

# SELF-SUPPORTED MUNICIPAL IMPROVEMENT DISTRICTS

*A toolkit for planning, implementation, and evaluation*

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# INTRODUCTION

Under the auspices of the Iowa Initiative for Sustainable Communities, this report has been prepared as part of a capstone project for completion of the School of Urban and Regional Planning master's degree program at the University of Iowa.

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# EXECUTIVE SUMMARY

With a strong focus on Business Improvement Districts (BIDs), this is a guide for groups seeking to achieve economic development goals. A BID is a mechanism for property owners and businesses in a defined area to fund district-specific improvements and services. Prepared for the Czech Village/New Bohemia Main Street District in Cedar Rapids, Iowa, this toolkit references aspects of BIDs that are unique to Iowa, while also including extensive information relevant to interested parties nationwide. States and countries use various names to refer to BIDs; in Iowa, for example, these districts are called Self-Supported Municipal Improvement Districts (SSMIDs). For clarity, when generally speaking about business improvement districts, the report uses the term “BID” to refer to any form of business improvement district. When referring to specific improvement districts, the report uses the term with which each district identifies. As such, we refer to BIDs in Iowa as Self-Supported Municipal Improvement Districts, or SSMIDs. This toolkit also describes elements of successful BIDs, which are considered to be BIDs that have been established or renewed.

## Timeline

Research indicates the process of planning and establishing a BID takes about one year. Once the BID is implemented, there should be an ongoing evaluation component. Following is an approximate timeline for the entire BID establishment process. This timeline can be tailored to each prospective district’s circumstances.

- Feasibility (1-2 months)
- Planning and Organization (3-4 months)
- Community Outreach (3-6 months)
- Establishment (3-6 months; Varies dependent on city requirements)

## Research and Development

Beginning with a brief overview of BIDs, the Research and Development section describes the history of BIDs in the United States and throughout the world, and outlines state-enabling legislation, highlighting variances between states.

## Planning and Organization

The *Planning and Organization* section details the process through which interested parties would go to establish a BID, starting with the initial determination of feasibility. The next step of setting district goals guides subsequent district planning efforts. Budget planning involves selecting projects and activities that align with district goals, and assigning costs and priorities to these items. The budget planning process culminates in determining the levy rate, which the budget priorities and stakeholders' willingness to pay will dictate. The *Planning and Organization* section also discusses the operating procedures of the district, including management structure and fund management, and the need for a Memorandum of Agreement to clarify duties of the public-private partnerships. Writing a petition is the final step of this phase. Each state and many cities have unique petition requirements; this toolkit details the requirements for SSMIDs in Iowa.

## Community Outreach

Community outreach is an important phase, which may determine the proposed district's fate. Clearly articulating the need for a district and the ways that the BID would fulfill the need is imperative to gaining support. Effective community outreach combines a variety of engagement methods, including print and online informational materials, open forums, and direct, one-on-one communication from steering committee members to district stakeholders. Informational handouts with charts and tables that convey to stakeholders the tax impact of the BID and the related benefits could be particularly helpful, giving each individual

property owner numbers and visuals to conceptualize their costs and benefits. Outreach also provides stakeholders the opportunity to voice their thoughts and opinions on the district goals and intended plans, which gives the steering committee constructive feedback and a chance to gain support.

## Establishment

Once the district is established, a governing body such as a city council or peer election will determine a board of directors, depending on local regulations.

## Evaluation

Program evaluation is an integral component of the planning process. This section recommends use of the formative-summative approach to evaluation utilizing a logic model framework that links available resources to activities, outputs, short and medium term outcomes, and overall impacts the BID aims to achieve. This process builds consensus and helps further define the goals for the District.

## Case Studies

A section of case studies featuring five Iowa SSMIDs compares district purposes, structures, and operations, and extracts from each SSMID key points that contribute to the understanding of successful SSMID practices. The five following Iowa SSMIDs are included in the case studies:

- Cedar Falls Main Street District
- Des Moines Operation Downtown

- Iowa City Downtown District
- Sioux City Downtown Partners
- Spencer Main Street District
- Evaluation/Logic Models

## **Financing Alternatives**

A BID may not be the most appropriate funding mechanism for a community. As a result, this section provides a thorough overview of financing alternatives available to communities in Iowa including public financing mechanisms, tax incentives, grants, and fundraising.

# TIMELINE/ ACTION ITEMS

This timeline shows key action items to perform for each segment of the BID process. The number of months indicates about how long each segment should take to complete. While the timeline provides a basic outline for expectations of the entire process, it is recommended a timeline be adapted for each community's specific needs and situation.

## Feasibility

1-2 Months

- Determine if a BID is appropriate
- Communicate with city council and appropriate departments

## Planning and Organization

3-4 Months

- Form steering committee
- Hold initial committee meetings
  - Set district goals
  - Encourage stakeholder participation
- Develop budget
- Determine management structure
- Evaluate need for Memorandum of Agreement
- Select fund manager

- Compile list of property owners
  - Determine taxable and non-taxable properties
  - Identify non-profits
- Write petition

## Community Outreach

3-6 Months

- Prepare and distribute informational materials
- Facilitate one-on-one conversations between steering committee members and stakeholders
- Meet with non-profits/non-taxable owners regarding voluntary contributions
- Hold open forums
- Collect petition signatures
- Create website
- Estimate support
  - By percentage of property owners
  - By percentage of assessed value

## Establishment

Varies according to city requirements; 3-6 months

- Board of directors
- Gather baseline data for evaluation





# RESEARCH AND DEVELOPMENT

# BIDS: AN OVERVIEW

## What is a BID?

A BID is a mechanism for property owners and businesses in a defined area to fund district-specific improvements and services. Under BIDs, commercial and industrial property owners in a district formally organize and pay a fee in addition to their property taxes for services, projects, and district operations in order to improve a defined area. Generally, BIDs are established to deliver a variety of services above and beyond the level of existing municipal services, and can serve as an economic development tool to revitalize neighborhoods and spur business growth and retention.

Through a petition process, commercial and industrial property owners voluntarily agree to form a district and pay property taxes at a higher rate. Once established, the district obtains the additional levied funds, and uses them to pay for projects and services, which are aimed at keeping the district economically competitive. While the components of individual BIDs vary, there are three common elements: a levy rate, a levy term, and a board of directors. A BID's petition clearly indicates a maximum tax levy rate allowed for the duration of the district's term. The levy term, or "sunset" period, is the length of time for which the BID will

be in place. Once the sunset period ends, the BID can be renewed and changed if desired. A BID board of directors, generally appointed by the city council or mayor, oversees the district's operations and funds.

## What can a BID do?

The exact use of BID funds is dependent upon the needs of an individual district and the amount of available funds. However, uses generally fall under two categories: maintenance or improvements. Examples of common BID maintenance projects include snow removal, street cleaning, or security. Improvements are projects that add to the appeal of the district, such as sidewalk planters or signage. Often, BID funds are also used to cover a portion of the district's administrative costs.

BIDs provide a sustainable funding source that groups can rely on for a set period of time. All funds provided by the BID levy are invested within the district, expecting to ultimately increase property values and attract further investment. As the total value of properties in the district increases, the BID funds increase at the same levy rate and more improvements may be funded.

# BIDS: A HISTORY

## **Deindustrialization & Suburbanization: Urban Decline Sets the Stage for BIDs**

Urban centers in the United States have seen periods of rapid growth and subsequent decline over the last 150 years. In the late nineteenth century, deindustrialization caused local economies to shift focus from downtown centers to the outskirts, where residents moved in search of a safer, less crowded environment. In the early twentieth century, technological advances in modes of transportation allowed residents to live outside of the city and still work downtown, if required. However, as more residents fled downtown over decades, urban landscapes began to shift significantly, leaving downtowns devoid of residents, and subsequently, of office tenants and employment hubs.

Societal and economic changes that took place in the U.S. during this time created a need for downtown associations. To combat the movement of goods and services out of downtowns and into adjacent suburban municipalities, business leaders in Detroit and Chicago formed voluntary member organizations to provide programs, events, and maintenance to support downtown member businesses, in hopes of attracting customers back into the area. Additionally, because these organizations represented a collective voice among the business community, they were able to lobby for large capital improvement projects to physically improve their downtowns.

Rapid changes in the strength of the national economy in the 1930s caused communities to rethink their approach to community development. Pittsburgh in the 1930s and 1940s had a homogenous economy centered on heavy industrial activity. Understanding how diversity in local economies can strengthen the economy, the county of Allegheny, which encompasses Pittsburgh, convened to determine strategies to increase economic development on a regional scale. In order to do so, the Allegheny Conference on Community Development was created as an organization of public, private, and non-profit partners. The Conference was led by county and city officials alongside prominent private sector partners to bridge the gap between public and private sectors, and build consensus and support for community development issues. Over the last 70 years, the Conference has undertaken issues such as clean air, creation of the Port Authority, inequality of African-Americans, and various legislative issues.<sup>1</sup> The Conference still exists today and serves as a model of public-private partnership in community development initiatives.

Another community that brought together various sectors in support of community development during the 1950s was Baltimore, Maryland. Modeled after the Allegheny Conference on Community Development, the Greater Baltimore Committee held similar ideals; the waterfront and downtown needed a strategy for revitalization to combat rapid suburbanization. The Committee determined the City lacked a revitalization strategy, and as a result, fundraised and assisted the City with redevelopment plans for immediate implementation as well as long-range plans for the future. In addition to redevelopment plans for the waterfront and downtown, the Committee has taken a

more holistic approach to community development. To date, the Committee has assisted the City of Baltimore in issues such as public transportation, student leadership programs in public schools, crime reduction, and targeted business development programs. Today, the Committee remains an integral player in community development efforts in Baltimore and its surrounding counties.<sup>2</sup>

## Toronto, Ontario: A Private Sector Response

The economic downturn that plagued Pittsburgh and Baltimore was not uncommon during the mid-twentieth century, and pertained to most urban centers in North America. In 1970 in Toronto, Ontario, two small business owners convened regularly with other area business owners to discuss the rapid outflow of customers from the downtown area to the suburbs and the resulting poor image of the main street. In Toronto, a new addition to the subway system had just been completed, making it easier for people downtown to reach the suburbs. Inevitably, the advent of the subway system discouraged transit-riders to stop and shop at downtown stores, just as the aboveground trolley had allowed them to do so.<sup>3</sup>

Taking matters into their own hands, the two small business owners and their peers determined that all business owners should voluntarily tax themselves at a higher rate to pay for improved maintenance in the downtown area. Support grew for the idea, and the City of Toronto approved boundaries to create a BID. Subsequently, the Ontario Municipal Board approved the BID, setting

the stage for other BIDs to form across the world.<sup>4</sup>

The creation of BIDs spread rapidly throughout Toronto and other cities in Canada in the early 1970s. The Canadian federal government was supportive, and offered grants for infrastructure improvements only to organizations located within BIDs,<sup>5</sup> necessitating creation of the areas in order for businesses to flourish. In the beginning, BIDs focused on maintenance and street beautification in order to immediately improve a downtown's image. Activities that the BIDs undertook included installation of planters, improved lighting, addition of trashcans, and holiday decorations.<sup>6</sup> The initial BIDs were effective in demonstrating their benefit, and four years after the first BID was established in Canada, the United States adopted the idea.

