopt an Urban Renewal Plan. Legal review of all plans, amendments, and corresponding resolutions is required. The City shall follow all legal requirements required by law for the formation of an Urban Renewal Area, whether or not specified herein.

(2) New Development TIF eligibility requirements:

- A. Applicant must meet conditions I-V below prior to the city preparing or amending an urban renewal plan.
 - I. Demonstrate the imminent ability and intent to undertake a minimum of \$250,000 worth of infrastructure improvements within the proposed TIF area.
 - II. Control of the proposed development site through ownership or purchase options of property in the proposed TIF District.
 - III. Proof of 10% investor equity in the project and letter of support from lender if the project requires financing.
 - IV. Provide at least one estimate of cost from a qualified civil engineer for the proposed infrastructure improvements.
 - V. Demonstrate the necessary experience and expertise to undertake the proposed project.
- B. Proposed infrastructure within the TIF district must either:
 - I. Comply with existing Fairfield sub-division code requirements (Chapter 19.16).
 - II. Or if developed under a PUD (Ordinance No. 1091), meet the designated city engineer’s approval. If proposed PUD infrastructure is to be accepted into public use, the developer must demonstrate it would not cause a disproportional level of care or maintenance expense compared to traditional infrastructure. PUD features to be considered include:
 - a) Higher density development including row houses, patio homes, or other common-wall construction.
 - b) Narrow streets (18’ – 20’ width).
 - c) Creative drainage such as wetland, rain garden, and detention instead of piped storm sewers.
 - d) Common parking areas using alternative surfaces.

(3) Redevelopment TIF eligibility requirements:

² Link to application.

- A. Redevelopment project areas must occur within a city designated blighted area or meet onsite LMI requirements. Developers should contact economic development staff to determine whether a site is eligible.
- B. Applicant must demonstrate prior to the creation of the TIF District their imminent ability and intent to undertake a minimum of \$300,000 worth of improvements within the proposed TIF area by providing:
 - I. Proof of control of the proposed development site through ownership or purchase options of the property in the proposed TIF District.
 - II. Provide opinion of cost for proposed building(s) improvements.
 - III. Proof of 10% investor equity in the project and letter of support from lender if the project requires financing.

(4) Final TIF approval

- A. The City is not obligated to make a positive TIF assistance recommendation or conclude negotiations in the event information has not been presented to its satisfaction or the proposed project lacks feasibility. In all cases where the developer constructs public improvements it assumes the risk that Tax Increment from future houses will not meet developer's costs.
- B. At such time a resolution of support for TIF assistance is approved by City Council the City Council will require the developer enter into a Development Agreement that establishes reasonable performance expectations regarding minimum assessment, developer guarantee or other security measures to cover TIF implementation costs if increment does not materialize, a development timeline and/or other relevant provisions. An Urban Renewal Plan must be approved and adopted prior to the City entering into any binding obligation with a developer, such as a Development Agreement.

SECTION 3: TIF REIMBURSEMENT

3.1 New Development Reimbursement Determinations

- (1) The period and percentages for TIF reimbursement for new projects may be reviewed and adjusted by the Fairfield City Council on an annual basis per Section 6. Reimbursements will comply with Iowa Code, specifically Chapter 403.22.
- (2) Reimbursement to developer will begin no sooner than the second fiscal year after the year in which project debt is certified by the City to the County Auditor.
- (3) TIF rebate payments will be made annually on or about June 1 of each fiscal year.
- (4) TIF developer rebate period is limited to no more than 10 years of tax collections, unless extended pursuant to law.
- (5) TIF implementation fees
 - A. Initial increment generated by new development TIFs will be utilized to reimburse the City for all and any costs related to the creation of the Urban Renewal Plan and TIF District in a dollar amount not to exceed \$10,000. Payment of these fees will take priority to developer reimbursements.
- (6) TIF rebate percentage determination.
 - A. 90% of Tax Increment⁴ is hereby set as the maximum rate of reimbursement to the developer. The ultimate rebate percentage granted to the developer will be determined by a number of factors, including the percentage of onsite assistance to Low and Moderate Income ("LMI") families⁵. Rebates will not to exceed the amount of qualified costs incurred by

