

PLANNING & DEVELOPMENT

500 West Fourth Street
Davenport, Iowa 52801-1106
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Timothy Huey
Director

To: Mahesh Sharma, County Administrator

From: Scott County TIF Review Committee

Date: August 29, 2016

Re: City of Davenport's proposed TIF project for EICCD in Downtown Davenport

The City of Davenport notified Scott County of an amendment to the Downtown Urban Renewal Area Plan to include the two vacant buildings at 101 and 131 West 3rd Street for a new Urban Campus for the Eastern Iowa Community College District (EICCD). The project entails the EICCD and a private developer forming a partnership to rehab and redevelop these two downtown buildings for EICCD classrooms and offices. The property is not proposed to be tax exempt in order to be eligible for significant State and Federal Historic and New Market tax credits. Therefore this TIF plan is being proposed to allow the rebate of the incremental property tax payments for the fifteen year term of the plan. The plus for the County, since the buildings will not be classified tax exempt, is that we will continue to receive the revenue from the current base valuation and the increment attributable to our debt service levy over the next fifteen years.

The TIF Review Committee also regards the expansion of the EICCD's programs and training opportunities in Downtown Davenport as another important positive aspect of this project.

The Committee has drafted a letter for the Board's consideration at the COW. The information provided by the City and the EICCD is also included.

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Timothy Huey
Director

To: Bruce Berger, Community Planning and Economic Development Director

From: Scott County TIF Review Committee

Date: August 23, 2016

Re: Additional Information on proposed Urban Campus TIF (*City responses in italics*)

1. Why are buildings owned and used by EICCD not property tax exempt?
The two buildings that will be renovated into the new Urban Campus will be transferred to a for profit joint venture arm of the EICC Foundation. This for profit status will allow for the use of State and Federal Historic tax credits in this project, which are estimated to be \$10M of a \$28M budget.

2. Don't recent amendments to State law not allowing tax increment financing of public buildings prohibit the use of TIF for a community college building?
The amendment to State law that would have prohibited TIF funds from being used for public buildings was not passed by the legislature in 2016. Further, even if it had, this law would have not pertained to this project since it is being developed by a for-profit joint venture.

3. If the EICCD sells or transfers these properties to another owner would the TIF payments transfer also?
Language in the economic development agreement regarding the transfer of property states: "Any transfer or assignment of the building, administration, operation, and/or lease arrangements, other than a Current Owner Assignment shall be proposed by the Company and be subject to City approval, as appropriate, such approval not to be unreasonably withheld denied, or delayed."

4. What aspects of this proposed TIF meets the City's policy for extending TIF incentives?
This project meets the objective of redeveloping vacant buildings located in a slum and blight area.

5. Can you provide more details on the commercial nature of this TIF?
As the building will be owned by a tax paying entity, there will not need to be a separation of non-profit vs for-profit classification of the building. However, as stated in the Economic Development Agreement, "Any commercial tenant or sub-leasing of space in the project that would otherwise be subject to commercial property taxation would not be eligible for inclusion in the TIF reimbursement calculation."

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6. If this is proposed to be a TIF rebate why does it incur \$8M in debt against the City constitutional debt limit?

While Section 403.9 of the Code of Iowa contains language which states that such debt does not count against a constitutional debt limit, the Iowa Supreme Court ruled in 1975 that tax increment debt must be counted against a city's or county's constitutional debt limitation. However, if an "annual appropriation" clause is included in a bond issuance resolution or a rebate agreement, only annual payment amounts must be counted against a constitutional debt limit.

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Date: August 16, 2016

To: Board of Supervisors, Scott County
Superintendent, Davenport Community School District
President, Scott Community College

From: City Council
City of Davenport, Iowa

RE: Downtown Urban Renewal Area Amendment

The City of Davenport is in the process of amending the urban renewal area known as the Downtown Urban Renewal area and pursuant to Section 403.5 of the Code of Iowa, the City is sending you the enclosed copy of its urban renewal plan amendment and scheduling a meeting at which you will have the opportunity to discuss this amendment.

The meeting to discuss our new renewal plan amendment has been set for Tuesday, August 23rd, 2016 at 8:30 a.m. at City Hall, 2nd floor large conference room, 226 W 4th St. in Davenport. If you are unable to send a representative to the meeting, we invite your written comments. In addition, Section 403.5 gives you designated representative the right to make written recommendations concerning the urban renewal plan amendment no later than seven days following the date of the meeting.

The City will also hold a public hearing on this urban renewal plan amendment at 5:30 o'clock p.m. on September 7, 2016, and a copy of the notice of hearing is enclosed for your information.