## Beginning of BIDs in the United States

Urban planning authors and theorists in the twentieth century provided justification for the need for additional services in urban areas declining as a result of suburbanization. Jane Jacobs' "The Death and Life of Great American Cities" discusses the importance of the "number of effective eyes on the street,"<sup>7</sup> referring to the idea that additional people in close proximity to the street contribute to an increased level of safety, therefore inviting additional activity. Furthermore, Oscar Newman's "Defensible Space" suggests that design of the physical environment in public spaces can alter behavior.<sup>8</sup> Lorlene Hoyt, Department of Urban Planning at the Massachusetts Institute of Technology, summarizes the theoretical basis

for BIDs, observing that, “all of these theories hold that street order is a public good maintained through a set of standard procedures ranging from design to sanitation to the deployment of uniformed personnel.”<sup>9</sup> Theories contributed by Jacobs and Newman, along with many others, helped facilitate discussions about urban space, defined the need for additional services in urban areas, and arguably aided in the establishment of BIDs in the U.S.

Louisiana approved the first state-enabling legislation for BIDs in America in 1974. Shortly thereafter, the New Orleans Downtown Development District (DDD) formed to improve the pedestrian experience in the central business district.<sup>10</sup> Originally existing to increase safety and cleanliness in the downtown area, the District has grown and broadened scope to include economic development activities in targeted industries such as bioscience, the arts, digital media and tourism.<sup>11</sup>

## BIDs in the Midwest

Shortly after Louisiana allowed the establishment of BIDs, the State of Illinois followed suit. The City of Chicago, experiencing rapid decline in its urban core, saw the development of BIDs as a solution. In 1977, Chicago created its first BID. The ordinance that Chicago passed differed from those in Louisiana; in Chicago, the ordinance allowed for counter-petitions to be formed in opposition to the creation of a BID. The ordinance stated that counter-petitions signed by a simple majority of property owners could block the establishment of a BID.<sup>12</sup> This ordinance provided a system of checks and balances so that property

owners in opposition could take a stand and have a voice in policy-making actions. Today, 44 BIDs exist within Chicago, and focus efforts on a variety of issues including: “public way maintenance and beautification; district marketing and advertising; business retention/attraction, special events and promotional activities; auto and bike transit; security; façade improvements; and other commercial and economic development initiatives.”<sup>13</sup>

The state of Wisconsin has 86 BIDs in existence today, many of which address similar challenges to those facing Chicago. However, nearly one-quarter of the BIDs in Wisconsin exist in communities with population of less than 10,000 people. Additionally, one-quarter of the BIDs are located within Main Street Communities. An example of a community with a strong BID presence is Green Bay, Wisconsin. The city, with a population of 104,057,<sup>14</sup> has three separate BIDs, shown in Figure 1.

The first BID in Green Bay began in 1997, and is designated as the Downtown Green Bay BID. shown in green in Figure 1. The Downtown BID contains the majority of the central business district, and has various levy rates dependent upon property type and use. Commercial parcels with retail, hospitality, or entertainment-related uses pay \$2.28 per \$1,000 assessed value. All other commercial or industrial parcels in the District pay \$0.76 per \$1,000 assessed value.<sup>15</sup>

The second BID formed in Green Bay in 1999 is the Olde Main Street BID. The District is located directly east of the Downtown District, and spans across the East River. While this BID is its own unique entity, it is managed by the non-profit organization that manages the Downtown Green Bay

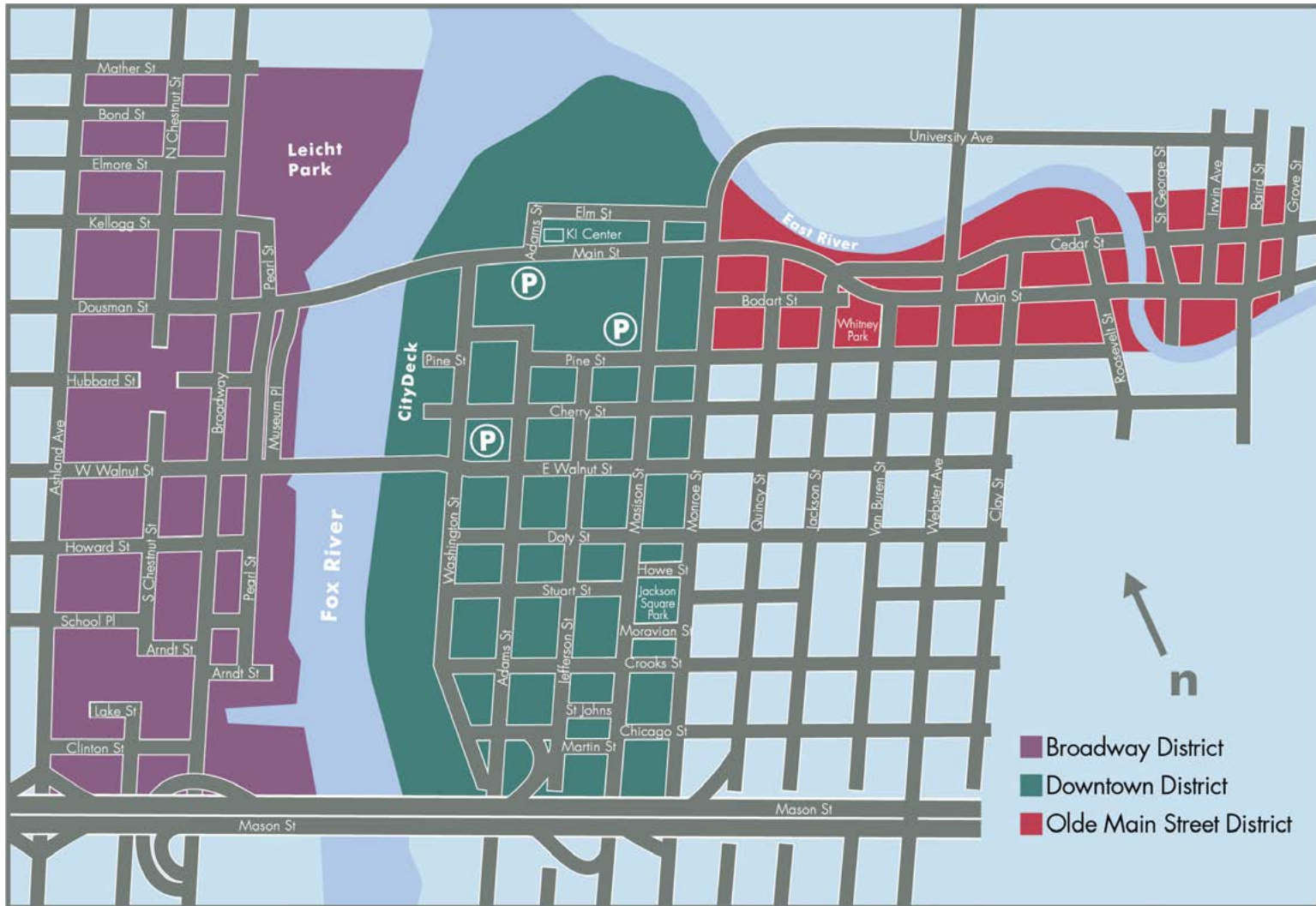


Figure 1. Green Bay, Wisconsin Downtown BID boundaries.

Source: Downtown Green Bay



BID as well. Within the Olde Main Street BID, all properties containing a business offering hospitality services are taxed at \$3.00 per \$1,000 assessed value. Warehouses are taxed at \$1.00 per \$1,000 assessed value, and all other commercial and industrial parcels are taxed at \$2.50 per \$1,000 assessed value. The District determined a maximum BID contribution per property of \$3,000, regardless of assessed value.<sup>16</sup> Due to the same administration of the Downtown and Olde Main Street BIDs and location in and around the central business district, the organizations work in tandem to promote the downtown. Annually, the Districts focus on event promotion and location services, and business development services.<sup>17</sup>

In addition to the Downtown BIDs, Green Bay has an award-winning Main Street district, which contains its own BID. The On Broadway BID began in 2005, and is located west of downtown, across the Fox River. The Broadway BID assesses all commercial and industrial parcels within its boundary at \$1.29 per \$1,000 assessed value.<sup>18</sup> Recently, the BID board approved a budget of \$60,000 for 2014, of which “seventy-percent will go to planters and parking projects in the district, 20 percent to business retention and recruitment and 10 percent to administration.”<sup>19</sup>

BIDs in Iowa began in 1977, after the state legislature passed enabling legislation in 1976. The bill carried broad support in both the House of Representatives and the Senate, passing with over 88% approval in each. Similar to the BIDs previously established across the country, Iowa conceived of BIDs as a way for areas experiencing blight or expecting growth to finance projects that could create positive conditions for businesses. The state viewed the improvement district legislation as a way to encourage high

levels of local involvement in the development and urban renewal process. The original intent of the district carries over to present day. Cities continue to encourage districts to help create sustainable funding sources for area projects and maintenance, as well as to supplement other financing mechanisms such as special assessments, or community development block grants. Cities and property owners in Iowa continue to utilize this tool as a mechanism to create desirable environments for businesses, investors, and citizens.

To understand the wide range of goals and objectives that BIDs can address, it is useful to see examples of how BIDs operate in other countries. The countries described in this section were chosen for their unique uses of funds and social contexts surrounding the creation of the BIDs.

