

# Economic Development Tools for Municipalities

September 2015

## **Introduction**

The purpose of this report is to provide an analysis of economic development tools and programs currently utilized by or potentially available to municipalities in Nebraska. Many of the financing mechanisms described are accessible in most states, but for this report Nebraska's programs are examined in comparison to the State of Iowa. The following inventory of tools and programs summarized in this report is not all-encompassing, but it should provide a useful reference to policymakers for further discussion of municipal economic development alternatives. This report looks at several varieties of economic development programs available to cities and villages across the state. These programs are tax increment financing, taxation/special assessments, improvement districts, impact fees, revolving loan funds, tax credits and incentives, and economic development grants. Much of this report is devoted to tax increment financing due to the many facets and applications of the program.

## **Tax Increment Financing**

### TIF Overview

Tax Increment Financing, commonly referred to as TIF, is a widely used financing tool among jurisdictions in Nebraska and Iowa. Jurisdictional units of government create TIF districts as a means to maximize tax dollars and spur economic development where it otherwise might not occur, generally in areas that are blighted or near-blighted. TIF districts may overlap several taxing jurisdictions once established including cities, counties and school districts. There is considerable variation across the country on how TIF is applied in terms of time, governance, financing, and basis for origination. For example, TIF was previously used exclusively for redeveloping blighted areas but some states began using the tool to finance economic development. Nebraska still bases TIF exclusively on slum and blight, whereas Iowa now allows TIF use for economic development projects.

### How TIF Works

When a TIF district is initiated the base property valuation is frozen for the life of the district. Theoretically the value of the district will increase as development occurs. The tax revenue collected above the frozen value (the "increment") is captured only by the jurisdiction that initiated the TIF district, whereas taxes levied against the frozen or base value is allocated to the remaining taxing authorities. The increment collected over time must be spent within the TIF district and cannot be used by cities or counties to supplement their general operations. TIF can be thought as a self-financing district and related development can be viewed as borrowing against the future increase in tax revenues.

### Authority for Establishing TIF

TIF is authorized by statute in Nebraska (Neb. Rev. Stat. §§ 18-2101 through §§ 18-2150) and Iowa (Chapter 403 of the Code of Iowa, the Urban Renewal Law). The following pages identify steps jurisdictions must take and other general requirements necessary to implement TIF in both states.

## TIF in Nebraska

Cities may act as the redevelopment “authority” or establish a Community Redevelopment Authority (CRA); a CRA may levy a property tax separate from the city, but subject to levy allocation authority of the city government.

The following are steps to initiate TIF, as listed on the Nebraska Department of Economic Development’s website:

1. Identify a “substandard and blighted area” that needs redevelopment
2. Develop a plan for the project area
3. The community redevelopment authority can recommend a plan only when “a general plan for the development of the city has been prepared”
4. Submit a plan to a local “planning commission or board of the city” for review and recommendations
5. Redevelopment authority must do a cost-benefit analysis of a project before recommending it to a local government
6. After a redevelopment authority approves a plan, it recommends the plan to the local government
7. Plan approval

## Other Statutory Requirements of TIF in Nebraska

- The city/CRA must hold a public hearing and provide notice of the hearing to all registered neighborhood associations located within a one-mile radius and to all political subdivisions affected by the redevelopment area.
- The city/CRA must show the boundaries of the redevelopment project area, proposed land uses, population, land and building intensities, changes in zoning, and traffic flow.
- The city must approve the redevelopment plan and the project prior to issuing TIF bonds.
- The city/CRA must file a “Notice to Divide Tax for Community Redevelopment Project” with the county assessor. Upon filing the notice:
  - The base value is determined, which is the “total assessed value” of the properties last certified to the political subdivision in the year prior to the division of tax effective date; and
  - The 15-year maximum time period begins for the division of tax for the TIF project.
- The redevelopment site is transferred to the developer “at its fair market value for uses in accordance with the redevelopment plan.”
- The property tax increases generated from the redevelopment site are applied to the TIF bonds until they are repaid, or for 15 years, after which the increases revert to local government taxing jurisdictions.
- Other requirements of Nebraska TIF:
  - Projects are applicable to real property only;

- Property must be within the corporate boundaries of the city; however, the city may annex noncontiguous land to develop agriculture process facilities that will become a TIF project;
  - The division of tax for TIF may not exceed 15 years;
  - The taxes attributable to the excess value can only be used for the repayment of the debt related to the project; and
  - The city/CRA must provide written notice to both the county assessor and county treasurer to cease the division of tax when the debt on the project is paid in full.
- Jurisdictions are not required to report value or tax information or any information on existing TIFs.

