

1000 FRIENDS PRIORITY THIS SESSION: TAX INCREMENT FINANCING REFORM

1000 Friends of Iowa's legislative focus has been reform of Tax Increment Financing (TIF) laws this session. Governor Branstad told the legislature he will sign TIF reform if they tackle commercial property tax reform this year. Last year's commercial property tax bill asked for substantial cuts to new commercial property taxes, but little to existing commercial properties. That would have been a huge incentive for companies to build and add to sprawl. We haven't yet seen what will be offered this year.

1000 Friends has lobbied for TIF reform since our inception in 1998. The latest high-profile battle over TIF was in Johnson County, where Coralville used more than \$10 million in incentives to lure a Von Mauer department store away from an older shopping mall in Iowa City. Coralville offered Von Mauer more than \$9.4 million in TIF incentives to cover construction costs and \$1.5 million for the land at the Iowa River Landing development.

"Tax Increment Financing: A Case Study of Johnson County" by Peter Fisher (see link below), an economist at the University of Iowa's Public Policy Center, found that 15 percent of Johnson County's \$759 million in taxable property is tied up in TIF related development. Coralville accounts for about 70 percent of Johnson County's TIF debt.

<http://www.1000friendsofiowa.org/images/stories/TIF/peter%20fisher%20tif%20case%20study.pdf>

That also means local Johnson County schools and Johnson County government do not receive

any of the \$759 million in tax money. However, the state is obligated to reimburse a majority of the tax funds to school districts from the state's general fund. This requirement shifts the financial tax burden to every taxpayer in Iowa. TIF reimbursement for schools cost Iowans \$46.8 million last year compared to \$45.9 million in 2010, proving the Legislature's cuts and belt tightening aren't the only things needed to reign in money seeping from the general fund. Considering school reimbursements for TIF districts cost Iowans \$5 million in 1992, it may be time to bend your legislator's ear about TIF reform.

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1000 Friends of Iowa is a statewide non-profit organization founded in 1998 based in Des Moines, Iowa.

1000 Friends of Iowa promotes responsible development that

- Conserves and protects our agricultural and natural resources
- Revitalizes our neighborhoods, towns and cities, and
- Improves the quality of life for future generations

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2011 Annual President's Report

Mary Ellen Miller, Board President

Transitions: Linda Gobberdiel joined us two years ago as our part-time Executive Director. Linda resigned in April to work as an independent food systems consultant. LaVon Griffieon is, once again, serving as Interim Executive Director.

Gordy Mills resigned his board position but now serves on our Advisory Board; we are most grateful for his continued counsel.

Ray Meylor resigned as board member to devote more time to his outdoor activism via the Isaac Walton League.

Center On Sustainable Communities accepted our invitation to share office space; they moved into our Merle Hay Mall suite this October and are still unpacking. We anticipate closer collaboration with COSC once they are settled in their new space.

Upon the closing of the Rebuild Iowa Office this summer, the Iowa Smart Planning Task Force was left without a budget or a home. LaVon continues to advocate our message by serving on Task Force committees.

Issue Focus/Citizen Empowerment: This year we launched a campaign to better educate Iowans and legislators about the issues surrounding **Tax Increment Financing** usage in our state. A new display board and brochure helps to spread our message that this state effort is in need of serious reform. We will continue to lobby the legislature for the return to TIF's original intent to "eliminate slum and blight" in deteriorated areas.

Former President Laura Belin has vigorously monitored activities in support of passenger rail funding in Iowa; matching federal monies remain a possibility but the Governor has not yet agreed to the required state match. This will remain a long-term effort for our organization as **transportation** decisions directly effect land-use practices.

The committee report on **farmland protection** remains stagnated in the Iowa Department of Agriculture and Land Stewardship. 1000 Friends is committed to pushing this issue to greater public awareness.

Board member Erv Klaas has developed a presentation on **grass-roots movements** focused on sustainable living at the community level. A group utilizing the "Transitions" model meets regularly in our Merle Hay offices. "The Natural Step" model is also gaining in popularity.

We continue to make effective use of our website and electronic messaging to keep our members informed of land use issues in their areas that need our attention and input via our **Public Policy Updates and Action Alerts**. Our Farm-A-Save signs along I80 west of Des Moines continue to get noticed and our quarterly Land Use Bulletins provide in-depth information and analysis of our focus issues. We also added Constant Contact as a tool to more rapidly message our legislators.

Programs: Our 2010 Annual Meeting was held last autumn at the Griffieon Family

Farm near Ankeny. Keynote speakers included former 1000 Friends board member Tom Dunbar and Davenport Urban Planner Darrin Nordahl who discussed efforts supporting urban food production. The meeting included a Silent Auction of donated items.