## South Africa

In South Africa, local governments have difficulty delivering basic services to communities; primarily, providing a safe and healthy environment for residents can prove to be a challenge. BIDs were created in South Africa as a way to meet the need for an additional mechanism to foster a safe environment to compensate for this deficiency.<sup>20</sup> In a survey of BID managers, all those who completed the survey indicated that they were “very involved” with security services and that their BID’s central mission was an attack on crime. While security services can be one use of BID funds, the case of South Africa is an extreme example. For instance, the central Johannesburg BID uses three-fourths



of the BID's budget to employ fifty security personnel to watch over a twelve-block area.<sup>21</sup>

Social and human services are also a unique feature of South African BIDs. Cape Town's BID provides shelter and care to impoverished children confronting homelessness and drug abuse.<sup>22</sup> Today, there are 21 BIDs in South Africa, with an additional 21 under consideration for establishment.<sup>23</sup>

## United Kingdom

In 2004, the United Kingdom enacted BID legislation. The previous funding structure for partnerships between city or town centers and business owners lacked fiscal efficiency or accountability. Rising cumulative costs of supporting partnerships and the problem of free riders within these partnerships paved the way for BID-enabling legislation. The establishment of UK BIDs has followed general trends of urban development, beginning with commercial and town center BIDs, followed by industrial BIDs, and has continued with BIDs in marginal areas with low property values. As of 2010, there were 120 ballots resulting in 88 BIDs in the UK.<sup>24</sup>

## Other Countries

In addition to the countries outlined in this section, several other nations, including Japan, New Zealand, Albania, and Serbia have BIDs that function similarly to those in the United States. Often, the goals and processes of international BIDs differ from those in the United States, but BIDs in other countries similarly serve to fulfill a need within an area or

city. International BIDs vary in structure and objectives, individually designed to best fit each country's or districts unique situation. The lesson from these examples is that BIDs can be used to meet a multitude of challenges, depending on the circumstances that a district faces.

# BID ENABLING LEGISLATION: A COMPARISON ACROSS STATES

## Introduction

To establish a BID, state-enabling legislation must exist allowing for the delegation of powers to a city or group to create a district and authorize an additional tax levy. Currently, all fifty states allow for BIDs to be created in some capacity.<sup>25</sup> While the basic concept of an improvement district is consistent throughout states' legislation, variables such as governance structure, establishment procedure, allowed fund uses, and assessment of values of such districts are significantly different between states.

## Key Considerations

When exploring the possibility of establishing a district, the individual or group involved in its creation should begin to consider several factors relating to the legislation in their state:

- **Boundary**
  - In all states, the boundaries of a district must be specified. In many cases the boundaries may be contracted during the approval process, but may not be expanded.
- **Levy rate**
  - When proposing a district, the levy rate or percent of fee that will be applied should be discussed so it may be formally set later in the process.
- **Duration**
  - In states where the term of the district may be decided independently, a sunset period should be discussed and set before a petition is formed.
- **Name**
  - A formal name may be required by the approving council or in a petition.
- **Structure**
  - Possible governing structures, fund management, and governing board representation should be discussed in the beginning of the creation process to ensure compliance with state regulation.
- **Justification**
  - Justification of the district may be required in a petition of property owners, but in all cases it may be helpful in obtaining the required support for a petition. The justification may also help guide discussions regarding use of funds and desired improvements.

## Establishment

The majority of states, including Iowa, allow for creation of a BID through municipal government approval following the petition of property or business owners in an area. Legislation often stipulates a minimum required level of support for a BID before a municipal body can grant approval. This minimum support is based on obtaining a required share of support from property owners to whom the BID levy will be applied. This required share may be based on several different measurements including counts, value per square foot, assessed value, square footage, feet of street frontage or a combination of these measurements. To seek approval from city council, Iowa requires a petition with signatures from property owners representing a minimum of 25% of the assessed property value, and 25% of the property owners within the proposed district boundary. In other states, the level of property owner approval needed for establishment ranges from requiring signatures from property owners representing as much as 75% of the district's assessed value in Georgia and Utah, to states such as Wisconsin and North Carolina, which only specify that land owners propose the district to the city council; these states require no specific percent of district property owner approval.<sup>26</sup> Requirements for approval may also vary by city, as municipalities are granted the power to increase requirements enacted in state legislation.<sup>27</sup>

In many states, a minority of district property owners can bring up an area for consideration to a municipal governing body. To provide a balance to this facet of the BID establishment process, many states permit a system of counter petitioning. Though Wisconsin requires only a

single landowner to bring a district before a town council vote, a counter petition of 40% of owners or valuation in the proposed district can veto the levy creation.<sup>28</sup> Iowa statutes allow for counter petitions representing 25% of assessed value and 25% of owners to require a city council to unanimously approve the district, and a petition representing 40% of the assessed value or property owners in the district can veto the district's creation automatically.<sup>29</sup>

Through statutory law, several states have provided to municipalities an alternative avenue of improvement district creation by granting municipalities the power to authorize improvement districts without the approval of property or business owners in the district.<sup>30</sup> Conversely, Mississippi allows for the creation of an improvement district without approval of a city council or other authority, only requiring the agreement of landowners within set boundaries.<sup>31</sup>

## Governance Structures

All state statutes address the creation of a guiding body that will govern the use of collected funds in a district. A majority of states allow for board member recommendations to be brought before a city council for approval.<sup>32</sup> Alternatively, statutes may require that property or business owners in a district approve a board by a vote. Law in some states dictates the composition of a governing or advisory board, limiting it exclusively to property owners or affected parties. Meanwhile, several states and municipalities require the inclusion of non-property or business owners from the district, or of citizens from the general public.<sup>33</sup>

The authority granted to governing bodies of improvement districts can be strictly or loosely defined, varying by statute. Governing bodies of each district can act autonomously from a municipal authority, or function merely as an advising group, making recommendations that require approval of a city authority. Independently governed districts often are given the power to legislate the use of funds obtained, and in some cases, for the authority to issue bonds, as allowed in Iowa.<sup>34</sup> Conversely, some states' statutes require that a city council approve all improvements or expenditures in a district, while some states allow for a group of owners or interested parties to make recommendations for district expenditures.

## District Assessment

Enabling legislation specifies methods of assessing property values. The way the fee is levied depends on whether it is applied to properties or businesses. When a fee is applied to a business, it may be applied as a surcharge on business taxes or as part of a licensing fee. A more common practice is to levy the fee based on the physical property, and the fee may be calculated based on property valuation, square footage, amount of street frontage, value per square foot, or even location of a property within a district.<sup>35</sup>

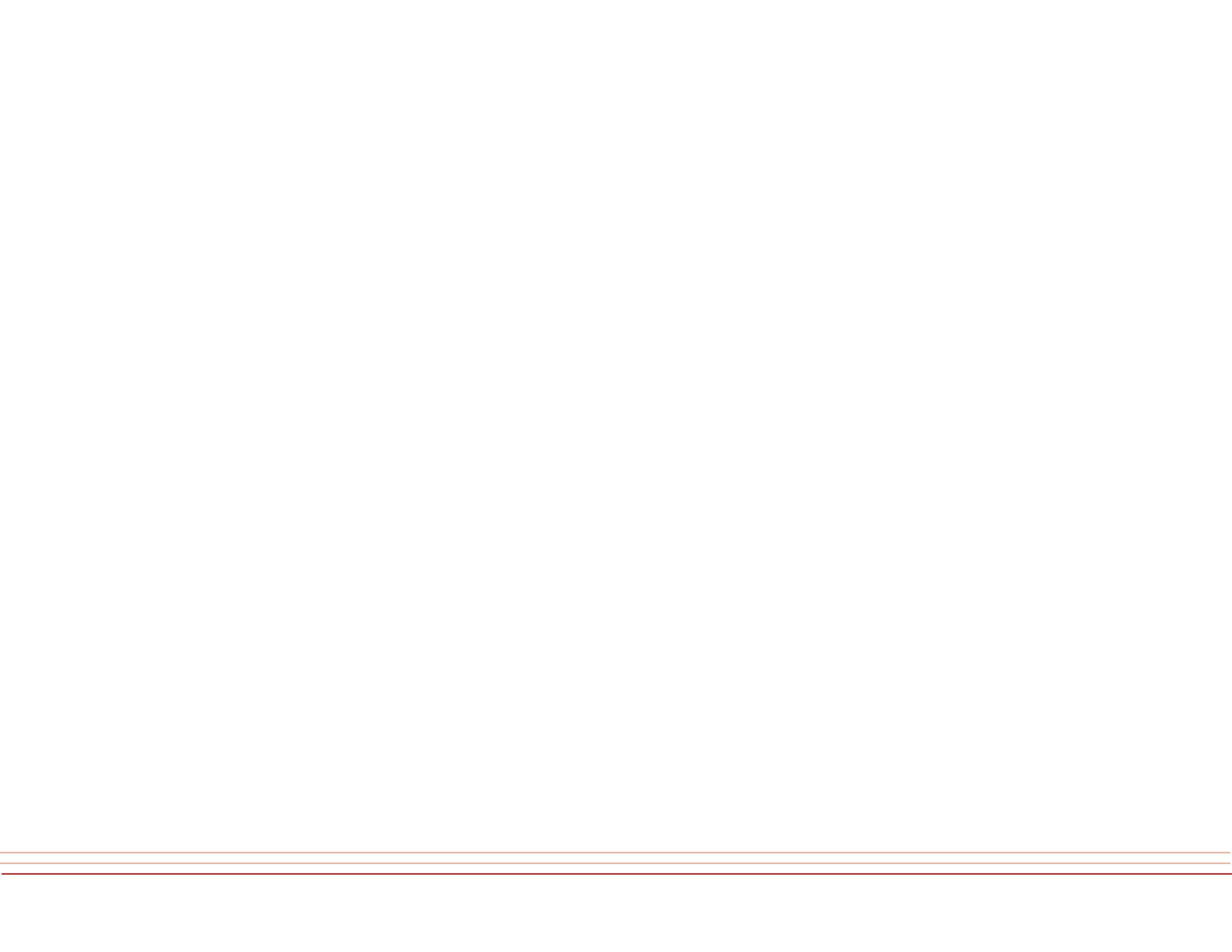
## Use of Funds

Enabling statutes can also identify the allowed uses of district funds. Districts generally use funds for administration, physical improvements or maintenance, or a combination

of these. Statutes are tolerant of the ways in which funds may be used. Projects may be wide-ranging, varying from simple street improvements to the purchase of abandoned buildings, or even business recruitment and improvement programs. Though states allow a variety of projects, some larger capital improvement projects may require city council or district property owner approval.<sup>36</sup>

## Levy Terms

Enabling legislation establishes allowances for how long the district may remain active and procedures for termination or renewal. A district's term is set in one of two ways; the statute may specify a length of time a district may be active before it must be renewed, or it will allow for the length of term to be determined in the petition for creation, such as is the case in Iowa.<sup>37</sup> The extension of a district term is generally based on a renewal process similar to the creation process discussed previously.



# PLANNING AND ORGANIZATION

# BID FEASIBILITY

When deliberating a BID as a mechanism to fund improvements to an area, several considerations should be assessed before beginning the process. This will ensure the BID is the proper funding mechanism for an area.