Example of TIF Implementation Process

The City of Lincoln provides a procedure flowchart on its website for implementation of TIF-funded projects. Below is a summarized step-by-step guide of the city’s TIF approval process, which is fairly straightforward and a sound model for local governments to follow.

<b>City evaluates need</b> for TIF and determines TIF eligibility for proposed development
Firm is hired by City or Developer to complete <b>Blight Study</b>
Blight Study submitted to Planning Commission and reviewed at public hearing
City Council holds public hearing on “Substandard and Blighted Designation” – Makes designation
<b>Redevelopment Plan</b> is created (or amended)
Plan (or plan amendment) submitted to Planning Commission and reviewed at public hearing
<b>Cost-benefit Analysis</b> is completed
City Council holds public hearing on Plan and adopts Plan establishing <b>Project Area</b>
Invitations issued for <b>Redevelopment Proposals</b>
City selects Developer
Negotiation of <b>Redevelopment Agreement</b> between City and Developer
City Council holds public hearing on Redevelopment Agreement
Mayor signs Redevelopment Agreement
<b>TIF District</b> established, <b>Bonds</b> issued

TIF in Iowa

It is important to note that both cities and counties in Iowa are authorized to administer TIF, though one jurisdiction’s redevelopment plan may elicit action from the other. Cities may implement TIF up to two miles outside legal limits, but anything beyond two miles requires approval from the county board. Conversely, city council approval is necessary if a county’s proposed TIF is within two miles of city limits.

The following are steps to initiate TIF in Iowa:

1. Identify the boundaries or legal description of the proposed area

2. Determine if the conditions in the area qualify the area to be designated a “slum,” “blighted” or “economic development” area, as defined in Chapter 403
3. Prepare an urban renewal plan outlining the objectives to be accomplished within the area
4. Set a date for a public hearing by the City Council or Board of Supervisors
5. Refer plan to the local planning and zoning commission for review
6. Send a copy of the plan and the notice of hearing to each of the other affected taxing entities and schedule a date and time for a “consultation session” with those entities
7. Hold public hearing
8. Adopt resolution approving urban renewal plan
9. Adopt ordinance designating tax increment area
10. Incur debt
11. File annual TIF debt certification with county auditor

#### Other Statutory Requirements of TIF in Iowa

- There is no restriction on the types of property where TIF can occur (commercial, residential, etc.), but jurisdictions must seek authorization from agricultural land owners if such land is included in an urban renewal area.
- The base valuation date is January 1 of the calendar year prior to the year in which tax increment debt is first certified to the county auditor.
- Tax increment debt must be counted against a jurisdiction’s constitutional debt limit, though governments may utilize the “annual appropriation” clause. This clause can be included in a bond issuance resolution or a rebate agreement, thereby only annual payment amounts are counted against the debt limit.
- Jurisdictions may have more than one urban renewal area and they do not need to be contiguous, but incremental revenue from one area cannot be spent in another.
- Urban renewal areas and subsequent TIF may be initiated under two justifications: slum/blight or economic development. There is no statutory limit on the period of time for which TIF revenues may be collected and used based on a designation of slum or blight. TIF revenues may be collected and used for no more than 20 years based on an economic development designation. TIF may be used to assist in the development of new housing; those revenues have a 10-year limit (extendable to five years).

#### Statewide Differences

There are several key differences in how TIF is administered and applied in Nebraska and Iowa. As reported earlier, mitigating slum and blight was the original rationale for implementing TIF in practically all states. Over time Nebraska has continued to use slum and blight as the exclusive basis for TIF origination, whereas Iowa (and numerous other states) has moved to include economic development. The length of TIF and related tax allocations is a flat 15 years in Nebraska, which is a shorter period of time compared to most states. Iowa determines duration of TIF by the project type (e.g. 20 years for economic development projects and 10 years when used for infrastructure related to housing).

Use of TIF is limited in Nebraska to municipalities or locally approved Community Redevelopment Authorities (CRAs). TIF powers can be wielded by both cities and counties in Iowa, though both jurisdictions must approve an “urban renewal area” and related urban renewal plan; Nebraska does require adoption of a redevelopment plan after a designation of slum and blight is made by the city.

