



CITY OF IOWA CITY COUNCIL ACTION REPORT

August 6, 2024

Resolution adopting City of Iowa City Tax Increment Financing (TIF) Policy.

Prepared By: Rachel Kilburg Varley, Economic Development Coordinator
Reviewed By: Geoff Fruin, City Manager
Fiscal Impact: n/a
Staff Recommendation: Approval
Commission Recommendations: Council Economic Development Committee recommends approval, 3-0.
Attachments: [Iowa City TIF Policy Updated_Final REDLINED VERSION 2024 Resolution](#)
[Iowa City TIF Policy Updated_FINAL 2024](#)
[Council correspondence - Martha Norbeck](#)

Executive Summary:

Iowa City's TIF Policy was last updated in 2017 and this resolution adopts the attached revised version of the TIF Policy. City goals intended with this policy update include:

- Make necessary updates to ensure the policy references and aligns with the City Council Strategic Plan, Climate Action & Adaptation Plan, Downtown Historic District, and other new City plans and initiatives which have developed since the 2017 policy was adopted.
- Provide clarification about the types of projects that TIF may be used to support, including infrastructure projects or other investments in priorities that do not necessarily generate property tax revenue such as historic preservation, public facilities, or arts and culture.
- Reinforce the City's high expectations for TIF-supported projects while enhancing the City's flexibility to meet and advance City priorities and goals within the context of each unique project.

In addition to updates which accomplish the goals listed above, other notable changes to the TIF Policy include:

- Clarification that the use of district-wide increment may be considered for non-property tax revenue generating public interests such as public infrastructure, arts and culture, or historic, recreational, and/or natural assets.
- Climate Action & Resilience: Shifted emphasis from primarily LEED to expand flexibility for other sustainable development efforts that demonstrate leadership in climate action, building and energy performance, and other decarbonization or environmental management strategies that are in line with the City's net-zero target and adopted Climate Action plans.

- **Historic Preservation:** Simplification of the historic preservation section through acknowledgement of the Downtown Historic District designation and an emphasis on contextual development which preserves, enhances, and contributes to the character and designation of a historic district or landmark.
- **Affordable Housing:** Clarification of minimum compliance period, with a preference for longer-term and permanent affordability.
- **Economic Justice:** Expanded to emphasize workplace safety, child labor, and other labor laws in addition to wage labor.
- **Underwriting and Application:** Note that third-party financial review may be enlisted to help evaluate the need for TIF and edits clarifying the possible structure and terms of TIF assistance.

Background / Analysis:

The Council Economic Development Committee reviewed the proposed TIF Policy at their July 1, 2024 meeting. The Committee reviewed, discussed, and recommended the following changes, which have been incorporated into the final version for City Council approval:

- Add support for projects which advance sustainable and alternative transportation principles within the "Climate Action and Resilience" section
- Removal of language related to demolition in the "Historic Preservation" section, leaving the focus on projects which preserve, enhance, and contribute to the historic character of a designated district or landmark.
- Add strong preference for permanent affordability or longer-term commitments beyond the 20-year minimum in the "Affordable Housing" section.

With these changes incorporated, the Council EDC recommended, by a vote of 3-0, to forward the policy for approval by the full City Council. A clean copy of the revised TIF Policy is attached, along with a redlined version incorporating all staff and Council EDC edits.

This policy update is in line with the City Council Strategic Plan action item to adopt flexible incentives which support the economy and local business. Additionally, the Affordable Housing Action Plan also identifies infrastructure TIFs as a tool to help boost housing supply in the community.

Tax increment financing (TIF) is a mechanism used to provide financial assistance for projects that remove slum and blight and/or advance economic development within a designated urban renewal area and TIF district. The City's TIF Policy provides the standards against which TIF incentives or assistance shall be considered. The TIF Policy works in conjunction with a financial and gap analysis to assess financial need for TIF assistance.