- **District Property Composition**
  - A majority of the properties in the area should be commercial or industrial. This ensures a substantial base for levy collection, as commercial and industrial properties are the only property types subject to the levy. In Iowa, residential property may be included if the district is located within in a designated historical district.
- **Anticipated Fund Uses**
  - The needs of the area should be considered. The BID often helps carry out projects or services that will occur over an extended period of time. If the needs of the area are limited in scope and could be addressed by one or two projects, other funding sources such as a grant or a special assessment may be a more appropriate approach. Additionally, a BID should not be used for crisis funding due to a potentially lengthy approval and implementation process.
- **Process Commitment**
  - There should be a core group of dedicated property or business owners willing to put in the time and effort to oversee the planning and implementation

process. The BID approval and implementation process involves a large time commitment and considerable effort. It is essential to have a dedicated core of supporters to follow through and champion the process.

If it is determined that a BID is not the most appropriate financing mechanism for a community, other options should be considered. Please refer to *Financing Alternatives* for additional information about resources available to communities in Iowa.

# STEERING COMMITTEE FORMATION

After the feasibility of the BID is determined, district organizers should form a steering committee to guide the process for the duration of the planning phase.

The steering committee should be representative of the businesses, property owners, non-profits, community organizations, and residents within the district. Generally, an appropriate size is 12-20 committee members. This allows various interests of the district to be represented while still allowing committee members to actively participate. A portion of the committee should consist of individuals who will bear the largest levy assessments. If the proposed district has distinct neighborhoods within it, each area should have representation on the committee. Members selected for the committee should be strong advocates for the BID, as they will be reaching out to undecided individuals throughout the BID process.

During this initial phase, the steering committee has four main actions to complete:

- First, the committee should agree on a vision (or use an already-existing vision provided by recent planning efforts) for the district. This vision provides a direction for the BID to follow, including short-term goals to be accomplished through use of the BID funds.
  - Please refer to the *Evaluation* section for additional information about goal setting and building consensus.
- Second, tentative boundaries should be defined for the district. Over the planning process, these boundaries can change, but they provide a point from which to begin discussions and provide assessment estimates.
- Third, the committee should identify what resources will be required for the planning process, including staff and materials.
- Lastly, a project timeline should be set with target dates for specific actions.



# DISTRICT GOALS

## Introduction

Articulating the goals of the BID is important when developing a vision for the district. Steering committee members should discuss and determine goals at the outset of the BID planning process. Inviting stakeholder input during the goal-setting process helps the steering committee define appropriate goals for the district; these goals will assist in several steps of the BID creation and implementation process, such as developing the budget. During the BID evaluation and renewal process, referencing the original goals in comparison to accomplishments can be a helpful tool for showing property owners the value of their investment. Goals also give the district an opportunity for evaluation to determine how it may become more effective to further improve the area. Please refer to the *Evaluation* section for additional information

## Key Considerations

- **Objectives for multiple phases**
  - The steering committee should determine short, medium, and long-term objectives that will guide the planning processes.
- **Opportunities for stakeholder participation**
  - Community engagement should start early in the planning process. Stakeholder input and

participation will help the steering committee define appropriate goals for the district.

- **Goals as tool for district evaluation**
  - Once the BID is established and operating, district goals provide a tool for evaluation. By referring to its goals, the district can determine whether it has achieved its original objectives and assess methods of improvement.

## Set District Goals

When generating goals for the BID, it can be helpful to start by reflecting on reasons the BID is needed. Goals may be general improvements or specific projects. Breaking goals into short, medium, and long-term objectives may be helpful. This process will help streamline the evaluation process discussed in the *Evaluation* section.

- Short-term objectives are crucial. These projects should have an immediate and discernible impact on the district. They may be basic improvements and services, such as maintaining streetscapes, installing banners, cleaning up graffiti, or hiring security to patrol an area. These projects are important because they give property owners a sense that the BID is working, and their investment is being efficiently utilized.
- Medium-term objectives may be those that require more planning but do not require large expenditures. For example, planning annual events in the district to attract traffic to the area, or arranging continuing education for business owners to help improve their operations.

- Long-term objectives are those with the potential to have a large impact on the area, but will require a significant planning effort, and possibly a large investment on the part of property owners. Examples of these projects include infill construction, or façade improvement for buildings in the area.

Once the goals are set, conveying goals throughout the planning and outreach phases will strengthen the presentation of potential BID benefits; goals will help property and business owners in the proposed district conceptualize the direct benefits of their investment.

## **Encourage Stakeholder Participation**

The goal creation process is an excellent time to encourage property and business owners to get involved with the BID. Inviting stakeholder input in this process may help the steering committee define appropriate goals. It is also an opportunity to begin educating property and business owners on expected benefits of the BID.

# BOUNDARY PLANNING

## Introduction

Boundary determination is of utmost importance when proposing the creation of a BID. Required as part of the petition, boundary definition also allows the steering committee to identify the geographic area where BID levy funds will be collected and can be spent. In Iowa, and many other states, the properties defining the boundary must be contiguous.<sup>38</sup> Parcels only within the boundary will be taxed at the higher levy rate and will be eligible to benefit from any services and improvements provided by the BID. The steering committee should consider the number of parcels within the proposed boundary, their classification, and their use. Additionally, it is recommended that local stakeholders define and make clear their expectations of the BID to the steering committee. Any existing managing organization providing services to the proposed district should be discussed during this phase as well to determine appropriateness of assuming BID management services.

## Key Considerations

- **Contiguity of parcels**
  - In most states, contiguity of parcels is required by legislation. It helps define a cohesive area for implementation of services and improvements.
- **Number of commercial and industrial parcels and total assessed value**
  - More assessed value equates to more revenue generated through the BID levy, translating into more services and improvements for the area.
- **Number of tax exempt parcels (non-profits, residential, government-owned, and vacant land)**
  - Tax-exempt parcels cannot sign the petition in support of the BID effort to count towards the legislative requirements to create a BID. Some tax-exempt properties and organizations may voluntarily contribute funds to the budget, but are not required to do so.
- **Location and use of property**
  - For example, a heavy industrial manufacturing facility falls under a property type that would pay the BID levy. However, typical uses of BID funds such as basic maintenance and security may not provide much benefit to the property owner of an industrial manufacturing facility if the property is located outside of the central business district. Location and use of property are as important as property type when considering benefits of the BID in relation to the boundary.

- **Level of service expected from property owners included within BID boundary**
  - Communication with property owners about their expectations of the BID services is very important and should be discussed at length throughout the planning phases and throughout the lifetime of the BID.
- **Pre-existing organizational structure for managing area in different capacity**
  - Pre-existing organizations, such as a Main Street district providing services to the proposed district may not be able to assume BID management duties. Developing and assessing various structures of management is recommended.
- **Input regarding proposed boundary**
  - The boundary may be contentious and will need ample time for discussion. The steering committee should seek input from all property owners included within the boundary, local stakeholders, and local government officials. Open and continued communication during the planning process is vital.

## Types, Location, and Uses of Property

As discussed previously, a BID serves to provide additional services and improvements located within a business district. As a result, it is important that the BID include many commercial and industrial properties, and as few residential properties as possible.<sup>39</sup> In most states, residential parcels are exempt from the BID levy, and will not contribute to the BID budget unless they voluntarily contribute. In Iowa,

residential structures located within an historic district can be assessed the additional levy for a BID, but their inclusion is not mandatory.<sup>40</sup> Large commercial and industrial properties with high assessed values will contribute significantly and are important to consider when drawing the boundary for the BID.

Just as important as property type is location of property in proximity to the central business district. For example, a large commercial property may be located adjacent to or within the proposed business district and would contribute a significant amount of money due to their high property assessment. However, the BID-financed services that would benefit this commercial property (e.g., enhanced economic development services) may be very different from those that would benefit a small business located in the heart of the central business district (e.g., free parking for customers). This distinction is important to remember when forming the BID boundary. The parcels included in the boundary should make sense given the services and improvements the BID expects to provide. It is worth noting that it is possible for a BID levy to be capped for specific property types so large industrial or commercial parcels may not pay above a specified amount, regardless of their assessed value. This helps to reduce the burden on property types that may not benefit the same as others due to their use and size.

Existing overlay zones in a district should also be taken into consideration. If all or parts of a district will be overlapped by a Tax Increment Financing (TIF) district management or steering committee should open a dialogue with the city to discuss how the BID levy will be applied to TIF properties. Within a TIF district a BID levy may only be applied to

the frozen base value set by the TIF. However, through negotiation with the city the BID may be able to receive funds at the higher increment value in the TIF district. Examples of such cases may be found in the *Case Studies* section of this report.

BID management responsibilities. Furthermore, conflicts of interest may arise when promoting specific areas and not others under the same managing organization.

## Tax-Exempt Parcels

Non-profit organizations, like residential structures, are exempt from the BID levy. However, in many cases, non-profit organizations provide voluntary contributions due to their location and use of the services provided to them through the BID. It is important to assess the involvement and interest of the non-profit organizations within the proposed boundary to determine if voluntary contribution is an option. Other properties that are tax exempt, such as government-owned and vacant land, should comprise a small portion of the total parcels included within the boundary. If this cannot be avoided, it is important to consider how their inclusion in the BID affects the overall budget and the services the BID plans to provide.

## Management Structure

The organization managing the proposed BID may already have a pre-defined target area for services (e.g., Main Street designation or business association). If the BID boundary should extend past this pre-defined area, additional services only to the extended portion may be difficult to justify. When forming the boundary, it is important to recognize the organizations already in place that manage the area and the capacity of such organizations in assuming

# BUDGET PLANNING

## Introduction

Through the district goal development process, the steering committee should be well informed by property owners, business owners, residents, and other local stakeholders about the needs of the target area and property owner support. This input process should result in short, medium, and long-term goals, and provide a basic outline for items included in the budget. These needs should be discussed at length and should align with the purpose of the BID. Additionally, feasibility of the goals should be considered to determine whether projects could be completed in a timely manner, given the expected level of funding available through the BID.

## Key Considerations

- **Goal-driven uses of funds**
  - The use of funds should match the needs of the district. This creates a nexus between the additional taxes paid and the improvements within the boundary.

- **Appropriate BID levy rate**
  - Levy rate should be appropriate for the community, and property owners must be willing to pay that level of fee for the expected services. Extensive discussion with property owners and local stakeholders about the BID levy rate is recommended.
- **Short, medium, and long-term budget projections and uses of funds**
  - Short-term uses of funds should be project- or activity- specific so property owners will understand the near-term benefits of inclusion within the BID. Longer-term goals may be driven by broad ideals such as “increase marketing of attractions within the BID.”
- **Expected use of BID funds**
  - Defining the expected use of BID funds helps property owners determine if their needs align with the purpose and expectations of the BID.