Cities or CRAs in Nebraska must conduct a cost-benefit analysis prior to TIF approval, and any project must pass the “but for” clause, which is intended to determine if the project can occur without the use of TIF. However, there appears to be no auditing or oversight procedures at the state level that validate whether or not these requirements are regularly adhered to by municipalities.

Public notification and the opportunity for public comments are requirements in both Nebraska and Iowa throughout the TIF approval process. Affected political subdivisions with taxing authority must be notified as well, but Iowa takes the requirement a step further by scheduling a consultation session with the impacted taxing authorities.

There are vast differences in state oversight of TIF between Nebraska and Iowa. Besides written notification to county officials at the beginning and end of the incremental tax division, there appears to be no further oversight of TIF by Nebraska state officials. There are also no requirements for local governments to evaluate the results of their TIF projects on a regular basis in Nebraska. Iowa jurisdictions must file an annual TIF debt certification report with their county auditor and an annual urban renewal report with the state. Failure to submit the urban renewal report by the December 1 deadline results in the inability of a jurisdiction to certify its annual budget. Additionally exclusive to Iowa is constitutional debt limitation; debt incurred as a result of TIF must be counted against a city’s or county’s calculated debt limit, as outlined in Iowa code.

	Nebraska	Iowa
Origination		
Slum & Blight	Yes	Yes
Economic Development	No	Yes
Jurisdictional limits	City limits	Within 2 miles of city limits
Time period	15 years	Dependent of project type
Plan needed	Yes	Yes
Eligible entities	Cities/CRAs	Cities & Counties
Cost-benefit analysis	Yes	No
“But for” clause	Yes	No
Public comment	Yes	Yes
Direct consultation with affected political subdivisions	No	Yes

#### Perceptions of TIF as an Economic Development Tool

The majority of public officials and economic developers will agree that TIF has several benefits and is an essential tool for community redevelopment. TIF provides incentive for developers to build in areas that are economically distressed or near the threshold of distress. Improvements made as a result

of TIF increase property values and expand the local tax base. And perhaps most importantly, TIF does not rely on a general tax increase.

TIF is not without controversy despite its benefits. Detractors argue that the term “blighted” is used too loosely in order to incentivize projects. There are questions as to who should be eligible to benefit from TIF, namely large regional or national businesses. Some accuse government officials of using TIF solely for economic development, not for urban renewal as was originally intended.

### Recent Bills

It is clear that some states have more relaxed requirements regarding TIF oversight. In Nebraska three different bills were introduced in 2015 to amend TIF statewide. Legislative Bill 445 would require the State Department of Revenue to review TIF projects to determine if state statutes are being followed. LB 238 would require that TIF funds be used only for land acquisition and preparation, and to improve substandard public facilities and infrastructure. LB 596 would establish a unit within the State Auditor’s Office to ensure compliance with state TIF laws. The latter bill would also include school districts and counties in the decision making process.

### **Other Tax-based Programs**

#### Tax Abatement

Local governments may use tax abatement to encourage development by exempting a portion of property taxes on new development or rehabilitation projects. Tax abatement allows the property owner to directly receive the tax benefit through reduced property taxes for a set period of time. The *Nebraska Advantage Act* (LB 312) offers a 10-year personal property tax exemption for limited projects, in addition to other rebates and tax credits related to state income tax and state/local sales tax. There are two different Iowa Code provisions authorizing tax abatements: Chapter 427B (Industrial Property Exemption) and Chapter 404 (Urban Revitalization Act). Each chapter has certain eligibility requirements and terms for abatement. Under Iowa’s Urban Revitalization Act, cities have the authority to permit total or partial exemptions from property taxes on improvements in a designated “economic development area,” which must have a predominance of substandard conditions.

#### Local Option Sales Tax

A Local Option Sales Tax (LOST) is a very commonly used special-purpose tax levied at the city or county level to implement major infrastructure improvements. A LOST virtually always requires a public vote. Ballot propositions generally include information on the tax rate, purpose of the funds, and length of time for the rate increase. As a sales tax, LOST has the benefit of collecting tax revenues from residents and nonresidents who shop within the jurisdiction. The administration of LOST at the local level is relatively uncomplicated, as it does not rely on a new tax framework.

