

City of Tipton, Iowa

Meeting: Tipton City Council Work Session
Place: Tipton Fire Station, 301 Lynn Street, Tipton, Iowa 52772
Date/Time: Monday, September 17, 2018, 5:00 p.m.
Web Page: www.tiptoniowa.org
Posted: Friday, September 14, 2018 (Front door of City Hall & City Website)

Mayor:	Bryan Camey		
Council At Large:	Leanne Boots	Council At Large:	Pam Spear
Council Ward #1:	Ross Leeper	Council Ward #2:	Dean Anderson
Council Ward #3:	Tim McNeill		
City Manager:	Brian Wagner	City Attorney:	Lynch Dallas, P.C.
Finance Director:	Melissa Armstrong	Gas Utilities Supt:	Virgil Penrod
City Clerk:	Amy Lenz	Electric Utilities Supt:	Floyd Taber
Dir. of Public Works:	Steve Nash	Water & Sewer:	Brian Brennan
Police Chief:	Lisa Kepford	Emergency Med Dir:	Brad Ratliff
Park & Recreation:	Adam Spangler	Economic Dev. Director:	Linda Beck

A. Call to Order

B. Roll Call

C. Agenda Additions/Agenda Approval

D. Old Business

1. Discussion Concerning the Establishment of an Urban Revitalization Area Within the City

E. Adjournment

Pursuant to §21.4(2) of the Code of Iowa, the City has the right to amend this agenda up until 24 hours before the posted meeting time.

If anyone with a disability would like to attend the meeting, please call City Hall at 886-6187 to arrange for accommodations/transportation.

Urban Revitalization Report
Council Work Session / Council Meeting
September 17, 2018

According to a sampling of Urban Revitalization Plans written by the Dorsey & Whitney Law Firm for other cities:

The Urban Revitalization Act, Chapter 404 of the Code of Iowa, is intended to encourage development, redevelopment, and revitalization within designated areas of a city by authorizing property tax development incentives to the private sector. Qualified real estate within a designated area may be eligible to receive a total or partial exemption from property taxes on improvements for a specified number of years, with the goal of providing communities with a long-term increase or stabilization in the local tax base by encouraging new construction which might not otherwise occur.

If the Tipton City Council is interested in establishing an urban revitalization area, these basic questions need to be considered:

- 1.) Should the entire City or only part of it be given this designation?
- 2.) What types of properties should qualify for this program?
- 3.) What type of tax-exemption benefits should be offered to qualified projects?

Urban revitalization can apply to both new and existing buildings. It is applicable to industrial, commercial, multi-residential, and residential properties. Some cities include all of these. Some cities limit their program, for example, to residential housing only. In most cases, a benchmark is set as a minimum that's needed to qualify for the program. As an example, the City of Durant's urban revitalization plan states:

In order to be eligible for tax abatement, the increase in actual value of the building due to the improvement must be at least ten percent (10%) and increase the assessed value of the building in an amount not less than \$10,000. If more than one building is located on the property, the ten percent (10%) increase and \$10,000 requirements apply to both structures cumulatively, encouraging the improvement of both the primary residence and detached garage for an example. If no structures were located on the property prior to the improvements, any improvements may qualify. Increases in taxes because of the increased assessed value for land are not eligible for abatement.

Tipton already has an ordinance that creates a 5-year tax-exemption for taxable improvements made to industrial properties. The taxes on eligible new improvements have these annual tax-exemptions: 75%, 60%, 45%, 30%, 15%. These exemption amounts are set by the Iowa Code.

Under a new urban revitalization plan, the City can extend similar tax-exemption benefits to new taxable improvements on additional types of properties:

OPTIONS/CHOICES

A.) COMMERCIAL: 3-year, 100% tax-exemption or an exemption based on a 10-year sliding scale.

The annual maximums for the 10-year sliding scale are exemptions of: 80%, 70%, 60%, 50%, 40%, 40%, 30%, 30%, 20%, 20%.