⁴ Increment is defined in accordance with Iowa Code 403.20 and 403.19 and is determined by the difference in current valuation between the base year's assessed values of all taxable property in the Urban Renewal Area included within an ordinance which designates that property as a tax increment area on January 1st of the year preceding the first TIF certification under Iowa Code Section 403.19 (for a new Urban Renewal Area). Increment does not include PPEL, ISPL, joint city-county building taxes, or each affected taxing entity's debt service levies.

⁵ When a City utilizes tax increment financing to support residential development, a percentage of the incremental revenues (or other revenues) generated by the project (not to exceed the project costs which are limited to reimbursement of "public improvement" costs as defined by Iowa law) must be used to provide assistance to LMI families. LMI families are those whose incomes do not exceed 80% of the median county income.

the developer for construction of public improvements (road, water, sewer, parks) when required by state law.

- I. Unless a reduction is approved by the Iowa Economic Development Authority, the percent of incremental revenues used to provide LMI assistance must be at least equal to the percentage of LMI families living in Jefferson County. That percentage is currently 42.1%.⁶
 - II. The requirement to provide assistance for LMI housing may be met by providing that at least 42.1% of the units constructed as part of the Project are occupied by families whose incomes are at or below 80% of the median county income, by setting aside 42.1% of the increment for LMI housing activities elsewhere in the City ("LMI Set-Aside Fund), or by ensuring that 42.1% of the units constructed as part of the Project are affordable to LMI families, or by a mixture of the three options (the "LMI Match"). The City will determine whether a home is affordable to LMI individuals or families under Chapter 403⁷.
 - III. Developments approved for TIF assistance (following all processes required by law) that meet the required onsite LMI Match and score a minimum of 40 points on the green housing development scorecard⁸ are eligible to receive Economic Development Grants consisting of rebates of 90% of Tax Increment after collection of TIF implementation fees.
 - a) Developments scoring less than 40 points on the green housing development scorecard may receive a 10% reduction in rebate.
 - IV. Developments approved for TIF assistance and not meeting onsite LMI Match requirements are eligible to receive the portion of the increment, after TIF implementation fees, not set-aside for LMI assistance. Rebates will not exceed the amount of qualified costs incurred by developer for public infrastructure.
 - (a) Example 1: A development containing no LMI qualified housing could receive a maximum rebate of 57.9% for ten years unless a variance is granted.
 - (b) Example 2: A development containing 20% LMI qualified housing could receive a maximum rebate of 77.9% for ten years unless a variance is granted.
- B. Developers may request the City submit a TIF variance⁹ request to Iowa Economic Development Authority for projects that do not meet the required LMI Match and are not viable under the rebate program outlined in Section 3.1 (6) A. Developers wishing to request a TIF LMI variance should follow the process below:
- I. Consult with economic development staff to examine the necessity of a variance.
 - II. Request a recommendation to seek a variance from the City Council Economic Development Committee. Variance requests will be considered within the context of current housing need, the proposed project's green housing development scorecard score and the proposed project's variance need.
 - III. If City Council agrees to pursue a variance the developer will work with the economic development staff to file the appropriate application to IEDA.
 - IV. Developer must pay for all costs of requesting a variance. Variances must be obtained before a City begins the process of drafting an Urban Renewal Plan.
- C. Special Assessment; any special assessments collected during the rebate period will not be counted towards TIF increment eligible for rebate.
- (7) Tax Abatements
- A. Developer participation in the TIF rebate program precludes any tax abatement allowances in the TIF district for the life of the TIF, and developers will notify homebuyers of this fact prior to the sale of any lot or home.