## Compose the Budget

Once rational and action-oriented goals have been defined and assigned to a loose timeline for implementation, the steering committee should compile cost estimates per project, service, or activity needed to achieve the goals. Through this process, the steering committee should consider detailed information regarding materials and labor for each budget item. Project-specific expenses should be aggregated into categories and an initial budget should be created. It is recommended that the steering committee create a budget for different intervals of the BID (i.e., first year budget, second through fourth year budget, and fifth

year through seventh year budget). Items for the short-term budget should be specific, while less defined budget items may be acceptable for the long-term and will be further defined at a later date.

The budget may include any projected revenues from planned events or changes that affect BID revenues, and should specify how those funds will be used. Projects and events could include anything that leverages BID funds for an increase in revenues for the district. Examples range from festivals to the construction and rental of infill buildings. Budgeting may include growth in revenues from increases in assessments on property values. If used, these estimates should be carefully calculated and err on the conservative side. Funds contributed from sources outside of the levy should be specified. These sources may include investment from public or private organizations including non-profit entities in the area, or contributions from a capital fundraising campaign. Lastly, consideration should be given to property tax reform. If a reduction in commercial property assessments is expected in the future, the steering committee should include these reductions in the budget projection.

## Sample Budget

Figure 2 shows a BID in New York City compiled a list of common budget items for consideration in the planning process such as salary, sanitation, and security. To reiterate, budget items must be related to the needs identified within the target area and should be specific for each community.

Supplemental Services	\$
Security	
Sanitation	
Promotion/Advertising	
Holiday Lighting	
Capital Projects	
<b>Total Supplemental Services</b>	
<b>General &amp; Administrative</b>	
Staff Salary	
Staff Fringe Benefits	
Rent	
Telephone	
Printing/Postage	
Office Supplies	
Insurance	
Audit/Legal	
Payroll Services & Bank Charges	
<b>Total General &amp; Administrative</b>	
<b>Total Program Cost</b>	
<b>CONTINGENCY</b>	
<b>TOTAL BUDGET</b>	

**Figure 2. New York City Common BID Budget Items.**

Source: New York City Small Business Services



Additional examples of budget items may be seen in Appendix A.

## Determine the Levy Rate

Once the budget items have been identified, the steering committee should determine the BID levy rate needed to fund these projects. In Iowa, the levy rate is generally calculated as a fee per \$1,000 of assessed value, see Table 1. Assessed property values on a per property basis may be found with the county assessor’s office or website.

**Table 1. Sample Levy Rate Projection Based on Budget Needs**

Assessed Value in BID Boundary	Projected BID Budget Needs	BID Levy Rate
\$20,000,000	\$50,000	\$2.50 per \$1,000 of Assessed Value

The BID levy rate is one of the most important aspects of the BID and should be discussed prior to the petition with property owners to determine its appropriateness. Understanding the willingness of property owners to pay for additional services is extremely important when considering the BID levy rate. If property owners determine the levy rate is too high when calculated as above, it is recommended the steering committee convene with local stakeholders to prioritize goals and exclude some of the goals and corresponding items from the current budget.

Because the levy rate defined in the petition is a maximum rate that may be assessed to each parcel in the district, it is important to note that the steering committee may start with a lower levy rate and raise it over the lifetime of the BID, if necessary. This strategy may be helpful in situations where property owners are hesitant to pay the maximum BID levy and would like to see benefits of the BID before paying at a higher rate. Additionally, this makes the first payment by the property owner lower than it would be if the maximum BID levy had been used. This also allows flexibility in the budget so that the first order priority goals can be met upfront, and the remaining goals of the BID can be funded at a later date if the levy is increased. It is at the discretion of the steering committee where to set the initial levy rate, and it should discuss whether this option is appropriate for the community.

In addition to considering the levy rate itself, it is important to understand when the additional taxation will take place, and when the BID managing organization will receive the funds. For example, in some communities, the BID levy and taxes may be collected in March, but the BID managing organization may not see BID levy proceeds until September. It is recommended the steering committee meet with the local municipality to fully understand this timeline.



Because BIDs are created through action taken by the city council, annual budgets are reported to the city. These budgets are based on funds the BID anticipates to receive each year. All activities that the BID expects to perform should be detailed in the budget, including such things as regular maintenance, infrastructure improvements, and events. Staff payroll, building rents, and other administrative costs should also be included.

# OPERATING PROCEDURE

## Introduction

BIDs are unique collaborative efforts between the private and public sectors working to accomplish goals that either entity may not be able to achieve alone. A BID should incorporate the interests of business, government, and the general public in the way it operates; BIDs that seek to be independent of outside influences are perceived to be less effective.<sup>41</sup> Clearly defined operational roles are an important aspect of creating an efficient and effective BID.

## Key Considerations

- **Operations management**
  - A board of directors develops a mission for a BID and guides general operations.
  - An executive director or board-appointed group carries out the mission and oversees day-to-day operations.
- **Memorandums of agreement**
  - A memorandum of agreement (MOA) is a document that binds two or more parties to cooperate on a project or objective. These documents are often drafted to ensure a city and the BID clearly

understand which entity is responsible for a particular service and to ensure both parties follow through on specifics of the agreement.

- **Fund management**
  - BID funds can be managed by the local government collecting the tax, by an outside group or organization, or by the BID itself. Having a local government manage the funds may be inefficient if a city council must approve BID expenditures. An outside group managing the funds may save time, but will come with additional administrative costs. Self-management will require additional staff time.

## Determine Management Structure

A board of directors should be chosen following BID approval and establishment. Each BID's board of directors oversees the general operations of the BID and uses of obtained funds. The board should govern in accordance with district goals, making sure that the budget reflects the outlined goals and that the organization continuously strives to achieve its vision. Recommendations regarding the BID board of directors follow in the *Establishment* section of this report.

Through guidance from the board of directors, an executive director or board-appointed group generally oversees day-to-day operations of the BID. This person(s) performs operational duties as delegated in the by-laws, such as keeping track of fund usage and performing outreach activities. Alternatively, the board members may decide to do these tasks themselves. Because of the amount of work

running a BID entails, this is rare and may only be preferable for small BIDs with a limited amount of funds.

## Evaluate Need for Memorandum of Agreement (MOA)

An MOA is a document that binds two or more parties to cooperate on a project or objective. The MOA will delineate the structure between the BID and the local government. When accountability for providing certain services falls into the gray area between the BID and local government, it is vital that a memorandum of agreement be used to define services each group will provide. An MOA should also be used for agreements with groups giving voluntary contributions to the BID.

The standard MOA between a BID and a city will define what the BID is allowed and obligated to do. The city can require the BID to perform certain functions such as preparing budgets and submitting quarterly reports. Additionally, it is a common concern that the local government will reduce the level of service once a BID has been established. An MOA can provide some protection against this. Many BID boards of directors negotiate terms with the local government in which the current level of services will not be cut, but any additional services will be paid for by the BID funds. Another option is to define which services are the city's responsibility and which services the BID will provide.

MOAs are also essential when obtaining voluntary contributions from businesses or organizations that would like to support the BID, but do not fall under the

levying power of the BID. The agreement should detail the contribution amount and frequency of donation that the organization would like to make. Specific conditions for nullification of the MOA should also be provided, such as nonpayment or dissolution of the BID. Also, the MOA should state what, if any, benefits the organization will receive as a result of its contribution. Negotiations may be conducted with organizations separately or handled as a collective group. For example, non-profits are exempt from BID levy rates, but may enter into an agreement where they contribute a set amount and receive benefits of the BID. Each non-profit may decide on its own contribution amount independent of any other MOAs, or all of the non-profits located within the BID may collectively agree on an amount under a single MOA.

## Select Appropriate Fund Manager

The BID levy is obtained when the governing body collects property taxes, and later separated out for the BID's use. Until the funds collected are appropriated to the BID's managing organization, the BID levy remains public funds. The BID board of directors must decide which group or organization will keep track of the funds and, essentially, act as the BID's bank. The board of directors reports the budget and funding recommendations to the city, but the process of fund management differs from this arrangement. Dependent upon local circumstances, BIDs may be able to switch between various fund management options during its lifetime.

One fund management option is for the city to act as the fund manager, which does not require transferring the funds to another intermediary organization after tax collection. The fee for the city handling funds will likely be less than using an independent organization. Many BIDs use this method in their infancy. A disadvantage of this option is that fund uses must be approved through city council action, which often adds to the time it takes for tasks to be completed.

A second fund management option is to have an outside organization manage BID funds and act as the BID's fund manager. Funds are still collected by the governing body, but are transferred to the fund manager where they are available to the BID. The Cedar Rapids, Iowa, Downtown SSMID uses the Cedar Rapids Metro Economic Alliance as its fund manager.<sup>42</sup> Typically, the administrative costs of using an organization other than the city are higher, but BID funds may be more easily accessible under this arrangement.

A third option is for the BID to manage the funds itself, but this requires time and increases staff costs. In this case, the board of directors chooses how to use the funds, and all project management associated with the use of funds is administered in-house. This may be difficult in situations where the BID managing organization has limited resources, or the projects are complex and/or require special expertise. BIDs with a small budget may lack the resources and administrative capacity to manage the funds.

# PETITION

## Introduction

All items outlined in this section pertain to the state of Iowa; information below may be found in section 386.3 of the Iowa Code. The 2013 edition of Iowa Code section 386 may be found in Appendix B.

Ensuring accurate writing of the petition for city council consideration is a critical piece of the BID creation process. State of Iowa legislation stipulates six items that must be included in the petition. It is recommended that each steering committee obtain legal counsel to check the legality of the petition language in addition to the signature requirements of its local government before acquiring signatures. To restate, BIDs in Iowa are referred to as Self-Supported Municipal Improvement Districts (SSMIDs); this section uses this term.

## Key Considerations

For a city council in Iowa to consider a SSMID petition, the petition must include the following items:

- **Signatures**
  - The petition must include signatures of 25% of all commercial or industrial property owners within the proposed SSMID, and signatures representing 25% of the assessed value of all applicable (commercial

and industrial) property types within the proposed SSMID.

- **Boundary description**
  - The petition must include a description of the proposed SSMID boundary. The inclusion of a map is not mandatory, but beneficial.
- **District name**
  - The official name of the district must be stated. In Iowa, the name must include the phrase, “Self-Supported Municipal Improvement District.”
- **Levy rate**
  - The petition must include the levy rate. This must be shown as the rate for debt service, operations, and capital improvement, or as a combination of the three.
- **Sunset period**
  - The period of life of the district, or “sunset” period must be listed in the petition.
- **Statement of purpose**
  - The petition must include a statement of purpose explaining the reason for SSMID establishment. This section should include the district goals.