In Nebraska LOST can be utilized to raise funds for infrastructure improvements, tourism and economic development. Until recently the tax rate could be 0.5%, 1.0%, or 1.5%. In 2012 the Legislature authorized an increase to 2.0 percent. Other programs involving local sales tax include:

- *Local Option Municipal Economic Development Act (LB 840)*: The act authorizes incorporated cities and villages to collect and appropriate local sales and/or property tax dollars for economic development purposes. Local voters must approve the tax and an economic development plan.
- *Nebraska Advantage Transformational Tourism and Redevelopment Act (LB 1018)*: The act allows cities to designate a redevelopment area or tourism development area, and rebate all or a portion of the 1.5 percent local option sales tax generated within those areas for a maximum of 10 years. Businesses that qualify for the rebate must invest at least \$10 million in redevelopment projects or at least \$50 million in tourism development projects.

In Iowa LOST revenues can be expended for any lawful purpose, with the exception of benefiting school districts. LOST may be put on the ballot in one of two ways. The first is by petition where signatures must equal 5 percent of the persons in the county who voted in the preceding state general election. The second is by a motion of governing bodies within the county that represent at least half of the county's population. The election for LOST is countywide, but the tax only applies in the cities and unincorporated area of the county where a majority vote in favor of the tax. A proposed LOST cannot exceed 1 percent of Iowa's base sales tax rate.

#### Local Business Occupation Tax

*Nebraska Community Development Law (LB 562)* authorizes the creation of Enhanced Employment Areas (EEAs), in which a business occupation tax can be levied to pay for public infrastructure improvements and land acquisition. A minimum investment of \$150,000 and creation of two new jobs are required. The tax is agreed to by the developers and businesses and it is only imposed on those businesses within the EEA.

#### **Improvement Districts**

A Business Improvement District (BID) is a financing tool where property owners and businesses within a designated area are assessed special taxes or fees to pay for infrastructure improvements and business-related activities. A BID can be requested by local property owners and businesses; there is no tax burden to the greater community. There are BIDs in cities in both Nebraska<sup>1</sup> and Iowa. Examples of BIDs locally can be found in the Benson neighborhood in Omaha and Haymarket district in Lincoln.

There are other variations of BIDs used throughout the country, including neighboring states of Kansas and Missouri. A Community Improvement District (CID) is similar to a BID, though it extends outside traditional downtown commercial areas into urban and suburban residential neighborhoods. CIDs generally involve a retail sales tax or special assessment fee on property to pay for broader community revitalization and redevelopment efforts.

Transportation Development Districts (TDDs) can be formally established by local voters or even a transportation authority to finance a variety of transportation needs via the levy of special assessments or a sales tax. TDDs are not employed in Nebraska or Iowa but they are becoming a popular

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<sup>1</sup> For more on BID law in Nebraska, see Nebraska Revised Statutes: Chapter 19, 19-4015 – 19-4038.



tool given the current condition of the nation's transportation infrastructure. Missouri has utilized TDDs since the 1990s.

### **Development Impact Fees**

A development impact fee, also known as a development charge, capacity fee, or facility fee, is a one-time cost charged on new businesses or property owners to pay for their share of development activities. Impact fees can be charged to developers and builders to offset costs of infrastructure improvements for new homes and businesses. The City of Lincoln levies impact fees against new construction, though there is currently no statewide enabling legislation.

One variation of a development impact fee is the Sanitary Improvement District (SID), which is widely used in Omaha. An SID is an alternative land development method where a developer borrows money to construct streets, sewers, common grounds, and other amenities outside a city's official jurisdiction. The costs of development are recouped when lots are sold and special assessments are collected. In essence, homeowners that move into the SID settle much of the development's debt prior to annexation by the incorporated jurisdiction. SIDs are governed by boards of elected homeowners. An SID board is responsible for the financial well-being of the subdivision, but it cannot pass laws or ordinances. SIDs have the authority to levy taxes, impose special assessments, and issue bonds to pay for infrastructure construction.

### **Revolving Loan Funds**

Revolving Loan Funds (RLFs) can offer cheaper and more flexible financing to public and private borrowers for various economic development and redevelopment projects. Governmental RLFs are typically capitalized with federal grants, state aid, or local funds. Once an RLF is established, fixed or low-interest loans can be made to eligible borrowers based on the lender's criteria, and loan terms can be tailored to a specific project's needs. Depending on the RLF pool, loans can range from only a few thousand dollars to hundreds of thousands of dollars. As initial loans are repaid, local governments can make new loans to borrowers in its service area, thereby making the program self-sustaining.