Our second annual **Sustainable Planning Workshop** was held in Perry, IA, this past June. Keynote speaker was Roger Millar from Smart Growth America. This is a most successful collaborative effort with several organizations, originally spearheaded by Linda Gobberdiel.

Membership: In spite of these tough economic times, our membership has remained stable and loyal in support of our mission. We were, once again, successful in meeting our membership match for the Iowa Foundation for Education, Environment and the Arts grant.

This year, our Central College intern created a very clever brochure as a young adult membership recruitment tool. Additionally, our educational displays serve as a wonderful membership recruitment tool. Recent venues have included Iowa Horticultural Society; Iowa Environmental Council; Women, Food and Agriculture Network; Natural Living Expo; Central College Eco-Fair, DMACC Eco-Fair, and the National Main Street Conference.

In your service,

Mary Ellen Miller

Iowa DOT Needs Your Feedback!

Chicago to Omaha Regional Passenger Rail System Planning Study Online Open House to Receive Public Feedback

1000 Friends supports passenger rail, so we want our members to jump on this opportunity! The Iowa Department of Transportation (DOT) is reminding the public about the Chicago to Omaha Regional Passenger Rail System Planning Study's online, self-directed, open house at <http://www.iowadot.gov/chicagotoomaha/>. Announced in late January, the study's sponsors are still seeking visitors and public comment.

Comments can be submitted at the online open house. Meeting materials and a comment form can also be downloaded at <http://www.iowadot.gov/chicagotoomaha/> and mailed to: Tamara Nicholson, director, Office of Rail Transportation, Iowa Department of Transportation, 800 Lincoln Way, Ames, Iowa 50010. For those without Internet access, meeting materials and a comment form may be requested by calling 800-488-7119.

More information about the potential impact of passenger rail in the Midwest, including job creation, may be found at <http://www.connectthemidwest.com>.

Support TIF Reform

(continued from page 1)

TIF laws should be reformed to better reflect the original intent of the legislation; urban revitalization. The definition of "blight" for urban renewal TIF districts should be clarified to ensure that TIF districts are in true need of funds for urban revitalization. Farmland should not constitute "slum and blight". Additionally, economic development and residential TIFs should be abolished. Only residential property in blighted urban neighborhoods should qualify and certainly not housing in gated and golf communities, as is currently allowed.

TIF districts should have state oversight and definitive sunset dates. After all, if your economic development project hasn't taken off in twenty years chances are it never will.

Be prepared, this topic may surface quickly in the Legislature. Please attend your legislative coffees and inform your legislators and others about the abuses happening with TIF funding. Pages 5 and 6 of this newsletter include more information about TIF, or you may download our TIF brochure at <http://www.1000friendsofiowa.org/images/PDF/tifbrochurefinal.pdf> for more information and talking points on this subject and **please share the brochure with your legislator!**

Congratulations to Recipients of the 2011 Best Development Awards!

1000 Friends of Iowa honored our 2011 Best Development Awards recipients at an award presentation in November. The **Best Development Awards** recognize development projects and programs across the state of Iowa that best reflect the principles of smart growth and sustainable development and the cities, companies, non-profit organizations and individuals who made these projects or programs possible. The winners of the Best Development Awards are models of how responsible development practices provide benefits to the community, the environment, and quality of life for future generations.

Please join 1000 Friends of Iowa in congratulating the 2011 Recipients:

New Residential: The Seasons Housing Addition, St. Ansgar

1000 Friends of Iowa recognized The Seasons Housing Addition with the 2011 Best Development Award under the category of Best New Residential. The judges praised the St. Ansgar Economic Development Commission for its collaborative efforts to stabilize the economy of St. Ansgar and provide needed housing so people in the community can live close to where they work.



Learn more about The Seasons Housing Addition at:
<http://www.mitchellcoia.us/>

Renovated Commercial/Civic: Small City Award – Wright on the Park, Mason City

Wright on the Park received the 2011 Best Development Award under the category of Best Renovated Commercial/Civic. As the only remaining hotel in the world designed by architect Frank Lloyd Wright, the judges agreed Wright on the Park is a world-class project that highlights the economic and cultural benefits of preserving the history and sense of place in our communities. Our 2012 Annual Meeting will be held at the hotel.