## Signatures

For a city council to consider approval of a SSMID, signatures in the petition must represent a minimum of the following:

- 25% of all owners of eligible property within the proposed SSMID, and 25% of the value of all eligible property within the proposed SSMID.

The signatures must be obtained from the property’s deed holder or holders. If there are multiple property owners listed or if a group with multiple signatories owns the property, then all of the signatures of the property owners are required to be collected to count. A city may have specific requirements for information required for a petition signature to be valid, such as property value, land use designation, or tax identification number. We recommend consulting your local government to ensure all necessary information is included.

At minimum, the signature page of the petition should include:

- The name of the property owner or owners.
- The address of the property or properties.

District property owners who oppose the SSMID may create a counter petition to increase city council approval requirements, or to block the proposal altogether.

- Unanimous approval of the district is required of the proposal if a counter petition signed by 25% of all owners of eligible property within the proposed SSMID, and represent 25% of the assessed value of all eligible property within the proposed SSMID.
- The proposed SSMID may be blocked from council consideration if a counter petition signed by 40% of all owners of eligible property within the proposed SSMID, and represents 40% of the assessed value of all eligible property within the proposed SSMID.

## Boundary Description

- A description of the proposed district boundary must be included in the petition. The description may be of the boundaries of the proposed district, or a consolidated description of the property within the district. This may be a description of the boundary of a district, or a listing of all property inside by parcel number or other legal denotation.
- The description should define the roads or lot lines the district boundary follows. Lot lines should be noted if the boundary intersects a block at any point.
- A map of the boundary and property within the district is not required for petition approval. However, including a boundary map may help to explain the district when talking to property owners or presenting the petition to a city council.

## District Name

Iowa requires that the petition include a district name, which must include the phrase “Self-Supported Municipal Improvement District.” The name may include the organization managing the district, or be descriptive of the area. If expansion of the district boundary is anticipated in the future, it is recommended that the name of the district be general.

## Statement of Levy Rate

The proposed levy rate for the district must be stated in the petition. The rate may be presented as separate rates for operations, capital improvement funds, and debt service. Alternately, the rate may be presented as a combination of all three. The districts' governing board would then decide the appropriate use of funds.

- **Operations Tax:** Monies collected for the operations fund would strictly go towards paying the administrative costs of the district. It may support all expenses reasonably related to the administration of the district, such as personnel salaries, legal fees, or architectural consultations. These funds may also be used for paying maintenance costs of district improvements, if this purpose is stated in the petition.
- **Capital Improvement Tax:** Monies collected for the capital improvement funds could be used for financing various improvements to the district.
- **Debt Service Tax:** If a city were to issue bonds on behalf of the district for the funding of projects, the debt service fund would serve as the money to repay funds collected from the bond measure.

## District Termination Date

This section of the petition will state the period for which the district will exist if not renewed prior to termination. In other sections of this report, this duration is referred to as the “sunset” period. Generally, the beginning of the period

will coincide with the beginning of the fiscal year when the city will collect the first SSMID levy.

## Statement of Purpose

The purpose of the district must be stated in the petition. This purpose may be presented in various ways.

- **In terms of the relationship of the properties within the district**
  - An example of this may be the redevelopment or revitalization of properties in a district.
- **In terms of the interests of the owners of property within the district**
  - An example of this may be the establishment of an agency to promote collective property owner interests.
- **In terms of proposed improvements to the district**
  - This may be presented as general categories of improvements to be pursued, or as specific improvements slated for this district. Written goals or a proposed budget may help define these improvements.

# COMMUNITY OUTREACH



## Introduction

During the initial district goals development process, it is important to engage stakeholders and integrate them into the planning process. After a steering committee has discussed district goals with stakeholders, those goals should be used to formulate a more complete BID plan, which may be shown to potential petition signatories. The community outreach phase of BID formation entails developing informational materials and communicating with stakeholders through a variety of methods to gain support and receive additional input.

Clearly articulating the need for the BID and the impact of the levy helps property and business owners understand how they might directly benefit from area improvements the BID would undertake. Through the outreach process, the steering committee may find that it must tailor aspects of the BID to better reflect stakeholders' needs. Using a variety of community outreach strategies can heighten awareness of, and increases support for, the proposed BID, while providing numerous opportunities for constructive feedback on proposed BID elements. In almost all states, creating a BID requires petition signatures and, ultimately, city council approval. Open communication between the steering committee, members of the community, and elected officials is crucial to gaining BID approval.

## Key Considerations

- **Purpose of outreach**
  - The purpose of community outreach is to increase awareness of the BID, to gain support for the BID, and to get feedback on the BID.
- **Informational materials for property owners and local stakeholders**
  - From the outset of the outreach phase, information about the BID should be articulated clearly and communicated to all affected parties. Defining the monetary impact of the BID levy on a per property basis may be helpful for property owners to better understand how their inclusion affects their annual expenses.
- **Public forums**
  - Throughout the outreach phase, the steering committee should hold at least one public forum to introduce the BID creation effort and to invite community feedback.
- **Individualized outreach**
  - Direct communication to property owners through a network of invested supporters can help address unique concerns and gain support. Steering committee members should identify contacts and document support.
- **Online presence**
  - A website with information about the proposed BID should be used to increase awareness and facilitate communication.

## Compiling District Data

A helpful exercise when considering outreach strategies and gathering information for petition signatures is compiling a list of property deed holders in the proposed area. Both municipal offices and county assessors have public information on properties including the property deed holder, deed holder contact information, property value, the name of lease contract holder if there is one, and use designation. This information may be found online through city or county geographic information systems (GIS) sites, or through a request to the local assessor.

This information may be useful to create tables to help determine how many signatures will be needed to meet property owner and property value signature requirements for the petition. It is also useful for learning where to contact property deed holders. Finally, property value information can help with budgeting and understanding the level of funds that may be raised at different levy rates.

## Develop Informational Materials

The steering committee should prepare an informational handout for distribution that describes the key features of the proposed BID. The handout serves to inform property and business owners in the district of the BID creation effort and to invite feedback and participation in the BID's formative stage. BID supporters can distribute the document in person when talking to district property and business owners. An example of an informational handout is included in Appendix C.

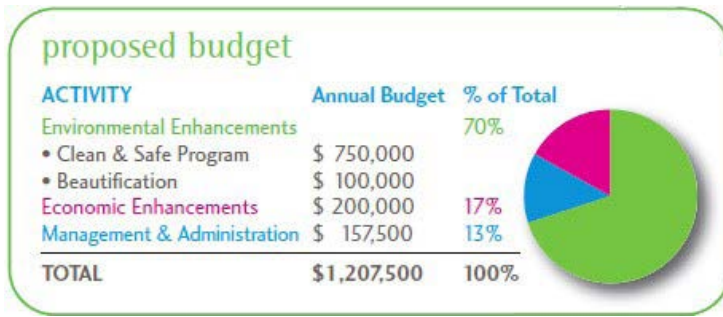
It is recommended that the informational handout include a sample budget to convey the intended uses of funds. When introducing the BID to property owners in the proposed district, examination of case studies indicates that using a sample budget that defines how much the BID levy will impact an individual property owner has a positive impact for gaining buy-in. Using the sample budget allows property owners to better understand their individual impact and how they will contribute to and benefit from increased services and improvements within the district. Providing charts or tables to show how the levy rate will affect business owners based on various levels of assessed valuation may be helpful. Table 2 provides an example.

If your commercial property value is:	Your current property tax bill is:	Your SSMID tax bill would be:	Your total tax bill would be:
\$50,000	\$1,913	\$150	\$2,063
\$100,000	\$3,827	\$300	\$4,127
\$150,000	\$5,740	\$450	\$6,190
\$250,000	\$9,567	\$750	\$10,317
\$500,000	\$19,134	\$1,500	\$20,634

**Table 2. Sample Estimated Tax Impact of a BID**

Source: Authors

Additionally, it may be helpful to show stakeholders how the overall budget will be divided between categories, so it's easy to determine priorities of the BID. For example, the City of Berkeley, California, uses the chart in Figure 3 to show the breakdown of uses of funds for its BID.



**Figure 3. Downtown Berkeley, California Budget Breakdown**

Source: Downtown Berkeley Association. 2012.

Lastly, it is recommended that the mock budget and informational materials be shared in public meetings so that all stakeholders are aware of expected improvements to the area. The planning process should be open and transparent, and providing material to the public and local governing body explaining the budget and use of funds is a crucial element of the planning process.

### Send Information Packet to District Property and Business Owners

An information packet should be distributed to all property and business owners located within the proposed BID boundary. Along with the informational handout, this packet should include material about dates for open community forums, and a timeline for the entire BID planning and implementation process.

## Facilitate One-on-One Outreach

Directly communicating with individuals through one-on-one outreach extends the realm of BID proposal awareness. This is one of the most effective ways to disperse information about the BID formation effort. Utilizing personal relationships between area business and property owners as a base to discuss a potential BID can foster a more trusting conversation than a letter or informational material alone. Each member of the steering committee should select a designated number of property owners in the proposed district to contact with information about the BID. Steering committee members should document whether each contact supports the district and compile this information into a database to help gauge current and needed support.