The Council has the option to offer the full incentive, or the Council can choose to offer fewer than 10 years and/or less of an exemption for each of these years. Examples:

5-year exemption at 80%, 70%, 60%, 50%, 40%. Five-year average = 60%
(This example uses the first 5 years of the 10-year sliding scale above.)

5-year exemption at 75%, 60%, 45%, 30%, 30%. Five-year average = 48%
(This example parallels the exemption schedule for industrial properties as mentioned on the first page of this report.)

Note—Since our current TIF districts don't cover the entire City, this would be an incentive for businesses that aren't TIF-eligible.

B.) MULTI-RESIDENTIAL: 10-year, 100% tax-exemption.

Similar to commercial properties, the Council can choose to offer less than 10 years and/or less than 100% in selected years.

Note—This could be an important incentive for the development of apartment buildings. If apartments/multifamily developments are a goal, then the Council may want to consider offering the maximum benefit, at least for the first years of the urban revitalization program.

C.) RESIDENTIAL: 5-year, 100% tax-exemption but only on the first \$75,000 of new taxable value.

Note—The restriction that limits this to only the first \$75,000 of new taxable value is not as competitive as it could be. For example, the tax-exemption on residential properties can be up to 100% on new taxable value for up to 10 years. But, to do this, the Council needs to determine that we are doing so to try to reverse the effects of "blight." For more on this, please see below.

After getting through what to offer, do we make the entire City an urban revitalization area or only part of it? Also, from the first page, should we adopt a minimum qualification standard similar to Durant's?

Residential properties can receive increased benefits if a city council makes a "blight" designation. If a city determines that it is combating the long-term effects of blight, the exemption for a new home can be up to 100% for up to 10 years. This type of exemption is also available to owners that improve existing residential properties that qualify under a definition such as the one that Durant used that is shown on the first page of this report.

Durant is a nearby example of a city that used a “blight” designation to create an increased incentive for resident housing development.

You might recall Durant’s mass mailing of postcards that described its 7-year, 100% tax-exemption for the construction of new homes. To offer that type of an exemption for residential housing, their city had to make a blight determination of some sort. And, for their situation, they created a 100% exemption for 7 years rather than the full 10 years.

Admittedly, the word “blight” has a negative connotation. But, for urban revitalization, “blight” is a specific term that’s used within the Code of Iowa, so we should keep that in mind as we go forward.

“Blight” doesn’t refer to only one thing. The Iowa Code states, in part, that “blight” can be a combination of factors that “...substantially impairs or arrests the sound growth of a municipality...”

Therefore, this report doesn’t involve a search for tall weeds and deteriorating buildings in residential areas. Truly, these can be found in any community.

Rather, since this type of blight determination only assists residential properties, this report will make the case that other factors (as demonstrated by household income and housing statistics) have substantially impaired the sound growth of the community.

The table below shows the estimated age of housing units in Cedar County. Though these statistics are for the entire County, it is reasonable to assume that these results are generally representative of the age of housing in Tipton.

The table shows that 33.2% of the housing units were built in “1939 or earlier” while 73% of the housing units were built before 1980.

Estimated Age of Housing Units in 2015: Cedar County

Year Built	%	# of Units
2010 or Later	0.7%	94
2000 to 2009	11.0%	892
1990 to 1999	9.2%	746
1980 to 1989	6.4%	519
1970 to 1979	12.8%	1,038
1960 to 1969	9.4%	762
1950 to 1959	11.8%	957
1940 to 1949	5.8%	470
<i>1939 or earlier</i>	<i>33.2%</i>	<i>2,693</i>
Percent 2000 or Later	11.7%	949
<i>Percent Pre-1980</i>	<i>73.0%</i>	<i>5,921</i>

source: American Community Survey (B25034: YEAR STRUCTURE BUILT)

The City of Tipton and Cedar County are members within the 5-county territory of the Council of Governments known as the East Central Intergovernmental Association or ECIA. In turn, ECIA staffs another regional organization known as the Eastern Iowa Housing Corporation or EIRHC.