Learn more about Wright on the Park at:
<http://wrightonthepark.org/>

Renovated Commercial/Civic: Large City Award – Roshek Building, Dubuque

Dubuque Initiatives was selected for the 2011 Best Development Award under the category of Best Renovated Commercial/Civic for the adaptive re-use of the Roshek Building. The judges admired the amazing collaborative effort demonstrated in this project to quickly adapt an existing downtown building for other uses that benefit the larger community. *(continued page 7)*



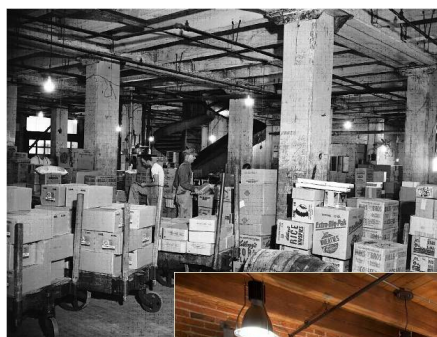
Learn more about Dubuque Initiatives at:
<http://www.cityofdubuque.org/>

2011 Best Development Awards Recipients

New Commercial/Civic: Municipal Marina and Visitor Center, Guttenberg
The City of Guttenberg received the 2011 Best Development Award under the category of Best New Commercial/Civic for the Guttenberg Municipal Marina and Visitor Center. The judges praised the project as an important initiative that will help to keep downtown Guttenberg healthy and vibrant for future generations.



Learn more about the City of
Guttenberg at:
<http://www.cityofguttenberg.com/>



Mixed Use: CMBA Studio/The United Center, Sioux City
The 2011 Best Development Award under the category of Best Mixed-Use went to CMBA Studio/The United Center. The judges praised this project for the beauty of the rehabilitation of the building and the creative adaptive re-use of a building that might otherwise have been lost. They also noted the extra efforts made to follow best practices with regard to green building techniques.



Learn more about CMBA Studio at:
<http://www.cmbaarchitects.com/>

Leadership: City of Perry

The City of Perry was given the 2011 Best Development Award under the category of Leadership. The judges praised the City of Perry for their many interconnected efforts to stabilize and strengthen the economy of Perry through use of smart growth principles. Any one of the initiatives/programs and projects listed in the City of Perry's nomination was worthy of praise, but the total package is deserving of the 2011 Leadership Award.



Learn more about the city of Perry at:
<http://www.perryia.org/main.html>



What is TIF?

Tax Increment Financing is part of Iowa's "Urban Renewal" law enacted in 1957. TIF was added in 1969 to eliminate slum and blight in deteriorated areas. TIF was to increase and enrich the tax base through job growth, population retention, earnings gains or trade enhancement. Initially, the law was very effective.

In 1985 during the farm crisis, the Iowa legislature changed the law to add economic development as a general purpose of for the bill. In 1996 the law was expanded to include residential development and housing as well as business development of various types.

TIF allows a special district to be set up whereby a majority of the tax revenue from new development stays within the district to support further development or to pay off bonds. Rural Improvement Zones are allowed. Community colleges use TIF to fund job training.

TIF is an excellent way to concentrate resources on an area that really needs revitalization. But less money is available to cover expenses elsewhere in city budgets. Counties, cities, and school districts are denied portions of the revenue they normally would receive in tax funding from new development.

Finally, the state is obligated to reimburse a majority of the tax funds to the school districts, a requirement that **shifts the financial tax burden to every taxpayer in Iowa.**

What Is the Cost of TIF to Taxpayers?

Property tax financing of TIF revenue in FY2011 totals **\$279.7 million** in Iowa.

During FY 2008 and FY 2009, cities **collected \$514 million** in TIF property tax revenue but also **increased** reported TIF debt by **\$605 million**.

Since 1978, in **Polk County alone**, more than **\$1.7 billion** in city property taxes have been directed **towards** TIF financing and **away** from public services such as schools. **Every** taxpayer in Iowa shoulders the tax shift.

Nearly **\$760 million** in Polk County has gone towards developing undeveloped, suburban land. These TIF loans are supposed to be paid back eventually, but most have not been paid to date.

What Can Be Done to Stop Taxpayers Subsidizing Sprawl?

TIF laws should be reformed to better reflect the **original intent** of the legislation: urban revitalization. The definition of "blight" for urban renewal TIFs should be clarified to ensure that TIFs are in true need of funds for urban revitalization.

Farmland should not constitute "slum and blight". Additionally, **economic development and residential TIFs should be abolished.**

You Elected Them—Now Tell Them What You Expect

Have you ever been hired for a job only to have the new boss neglect to share expectations of the job? A good boss probably wouldn't do that.