## Meet with Potential Voluntary Contributors

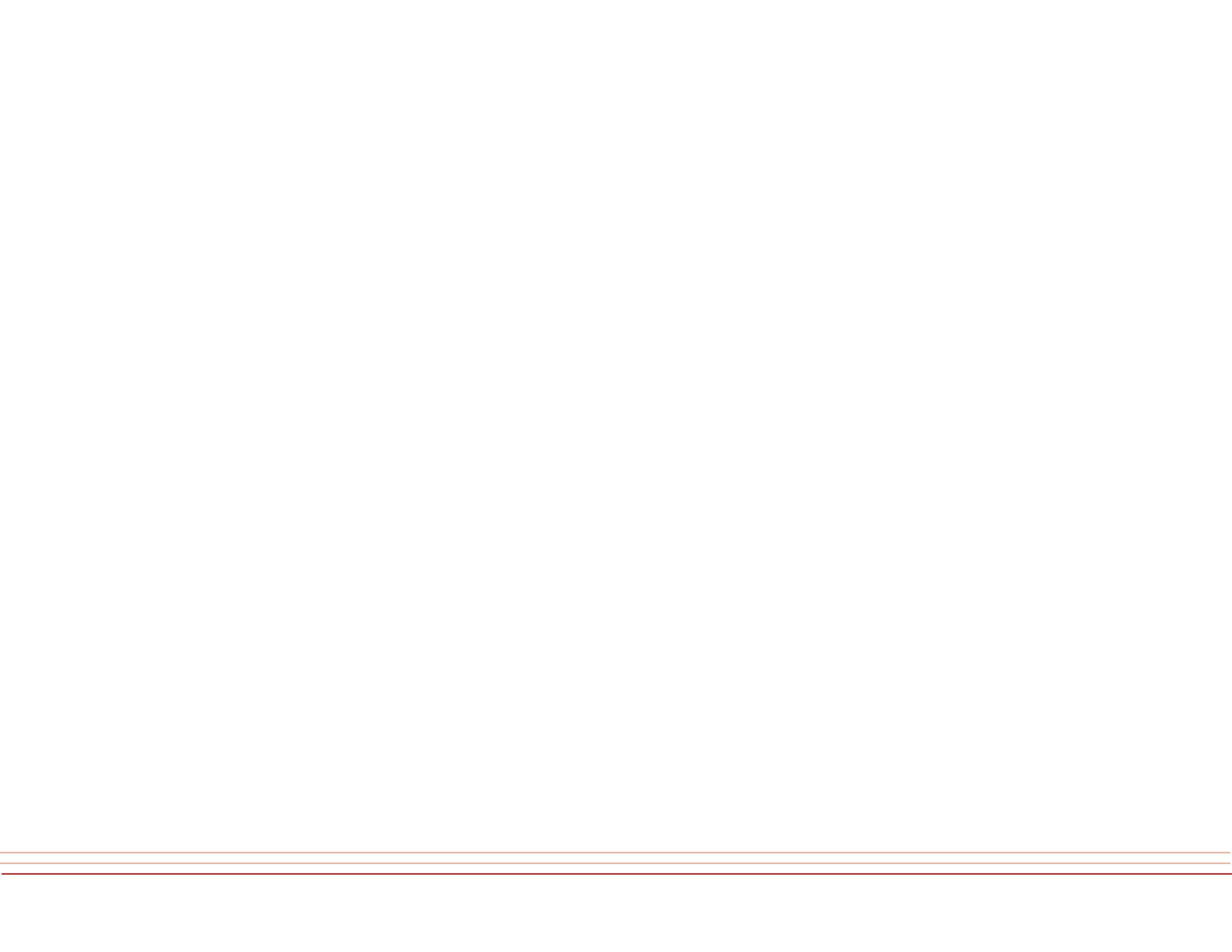
Many BIDs contain non-profits or other tax-exempt groups. Because these groups may benefit from the improvements or services that the district provides, the exempt groups may contribute voluntarily. For example, as described in the *Case Studies* section of this report, the University of Iowa contributes a significant amount to the improvement district in downtown Iowa City, which is adjacent to the campus. Meeting with potential contributors and securing their commitments early in the outreach process could give the steering committee the opportunity to build on that momentum and gain further support.

## Hold Open Forums

The steering committee should hold at least one open forum to introduce the BID proposal to the community. This setting allows community members to voice their thoughts and the steering committee the opportunity to incorporate public comment into the BID process. This will ultimately assist the steering committee in gaining support for the BID.

## Create an Online Presence

A website with information about the proposed BID should be used to increase awareness of the proposed BID and to facilitate communication. The website should include details of the BID and of any open community forums, and allow for simple submissions of questions or comments. Having an online presence can heighten awareness of the BID and provide an additional avenue to receive feedback.



# ESTABLISHMENT

# BOARD OF DIRECTORS

## Introduction

A board of directors generally governs BID activity and consists of local stakeholders such as property and business owners. Several examples of board structures can be found in the *Case Studies* section of this report. BID leadership, such as a steering committee, should carefully consider potential board members, as the board will guide the BID's activities and expenditures; individuals selected for board membership may affect the level of support from the community. BIDs have faced criticism for blurring the lines between private and public spheres; some people conceive of BIDs as private governments that lack accountability.<sup>43</sup> Keeping perceptions of accountability in mind during the process of choosing board members, and selecting respected district members, can alleviate some of these concerns.

## Key Considerations

- **Board representation**
  - As representatives of the BID, a board of directors should include diverse interests.
  - Diverse representation reflects the interests of BID stakeholders and creates a sense of ownership.
- **Board size**
  - The size of the board of directors should be chosen to meet the needs of the district.
  - Small boards often require highly engaged members to accomplish its tasks, but can be more efficient and simpler to manage.
  - Large boards can allow for a higher level of diversity, added opportunity for expertise, and a shared workload.
- **Board selection**
  - The approach to selecting a board of directors can vary depending on state legislative stipulations.
  - Some states require election by peers for the board of directors; in many states, the board of directors is government-appointed.
- **Board operations**
  - Boards often meet monthly to discuss BID-related business.
  - The board can form committees to focus on particular issues, projects, or events.

## Board Representation

It is important that the board represent the myriad interests found within the proposed BID boundary. Diverse representation creates a sense of ownership in the process, allowing for effective outreach to the community.<sup>44</sup> The board of directors should consist of members from the following groups:

- Commercial and industrial property owners representing small and large property assessments
- Commercial and industrial property owners representing a diversity of businesses
- Business owners representing both small and large number of employees or square footage
- Residents (if included in the BID taxation)
- Representatives from voluntary contributors such as non-profit organizations
- A city representative

## Board Size

Large and small boards have different qualities and attributes that need to be considered when designing a board of directors. The Council on Foundations describes the benefits of small and large boards, which are outlined as follows.<sup>45</sup>

### *Benefits of small boards*

- **Meaningful membership:** Small boards require more active participation from each member, which results in a strong sense of responsibility and a high level of engagement from members, who each must work to ensure that the organization succeeds.
- **Added efficiency:** Small boards are easier to convene due to fewer schedule conflicts. The high level of engagement and activity from each member leads to increased efficiency.
- **Simpler management:** Small boards do not require the level of care and attention to individual board member's requests that large boards often face. Logistically, it is easier to arrange meetings with smaller boards due to fewer transportation and meeting costs.

### *Benefits of large boards*

- **Diversity and inclusiveness:** Large boards provide the opportunity to include many different viewpoints on economic, political, and social concerns for the area. In addition, a large, diverse board can lead to a careful review of situations finding creative solutions.
- **Added expertise:** Large boards bring a wealth of experience and human capital that can be utilized to increase governance and accountability efforts.
- **Shared workload:** Large boards have the people power to accomplish their workload, allowing for the duties



to be split. Further, the division of work between more members diminishes the chance for board fatigue.

## **Board Selection**

When selecting the board members to govern a BID, one of two approaches is generally used. In the first scenario, those being taxed can nominate and elect board members. In the second scenario, the mayor or city council selects the board.

### ***Elected by peers***

Board members may be elected by their peers. In this scenario, BID taxpayers can nominate themselves or other participants to be potential board members. From the generated list of nominees, the BID taxpayers elect the new board members by ballot.

### ***Appointed by government***

Some BIDs require that the city council or mayor appoint BID board members. In this scenario, the government appoints members from the community to serve as board members. In some cases, the BID members may present a list of potential candidates for the government to approve or modify.

## **Board Operations**

Through regular meetings, usually monthly, the BID board should meet to discuss issues affecting the BID and to make decisions on fund use or other activities. As part of the bylaws, the board could be divided into committees, which are permanent subunits of the board charged with overseeing a particular area of BID operations. These committees meet regularly on issues that require consistent board action, and appointments can be voluntary or specified in the bylaws by the board seat they occupy. The number of committees depends on the needs of each BID, but some examples of committee responsibilities include marketing, lobbying the city council, or special events. In addition, ad hoc committees can be formed to address a particular issue or temporary task.

# EVALUATION

## Introduction

Program evaluation should be an integral part of every BID. The petition for BID creation outlines the need for the district and describes the activities and services that it will conduct to meet the needs of stakeholders. Evaluation should be conducted to determine if a BID has met the goals for the district. A BID's board of directors should have a clear understanding of how BID programs might influence local business and economic conditions. Evaluation can help the board assess whether BID initiatives are relevant to the district's goals, and whether the initiatives have positive impacts.<sup>46</sup> Diverse groups of stakeholders will be interested in a wide range of program areas. These stakeholders will want to know whether programs are working as promised, and whether resources are allocated optimally. Rather than assessing each individual function of a BID in relation to its goals, effective evaluations look at the overall impact of BID activities in relation to its goals.<sup>47</sup>

This section describes the components and process for evaluation, which is based on logic models. Logic models provide a framework for evaluation, visually depicting the linkages between a program's resources, activities, outcomes, and overall program impact. Other evaluation methods exist, but because it is difficult to prove statistical causality between BID activities and outcomes, logic models are recommended. The logic model framework highlights logical linkages between program activities, outcomes, and impacts. Importantly, logic models allow BIDs with limited time and monetary resources to focus evaluation efforts where they will be most useful.

Additionally, this section serves as a guide for creating and implementing an effective evaluation process. After outlining approaches to evaluate ongoing program activities, (i.e., formative evaluation) and to evaluate overall program impact (i.e., summative evaluation), this section describes the necessary steps to identify the evaluation audience. Following this is a description of how to generate indicators, or data that describe the degree to which the outcomes and goals were achieved. This section then describes data collection considerations, including methods and instruments for effective data collection. Finally, this section concludes with a thorough explanation of how to create and use logic models, including four logic model examples specific to the Czech Village/New Bohemia SSMID in Cedar Rapids, Iowa.

# FORMATIVE AND SUMMATIVE EVALUATION

## Key Considerations

- Formative evaluation seeks to improve the implementation process, while identifying short-term progress on long-term goals.
- Summative evaluation seeks to assess broad, overall impacts of a BID.
- Evaluation questions should be simple to understand whether they are targeted to formative or summative evaluation.

## History of Program Evaluation

Evaluation, in some form or another, has been in existence for centuries.<sup>48</sup> However, it emerged as a professional practice during and after World War II, evaluating the effectiveness of propaganda and soldier morale.<sup>49</sup> After

World War II, federal funding for social programs expanded, which carried the demand for “knowledge of results,”<sup>50</sup> contributing significantly to the prevalence and importance of evaluation. In the 1960s, the practice of program evaluation expanded significantly to assess effectiveness of various educational programs and teaching techniques. In this context, Michael Scriven developed the formative-summative approach to program and policy evaluation,<sup>51</sup> which has since been widely adapted to program evaluation of all disciplines.

## Formative and Summative Evaluation

Program evaluation serves as a “systematic process used to determine the merit or worth of a specific program, curriculum, or strategy in a specific context.”<sup>52</sup> Program evaluation or assessment may take many forms, but one of the most widely used approaches for evaluation is the formative-summative method. Under this two-pronged approach, evaluation is completed over the course of a project in addition to analyzing the overall impact at the end of the program.