The Nebraska Department of Economic Development has allowed local grantees to keep a portion of Community Development Block Grant (CDBG) proceeds for RLF purposes. Block grants awarded for economic development purposes may be loaned to a business in the grantee's jurisdiction, provided that the project itself is CDBG-eligible and benefits low- and moderate-income individuals, usually achieved by creating new jobs in the community. Repayments made by the business are then held by the grantee to capitalize a loan fund. Once a community establishes a CDBG-based RLF, the local entity must adopt an RLF administrative plan and treat the funds as federal dollars. In other words, both the lender and loan recipient must follow federal CDBG regulations and processes (e.g. procurement standards, environmental clearance, labor and wage standards, auditing requirements, etc.). The federal "strings" are only applicable for the first round of loans. Once the initial round of loans has been repaid and the loan terms have been fully met, then the monies are washed of their federal conditions and can be lent out to a new batch of borrowers completely unencumbered.

## Tax Credits and Incentives

The primary benefit of tax credits is to incentivize private sector participation in activities that have public benefits. There are numerous tax credits that can be used to reduce a beneficiary's tax liabilities, such as income tax credits, property tax credits, historic tax credits, housing tax credits, among others. Some well-known federal credits available for development are as follows:

- Federal Historic Tax Credits: These credits offer incentives to encourage the redevelopment of historic structures. Credits can be awarded to developers to offset 20 percent of qualified rehabilitation expenses. In 2014 the Nebraska Legislature approved the *Nebraska Job Creation and Mainstreet Revitalization Act* (LB 191).
- Federal Low-Income Housing Tax Credits: These credits encourage private capital investment in the development of affordable housing for low-income individuals and families. Credits to developers are used to offset federal income tax liabilities. Housing agencies in Nebraska, such as Nebraska Investment Finance Authority (NIFA), regularly use this tool.
- Federal New Markets Tax Credits: These credits encourage private capital investment in traditionally underserved and low-income communities (assessed by poverty and median income indicators). Private developers can gain the credits up to 39 percent of a qualified equity investment for a 7-year period.

Tax credits and incentives benefit local communities by way of increased tax revenues and jobs. Municipalities can foster an environment that is inviting for prospective businesses, but incentive deals are usually made between private stakeholders and state representatives. Nebraska offers tax credits through several state programs. The *Nebraska Advantage Act* (LB 312) is the state's foremost incentive program for private business; the Advantage Act is the successor to the *Nebraska Employment and Investment Growth Act* (LB 775), which was adopted in 1987 in response to ConAgra's publicized bid to relocate out of state.

There is much variation in how different states offer incentives for private investment. For instance, some states make qualifications for tax credits dependent on the location of a given project (e.g. an enterprise zone or other limited geography). Other states limit incentives to targeted industries; Nebraska is one such state. Also, states like Nebraska refund the sales and use tax on qualified investments, whereas other states refund only a portion. Like Nebraska the State of Iowa does provide for the sales/use tax refund on qualified investments and personal property tax abatement (at the local government's discretion). Iowa's incentive strategy currently focuses on quality jobs via the High Quality Jobs program. The program provides qualifying businesses tax credits and direct financial assistance to off-set some of the costs incurred to locate, expand or modernize an Iowa facility – eligible businesses must meet certain wage threshold requirements and preference is given to companies that provide generous benefits to employees.

Nebraska does assign tax credits for job creation through the Advantage Act, though a capital investment by the business usually accompanies the added jobs. Incentives in Nebraska are offered on a tiered basis, therefore companies may claim more credits and benefits with greater capital investment

and jobs. Based on information outlined on the Nebraska Department of Economic Development's website, it does not appear as though tax credits for job growth are dependent on the rate of pay or skill of a given position.

Some economic developers have cited issues with pieces of Nebraska's incentives package. One criticism noted is that navigating through the Advantage Act and application process is overly complex, particularly for businesses that lack legal or highly skilled financial personnel. This issue is most prevalent among small businesses and the argument has been made that Nebraska's incentives are not geared for small and upstart companies. The process to obtain incentives is further complicated due to businesses dealing with different departments of the state throughout the cycle of a project. The Department of Economic Development is the regular liaison for a prospective business when an incentive deal is initially discussed, and if a deal is reached the business is forwarded to the Department of Revenue. The lack of departmental continuity is not likely exclusive to Nebraska, but it may be something to evaluate according to some economic developers and chamber of commerce staff.