Legislators are always asking to hear from constituents. Your elected officials want to hear from you, they need to hear from you. Lobbyists say grass-roots pressure from home is still the most effective way to move a legislator, even in this age of political action committees and attack ads. So, whether by e-mail, phone, letter, Twitter, Facebook or in person, please chime in with your senator and representative and let them know how you expect them to vote on issues that are important to you. If you don't know how to contact your state legislator, here's a link to find out:

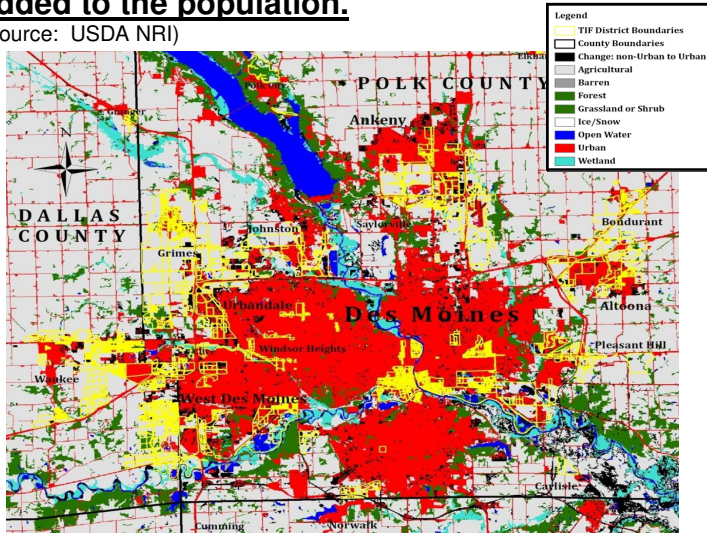
<https://www.legis.iowa.gov/Legislators/find.aspx>

Does TIF Aid Urban Revitalization or Subsidize Suburban Sprawl?

Originally intended to enhance struggling Main Streets and redevelop blighted inner-city neighborhoods, TIF is being used for upscale golf communities, airports, industrial parks on farmland, super-stores, etc.

The Polk/Dallas Co. map below, shows many TIF districts are established on agricultural lands on the urban fringe. This suggests that TIF is frequently used to aid economic development in suburbs while promoting development in open spaces and farmland in rural and suburban communities. This contributes to urban sprawl in Iowa. ***Since 2006 Iowa developed 2.5 acres for every new person added to the population.***

(Source: USDA NRI)



Source: Dean Porter, 2010 Grinnell College Student and 1000 Friends of Iowa Intern

These Facts TIF Us Off!

- There are 2,125 **active** TIF areas in IA
- 1,527 generated TIF revenue in FY2011 and 309 of those have no base value
- **Entire cities** are approved TIF districts
- FY2011 property tax financing of TIF districts totals at **\$279.7 million**
- 394 local governments are receiving TIF revenue in FY2011, including:
 - 349 cities, 40 counties,
 - 2 community colleges
 - 3 rural improvement zones
- Iowa's General Fund reimbursed schools **\$46.8million** in **FY2012**
- In **FY1992** Iowa's General Fund reimbursed schools **\$5 million**
- During FY08 and FY09, cities **collected \$514 million** in TIF property tax revenue. They also **increased reported TIF debt \$605 million** over the same years
- Iowa's FY2011 top 32 TIF'd cities have expanded faster than Iowa's urban average, but so has their consolidated tax rate of 36.54%. **36.7% of their tax revenue went to TIF.**

Proposed TIF Reform

- **Return** TIF to its original intent
- **Regulate** existing TIF economic development and residential projects that threaten undeveloped land
- **Require** Smart Planning Principles be implemented for any government entity seeking to establish, extend boundaries, duration, or increase indebtedness of a TIF district
- **Rectify** state oversight and certify compliance

Rebuild Iowa Office Online Materials Moved

The work of the Rebuild Iowa Office (RIO) which closed on June 23, 2011, has been moved from their old website. The new website, posted as a courtesy by the University of Iowa's School of Urban and Regional Planning, includes all the tools RIO's old website had. The website is not updated, but the existing resources and information maintained and preserved on the site are valuable. Visit:

<http://rio.urban.uiowa.edu/>

Welcome New Board Members!

At the 2011 Annual Meeting, membership present elected three new people to the 1000 Friends of Iowa Board of Directors. Please join us in welcoming new board members Ed Cox, Drake Larsen and Lynn Laws!

Each new board member brings enthusiasm, willingness, unique perspective and area of expertise. We are very excited to have each of them on our board and look forward to the year ahead.

To learn more about each board member, visit:
<http://1000friendsofiowa.org/content/view/23/86/>.

Welcome Ed, Drake and Lynn!