Please call Susanne Knutsen, Lead Economic Development Coordinator, at 326-6179 or via email at smk@ci.davenport.ia.us if you have questions.

Enclosure

CITY OF DAVENPORT, IOWA
URBAN RENEWAL PLAN AMENDMENT
DOWNTOWN URBAN RENEWAL AREA

August 2016

The Urban Renewal Plan (the “Plan”) for the Downtown Urban Renewal Area (the “Area”) is being amended for the purpose of identifying a new urban renewal project to be undertaken therein.

- 1) **Identification of New Projects.** By virtue of this amendment, the list of authorized urban renewal projects in the Plan is hereby amended to include the following described project description:

A) Name of Project: New College, LLC

Cost: \$8,000,000

Rationale: The City will use TIF funds to reimburse the developer up to 100% of the incremental tax revenue available and accessible to the City for their development for fifteen years. Reimbursement is estimated to be \$8,000,000.

- 2) **Required Financial Information.** The following information is provided in accordance with the requirements of Section 403.17 of the Code of Iowa.

Outstanding general obligation debt of the City: \$189,866,175

Remaining Constitutional debt capacity of the City: \$122,719,369

Proposed debt to be incurred in the Urban Renewal Area: \$8,000,000

NOTICE OF PUBLIC HEARING ON PROPOSED URBAN RENEWAL PLAN
AMENDMENT

Notice Is Hereby Given: That at 5:30 o'clock p.m., at City Council Chambers on the first floor of City Hall, 226 W. 4th Street, Davenport, Iowa, on the 7th day of September, 2016, there will be conducted a public hearing on the question of amending the Downtown Urban Renewal Area Plan, pursuant to Chapter 403, Code of Iowa, by including the following project:

Name: New College, LLC (101 West 3rd Street & 131 West 3rd Street),

Cost: \$8,000,000

Rationale: The City shall issue up to a 100% rebate of the amount of incremental tax revenue available and accessible to the City over and above the base year valuation of the current properties.

A copy of the proposed amendment is on file for public inspection in the office of the City Clerk. The proposed amendment to the urban renewal plan brings the project described above under the plan and makes it subject to the provisions of the plan. At said hearing any interested person may file written objections or comments and may be heard orally with respect to the subject matters of the hearing.

Jackie Holecek
Deputy City Clerk



N PERRY ST

E 4TH ST

61

HARRISON ST

MAIN ST

61

Proposed Buildings in EICCD TIF

131 W 3rd

101 W 3rd

E 3RD ST

W 3RD ST

BRADY ST

E 2ND ST

W 2ND ST

EICC Urban Campus TIF Information

The current assessed value of the two properties under consideration for 2016 are:

Parcel	Assessed Value
L0007-08B	\$1,582,860
L0007-02C	\$769,000
<i>Total</i>	\$2,351,860

Based on the current assessed value, the annual revenue generated by these properties is approximately \$96,000, of which the County reviews approximately \$12,500

Division of Taxes	44.87129	% of Levy	Existing Revenue
County	5.82228	13%	\$12,489
School	15.37043	34%	\$32,663
Area IX	1.00909	2%	\$1,921
City	22.28001	50%	\$48,034
Assessor	0.31859	0.01%	\$10
Other	0.07089	0.002%	\$2

After the subject properties have been rehabilitated, the anticipated new assessed value will be \$16M, meaning that there will be \$13.5M in increment available for TIF. The City will rebate the project 100% of the taxes associated of the incremental value for 15 years, less the portion of the tax levy that is not eligible to be rebated per state code. As a result, the following amount will be retained annually for the following levies:

Portion of tax levy not eligible per state code

	Levy	Amount
Davenport School District Instructional Support	1.7071	\$20,741
Davenport School District PPEL	0.33	\$4,010
Scott County Debt Service	0.35844	\$4,355
City of Davenport Debt Service	2.15	\$26,123
Comm College Debt Service	0.22005	\$2,674
Total	4.76559	\$57,903

Therefore, the net gain to the County over 15 years is \$65,325.

EASTERN IOWA COMMUNITY COLLEGES (EICC)

Summary of EICC's Scott Community College Urban Campus Project

What Is the Purpose of Project?

EICC has proposed building an Urban Campus of Scott Community College in downtown Davenport. The campus is needed to better serve the current urban community with a full range of programs and services, and to meet the emerging needs of the growing urban population. In addition, the campus will help catalyze the redevelopment of downtown Davenport as a vital regional center.