⁶ Current LMI percentage available on page 9: <http://www.iowaeconomicdevelopment.com/userdocs/documents/ieda/TIFapp.pdf>

⁷ Contact Fairfield Economic Development Association for guidelines on LMI affordability.

⁸ (Online link to be inserted here)

⁹ Variance application available here: <http://www.iowaeconomicdevelopment.com/userdocs/documents/ieda/TIFapp.pdf>

3.2 Redevelopment Reimbursement Determinations (for LMI or Blight projects)

- (1) The period and percentages for TIF reimbursement of new projects listed below may be reviewed and adjusted by the Fairfield City Council on an annual basis. Reimbursement policy will comply with Iowa Code.
- (2) Reimbursement will begin after the project is completed and debt is certified by the City to the County Auditor.
- (3) TIF rebate payments to developers will be made semi-annually within 90 days of recipient of property taxes.
- (4) TIF rebate period is set at no longer than 7 years.
- (5) TIF rebate percentage determination.
 - A. 90% of Tax Increment is hereby set as the maximum rate for developer reimbursement. Developer reimbursement is not to exceed 90% of Tax Increment generated.
- (6) Tax Abatements
 - A. Developer participation in the TIF rebate program precludes any tax abatement allowances in the TIF district for the life of the TIF, and developers will provide homebuyers with written acknowledgement of this fact.
- (7) TIF implementation fees
 - A. Initial increment generated by redevelopment TIFs will be utilized to reimburse the City for all and any costs related to the creation of the Urban Renewal Plan and TIF District in a dollar amount not to exceed \$10,000. Payment of these fees will take priority to developer reimbursements.

SECTION 4: ACCEPTANCE OF INFRASTRUCTURE INTO PUBLIC USE

- (1) At the conclusion of the TIF period, subdivision road and drainage features will be accepted into public use and maintenance if approved by the City Council, assuming certain conditions are determined to have been met by the city appointed engineer, including but not limited to:
 - A. Infrastructure was installed as agreed during TIF negotiations.
 - B. Non-traditional drainage features have demonstrated effectiveness and will not cause disproportion maintenance expenses compared to traditional methods.
 - C. Infrastructure has been adequately maintained.
- (2) The responsible party shall continue to maintain subdivision infrastructure until such time that a petition to accept the infrastructure into public use and maintenance is approved by City Council.

SECTION 5: LMI SET-ASIDE FUND

- (1) TIF increment set-aside to an LMI Set-Aside Fund shall be used in accordance with the Iowa Code to benefit low and moderate income housing.
- (2) The Mayor will appoint a LMI set-aside committee to make recommendations on disbursement of LMI set-aside funds. The assistance to low and moderate incoming housing may be in, but is not limited to, the following forms when such assistance is confirmed to benefit LMI individuals or families:
 - A. Regional Housing Trust.
 - B. Danger and Dilapidated program.
 - C. Habitat for Humanity.
 - D. Construction of LMI housing within or outside urban renewal areas.
 - E. Matching funds for state & federal housing grants.

SECTION 6: STANDARD OPERATING PROCEDURES **Annual TIF Strategy Review**

- (1) The Fairfield City Administrator, FEDA Director, and City Council Economic Development Committee shall be responsible for coordinating an annual Housing TIF strategy review during the first quarter of each calendar year, prior to drafting capital budgets.
- (2) Format of the Review. The strategy review shall track the following format:

- A. Facilitate internal meeting of a staff team to generate report for discussion.
- B. Solicit feedback from developers on the effectiveness of the existing TIF Program.
- C. Staff shall make a presentation of the Council's on the findings of this report.

Disclaimer:

This policy and procedure is only a guideline and does not obligate The City of Fairfield to approve a project/development or to pay any costs incurred by any developer prior to a final approval of a development agreement, which has been executed by the City after the required legislative process, including notice and a public hearing. The City of Fairfield, in its sole discretion, reserves the right to reject any and/or all applications for economic development investment if it is in the City's best interests to do so. The City of Fairfield may at any time change or end this Economic Development Policy for any reason without notice.