### **Community Development Block Grants**

The Community Development Block Grant (CDBG) Program through U.S. Housing and Urban Development (HUD) is one of the most utilized federal programs for local governments across the country. The Nebraska Department of Economic Development and Iowa Economic Development Authority administer the program statewide in Nebraska and Iowa; all states receive an annual appropriation from HUD based on population. CDBG is principally used for infrastructure improvements, downtown revitalization, and rehabilitation of homes and neighborhoods. For a local unit of government to be eligible for CDBG it must demonstrate in its application that the project will meet one of HUD's three national objectives: benefit to low- and moderate-income persons, elimination of slum and blight, or addressing an urgent need<sup>2</sup>.

Block grants can be used for economic development purposes and there are several examples of such projects in Nebraska and Iowa. In 2010 the City of La Vista was awarded \$477,000 from the Department of Economic Development. The city loaned the bulk of the funding to a private business for working capital, and under terms of the loan the company was required to create 14 full-time equivalent positions, with 51 percent of those positions being held by or made available to low- and moderate-income persons.

Unique to the La Vista project was that a portion of the company's loan repayments were made directly to the MAPA Foundation, MAPA's nonprofit subsidiary. Under federal and state authorization the MAPA Foundation acts as a Non-profit Development Organization (NDO). An NDO is a non-profit association or corporation organized under state law to engage in community economic development activities on behalf of local governments; there are currently 15 NDOs in the state. The MAPA Foundation became a sub-recipient with the La Vista project, and loan repayments made by the company to the Foundation (instead of the City) were not considered program income. By the end of

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<sup>2</sup> The national objective of urgent need is rarely used as a basis for applying for CDBG funds. Urgent need is reserved for jurisdictions that have a particular urgency because existing conditions pose a serious and immediate threat to the health and welfare of a community, and other financial resources are not available to meet such needs.

the project the MAPA Foundation received \$118,000<sup>3</sup>. Once the company fulfills the final terms of the loan agreement, MAPA, via the foundation, may make micro-loans to eligible private businesses in the agency's Nebraska service area.

The MAPA Foundation also administers the City of Blair's RLF program, which was capitalized from a previous CDBG economic development project. The city is responsible for determining eligibility and approving loans, but once a loan is authorized MAPA administers the project and collects repayments. Proceeds may be used for future loans once the initial loan's terms have been satisfied.

In Pottawattamie County, Iowa the City of Oakland received \$500,000 in 2012 for major water system improvements and upgrades. The enhanced water system allowed a local food processor to significantly expand its operation and create over a hundred new jobs, the vast majority of which benefited low- and moderate-income persons. Iowa does not currently authorize the "re-use" of CDBG funds in the way Nebraska does through NDOs.

Local governments and private businesses have mutually benefited from CDBG-funded economic development projects. Though CDBG is a highly valuable tool for local governments, it is not always convenient or efficient for the businesses that communities wish to attract or help expand. Besides the normal lag time between project application and award, all CDBG projects are subject to an environmental review, which can take between 45 and 90 days to complete. And projects that involve new construction will likely see higher costs as federal labor and wage standards automatically go into effect. Another factor is payment for work is often on a reimbursement basis and it can take several days or weeks to receive payment once a draw request has been submitted. Block grants, and generally most grant programs, are time intensive for local government staff and there are usually stringent reporting/auditing requirements. However, CDBG and other programs are viable options for local governments, especially communities that do not have a large tax base to levy.

## Conclusions

This paper has presented a brief overview of seven significant economic development tools exercised by municipalities in Nebraska and elsewhere. The options discussed have their own strengths and weaknesses, both to local governments and taxpayers, and there are certainly more facets than can be exhaustively examined in this document. However, a few conclusions can be offered based on the information included herein.

- TIF remains a primary tool for municipalities although it has been the subject of controversy and scrutiny. It is a vital economic development alternative that does not appear to be waning in other states.
- Iowa's basis of economic development for TIF may be advantageous compared to states like Nebraska that only allow use for elimination of slum and blight. Inclusion of economic development as a footing for TIF can potentially offer greater flexibility to local governments attempting to spur redevelopment.

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<sup>3</sup> Another \$118,000 was repaid to Invest Nebraska Corporation, the statewide NDO.

- Property tax abatement or exemptions can be effective mechanisms to stabilize and increase a community's tax base; residential property incentives can also increase values in communities with aging and distressed housing stock.
- Improvement districts, impact fees, RLFs, and block grants are critical tools for local economic development that do not necessarily rely on a tax increase across an entire community.
- Tax credits and incentives for private businesses should be regularly evaluated and compared to programs of other states to determine competitiveness, success, efficiency, and transparency.