What Is the Project Plan?

The project is planned in two phases. Phase One will renovate two vacant buildings in the heart of Davenport (First Midwest Bank Building and the First Federal Bank Building) into a 90,000 square foot modern urban campus where EICC will consolidate its downtown Davenport operations. Phase Two will renovate the Kahl Building and Capitol Theatre into apartments designed for students and young professionals, a movie theater and multi-use venue, and retail.

How Will the Campus Be Built?

EICC currently owns the two bank buildings, purchased from Restoration St. Louis. In order to build the SCC Urban Campus, EICC will transfer these properties to the EICCD Downtown Campus Foundation, which will form a for-profit development partnership, known as New College LLC, to build the campus. EICC will enter into a 20-year lease for the campus with the partnership formed and owned by its affiliated foundation. A similar partnership will be formed to renovate and operate the Kahl Building and Capitol Theatre in Phase Two.

Why Does EICC Need a TIF from the City of Davenport?

EICC has proposed an Economic Development Agreement to the City of Davenport that includes a TIF rebate for taxes that would otherwise be owed by the for-profit development partnership that EICC's foundation has engaged to build its SCC Urban Campus, and from which it will lease the campus.

The purpose of the development structure is to make the project eligible to utilize state and federal tax credit programs to help finance the project. State Historic Tax Credits, Federal Historic Tax Credits and New Market Tax Credits are estimated to provide nearly \$10 million of the \$28 million needed to construct the campus. The remainder will be provided by contributed equity, a capital campaign and conventional financing.

The financial and legal structures for renovating the bank buildings and constructing the SCC Urban campus are essentially the same as those used by the City of Davenport to renovate the Adler Theater.

What Would the Impact of the TIF Be on the City and County?

EICC, a non-profit school entity, would owe no taxes as owners of the two bank buildings. However, the development partnership EICC's foundation has formed to build the campus, in order to benefit from state and federal tax credit programs, would owe taxes both on the taxable base and improvements. Such taxes would make the project financially unworkable.

EICC does not have the resources needed to build the campus without support from tax credit programs, nor is the project feasible if faced with a significant tax bill. The proposed TIF does not reduce the taxes collected by the City or County, because EICC as a non-profit entity would not currently pay taxes. The financial benefit to the City and County is the economic activity that will be generated by a modern urban community college campus. In addition, the buildings which EICC will vacate, the Urban Center (above the City's Transportation Center) and the Kahl Building and Capitol Theatre will create significant economic activity and additional economic development opportunities.

September 6, 2016

DRAFT DRAFT DRAFT DRAFT

Mayor Frank Klipsch

Davenport City Council Members
Davenport City Hall
226 West Fourth Street
Davenport, Iowa 52801

RE: City of Davenport's proposed amendment of a tax increment financing plan for the redevelopment and rehabilitation of two downtown buildings at 101 and 131 West 3rd Street, to be used as the Urban Campus of the Eastern Iowa Community College District (EICCD).

Dear Mayor Klipsch and Council Members:

Thank you for the opportunity to comment on the proposed changes to the Tax Increment Financing Plan for projects in downtown Davenport. The Scott County Board of Supervisors has reviewed the information provided to us by City of Davenport's Economic Development staff. The Board has supported the use of TIF as tool to reverse blight and falling property values in Davenport's downtown. The Scott County Board of Supervisors has supported numerous recent projects proposed by the City to revitalize buildings and areas in downtown Davenport.

The Board understands that the current project is to redevelop two vacant Third Street buildings between Main and Brady Streets with a public-private partnership of the EICCD and a private developer. This collaboration will allow the EICCD to qualify for significant State of Iowa Historic and New Market tax credits that will make the project feasible. It will also allow the County and other taxing entities to continue to receive the property tax revenue on the current base valuation of the property and the portion of the new increment that is attributable to the County's debt service. Scott County regards the expansion of the EICCDs education and training opportunities and programs in downtown Davenport as the most positive aspect of this project.

The Scott County Board of Supervisors appreciates the opportunity to comment on this project plan and supports the use of TIF to reverse blight, strengthen Davenport's downtown, strengthen Scott County's economy, and assist the Eastern Iowa Community College District provide training and education for a 21st Century workforce. We enjoy the continuing spirit of cooperation with the City of Davenport on economic development projects and we look forward to working with you in the future.

Sincerely,

Jim Hancock, Chairman
Scott County Board of Supervisors

xc: Corri Spiegel, Davenport City Administrator;
Mahesh Sharma, Scott County Administrator
Don Doucette, Chancellor of EICC