In EIRHC’s “Housing Assistance Plan 2019” (Aug 16, 2018,) this observation was made:

A large percentage of the housing stock in the region is very old. While certainly many older homes have been rehabilitated over the years, many are still in need of rehabilitation. In the region, on average, 32.49% of the housing units were built before 1940 with over 50% of the regional population earning less than \$50,000 per year. Their ability to afford to update and rehabilitate the older housing stock is diminished. Those homes built before 1978 (region average of 75%) have the potential to contain lead-based paint, which can potentially cause numerous health problems, especially in children and the elderly.

Further in its report, EIRHC’s staff makes this conclusion:

The most common need in the EIRHC Housing service area is the need to make repairs to the existing aged housing stock. While some areas are seeing some new housing construction, all areas (city and rural) in the five-county region have a significant number of homes built over 60 years ago. Windshield surveys of the general housing conditions in communities indicate strongly a need to provide programs to assist with rehabilitation.

The next two tables have to do with household income and house values for the State, County, and area communities. (While other area communities could have been listed, these tables were limited to communities with populations of more than 1000.)

Median Household Income 2016

Cedar County	\$62,292
West Branch	\$63,383
Durant	\$63,323
Mechanicsville	\$58,104
Wilton	\$57,143
Tipton	\$56,401
State of Iowa	\$56,247

source: City-Data.com pages for each entity.

Median House Value 2016

Durant	\$155,909
West Branch	\$149,479
Cedar County	\$148,515
State of Iowa	\$142,300
Tipton	\$134,156
Wilton	\$133,085
Mechanicsville	\$111,654

source: City-Data.com pages for each entity.

In 2016, for median household income, Tipton did slightly better than the State of Iowa, but lagged significantly behind the County and other area communities.

In 2016, for median house value, Tipton did better than Wilton and Mechanicsville, but came in significantly behind the State, the County, and two of the nearby communities.

The next table shows the number of Tipton's building permits for the construction of new homes/duplexes since 2010.

Building Permits for New Residential Construction 2010-2017

2010: 4	2014: 6
2011: 2	2015: 4
2012: 5	2016: 2
2013: 5	2017: 6

source: City of Tipton building permit records.

For the eight years that are depicted in the table, there were never more than 6 homes/duplexes build in any given year. The average number of permits for the eight years was just over 4 per year.

Conclusions concerning residential housing. The question that we're dealing with concerns whether to extend a greater level of urban revitalization benefits for residential property improvement.

To do so, the Council must determine that the City is trying to reverse the effects of "blight."

This report could have asked the City Council to base its decision by finding examples of deteriorating residential buildings or aging public infrastructure. But again, to some degree, any city can do that. Furthermore, EIRHA's Housing Plan already noted that its windshield survey found ample examples deteriorating residential properties throughout its 5-county area.

Instead, this report is based on the proposition that a "blight" situation can exist due to a combination of factors that result in slow economic growth that "*substantially impairs or arrests the sound growth*" of our community:

- 1.) 73% of Cedar County's housing units were built before 1980. And, of those, half were built before 1939.
- 2.) EIRHC's housing report stated that: "*The most common need in the EIRHC Housing service area is the need to make repairs to existing aged housing stock.*"
- 3.) Compared to the whole of Cedar County and the individual area communities, Tipton lags behind in Median Household Income.
- 4.) Except for two area communities, Tipton lags behind Cedar County, the State of Iowa, and the other nearby communities for Median House Value.
- 5.) One of the communities that was included in the comparisons for household income and house values (and was higher than Tipton for both) has already determined that it has a "blight" situation for residential housing.

6.) Over the last eight years, Tipton has issued 34 building permits for residential housing for an average of 4.25 per year.

Relative to Cedar County and other area communities, this combination of factors lends support to the conclusion of slower economic growth in Tipton. And, over a period of years, a case can be made that slow economic growth creates blighted conditions.

If it wishes, the City Council can justify the extension of enhanced urban revitalization tax-exemption incentives for qualified improvements to both new and existing residential structures.

Upon deciding where the Council stands on making a blight determination for residential housing, we can return to the section for **OPTIONS/CHOICES** on page 2 of this report.

Thanks.

BW