Formative and summative evaluation techniques vary, and provide different perspectives about the value of an initiative. Summative assessment seeks to define the broad impact achieved by the initiative from its inception to project closeout. Formative evaluation is used at all stages of program implementation to assess incremental progress; this form of evaluation also analyzes components of program implementation and organizational capacity. In short, formative and summative evaluation types have been

identified as elements to improve (formative) and prove (summative) the effects of a program. Table 3 provides the benefits of both types of evaluation.

success before the program ends. These corrections may take the form of restructuring management style, or in a more likely scenario, in how a program is functioning.

**Table 3: Benefits of Formative and Summative Evaluation**

<b>Formative Evaluation – Improve</b>	<b>Summative Evaluation – Prove</b>
Provides information that helps you improve your program. Generates periodic reports. Information can be shared quickly.	Generates information that can be used to demonstrate the results of your program to funders and your community.
Focuses most on program activities, outputs, and short-term outcomes for the purpose of monitoring progress and making mid-course corrections when needed.	Focuses most on program’s intermediate-term outcomes and impact. Although data may be collected throughout the program, the purpose is to determine the value and worth of a program based on results.
Helpful in bringing suggestions for improvement to the attention of staff.	Helpful in describing the quality and effectiveness of your program by documenting its impact on participants and the community.

Source: Kellogg Logic Model Development Guide, Page 35

## Formative Evaluation: The Basics

Formative evaluation includes analysis of three main components of program implementation, “focusing on measuring the quality of implementation or program processes, assessing stakeholder attitudes (including satisfaction with services), or pilot testing measurement instruments.”<sup>53</sup> This evaluation technique responds to the dynamic nature of program management. Because of this recognition, if a project or components of a project are not achieving desired results, through the formative evaluation process, a project manager has the ability to make mid-course corrections to improve the trajectory of the program’s

## Components of Formative Evaluation

To quantitatively assess effectiveness of a program, evaluators should analyze the outputs defined in the logic model process. The outputs will gauge the status of the program’s immediate impact. District goals should be built into the logic models to ensure that the chosen outcomes are logically achievable through planned actions and are linked to the future vision of the district.

To qualitatively assess impact of the program, evaluators may develop and administer a survey of stakeholders. Some of the less tangible goals for BID implementation

may be more difficult to assess. Surveying the public and BID stakeholders may impart valuable insight absent from other data collection results.

### **Example Formative Questions Commonly Used for BIDs**

Formative evaluation should grow out of the specific goals and objectives defined during a strategic planning process and should be unique to each BID. Below is a list of commonly used questions for BID formative evaluation:

- Is the program achieving its intended impacts?
- Are indicators moving in a positive direction to achieve goals?
- Is the district receptive to programs?
- What are the strengths and weaknesses inherent within the BID that aid or harm program success?
- What external factors are prohibiting successful implementation of projects?
- What external opportunities exist that the BID can capitalize on to enhance program effectiveness?
- What elements of program design or management seem to be working well and which need improvement?

### **Summative Evaluation: The Basics**

Summative evaluation exists to summarize the overall impacts of a project or initiative from beginning to end. It aims to measure progress toward achieving desired goals and outcomes, and whether the program produced any unintended consequences. Summative evaluation attempts to define program success in myriad ways, and also examines effectiveness of resource allocation. Lastly, summative evaluation may be used to compare projects and determine priorities based upon impacts of the projects. This may be helpful in setting future funding priorities.<sup>54</sup>

### **Components of Summative Evaluation**

With a formal evaluation plan in place, an important first step for summative BID evaluation is gathering baseline data during the planning stages of a BID. While additional summative measures may be used to determine effectiveness, understanding what impact the program aims to achieve from the very beginning is a crucial aspect of evaluation. Over the life of the program, it is important to revisit the original measures chosen for summative evaluation to ensure their applicability and accessibility for evaluation. Many times, it is possible to obtain historical information on data, and as a result, adding summative evaluation measures over the course of the program is recommended.

## Example Summative Questions Commonly Used for BIDs:

Summative evaluation should grow out of the specific goals and objectives defined during a strategic planning process and should be unique to each BID. Below is a list of commonly used questions for BID summative evaluation:

- To what degree did the program achieve its goals?
- What impact did the program have in the target area?
- What impact did the program have in the community at-large?
- What unintended consequences resulted because of this program?

# EVALUATION AUDIENCE

## Key Considerations

- Defining the audience for evaluation is important in determining which questions should be asked in the evaluation process.
- The audience's questions help determine which indicators should be assessed to best answer the status of the program's goals.

Defining the audience and purpose of evaluation is central to an effective evaluation process. Who will be interested in outcomes and impacts of the BID and what outcomes and impacts will they be interested in? Having already engaged stakeholders in goal setting during the BID petition process, knowledge of their needs and expectations should be readily available. The goals for a BID should drive the outcomes and impacts that the district evaluates. A variety of stakeholders, including property and business owners, the BID's municipality, and district visitors and customers, may be interested in the success of the BID.<sup>55</sup> Each group of stakeholders will have certain focus areas of the BID that they prioritize over others, making it imperative to know the makeup of the evaluation audience. Table 4 shows a basic list of common BID stakeholders that could be part of

the evaluation audience and questions that each group of stakeholder may have.

**Table 4. Evaluation Questions from Common BID Stakeholder Groups**

Audience	Typical Questions
Property and Business Owners	Is the BID delivering the services it promised? How have the BID activities benefitted me?
Community Members	What has the BID accomplished? Have BID programs improved or benefitted the community?
Public Officials	Who is benefiting from the BID? What improvements has the BID made to the community?
District Visitors	In what ways has the BID improved the visitor experience?

Adapted from Kellogg Logic Model Development Guide, Page 40



Determining the audience for evaluation provides a focus for the outcomes and impacts that the district should assess. To identify the evaluation audience, consider who benefits from or is affected by the BID. For each broad goal that the BID has defined, evaluators should ask two questions:

- Who will have questions about the success of this goal?
- What questions will this key audience have?

Evaluators can ask stakeholders which questions they would like answered, or these questions can be derived from the district goals. Once these questions have been answered, indicators, or data, that will reasonably answer the audience's questions should be identified.

# INDICATORS AND DATA COLLECTION

## Key Considerations

- Indicators should be linked to the questions that the evaluation audience has about BID performance.
- Data associated with the indicators should be obtainable within the BID's time and budget constraints.
- Locating existing sources of data is valuable for efficient data collection.
- Data collection methods should be chosen on the basis of likelihood to secure information, appropriateness of the method to the context of the district, and the district's time and monetary resources.

Indicators are data used to measure the status of the BID's programs. When identifying indicators, it is important to choose indicators that are easy to understand and provide information that answers the audience's questions. Indicators for which data is accessible within the BID's means are important to identify. Compiling a breadth of

highly specific data is technically possible, but much of it is prohibitively expensive to access or too time consuming to collect. Because it is difficult to prove a statistical causal link between a BID's activities and its outcomes or impacts, making logical connections and choosing related indicators to track is a viable way to evaluate a BID's success. Indicators commonly associated with BIDs include:

- Change in property value assessments
- Change in sales tax revenue
- Change in percentage of vacant space
- Change in attendance to district events
- Change in district crime-related incidents

In addition to comparing indicators to baseline data, the same indicators can be collected for the city or region. A comparison of district data to city or regional data will help determine whether changes in district conditions are merely a reflection of city or regional patterns, or if they are unique to the BID. Determining the scale for comparison is important and is dependent upon the context in which the BID is located.

## Data Collection Method

Several criteria should be considered when determining which type of data collection method to use. Asking these questions will help determine an appropriate method:<sup>56</sup>

- Which method is most likely to secure the information?
- Which method is most appropriate given the values, understandings, and capabilities of those who are being asked to provide the information?
- Which method is least disruptive to the program and to its clientele?
- Which method can the program afford and use effectively?

Listed in Table 5 are common data collection methods for BIDs. All of these instruments can be effective when used properly and appropriately; benefits and drawbacks to each method are described.

**Table 5. Benefits and Drawbacks of Common Data Collection Methods**

Method	Benefits	Drawbacks
Survey	Can reach a large audience. Wide range of topics can be covered.	Time consuming to develop, administer, and analyze. Unclear results are possible.
Interview	Allows for tailored follow-up questions.	Small sample size could lead to skewed conclusions. Interviewee may not feel encouraged to provide accurate answers.
Focus Group	Allows for conversations that could generate new thoughts.	Important perspectives may be absent. Time commitment may discourage potential focus of group participants.
Observation	Low time and cost requirements. Detailed observations can reveal information not available elsewhere.	Lack of documentation may make this unreliable . Preconceptions may alter accuracy of observations.
Photograph	An image may have a greater impact than text description.	Narrow scope of usefulness . Unrelated contextual factors may alter intent of photo.
Document Review	Large amounts of information and data can be accessed.	Dependent on reliability of secondary data. Time consuming to research and analyze.

## Instrumentation

For most methods of data collection, evaluators will compile information using a form or instrument for gathering data, such as a questionnaire, a video or audio recording device, an observation protocol, or recording sheet. Important considerations with any instrument will ensure that it will:<sup>57</sup>

- Secure the targeted information.
- Be easily understood.
- Be accessible to diverse audiences.

## Data Sources

Identifying and locating existing data is valuable for efficient data collection. Much of the information that a BID would likely need is public record and can be accessed in city or county offices. To determine effectiveness of program implementation, a thorough data collection process should inform the formative evaluation process. Additionally, qualitative methods of analysis should be employed. People, photos, and observation can provide a wealth of information, much of which may be qualitative data that is crucial to BID evaluation. Listed in Table 6 are a variety of common data sources useful for many BIDs.

**Table 6. Common Data Sources**

Data Source	Data Type
U.S. Census Bureau	Demographics, economic and housing characteristics
Municipality	Business name registrations (business starts), building permits, sales tax collections, vacant property status
People (through surveys, focus groups, observation)	Stakeholder perceptions, opinions, behaviors
Photos	Program events, activities, changes in appearance
Tax assessor	Assessed property values
Management companies	Occupancy/lease rates
Observation	Noticeable changes in behavior, changes in use of space

## Data Collection Timing

Timing of data collection depends on whether the evaluation is formative or summative. For summative evaluation, prior to BID formation or at the beginning of the district's existence, it is important to document the conditions of the BID, which will be useful for subsequent evaluation efforts. That documentation will serve as a baseline from which to compare district changes, and will remind stakeholders of the conditions at the time of the BID's creation.<sup>58</sup> The formative evaluation process should also begin at the

creation of a specific program and should be conducted on a regular basis; recommended frequency of evaluation is dependent upon the lifetime of the program. However, many programs conduct components of formative evaluation on a continual basis.

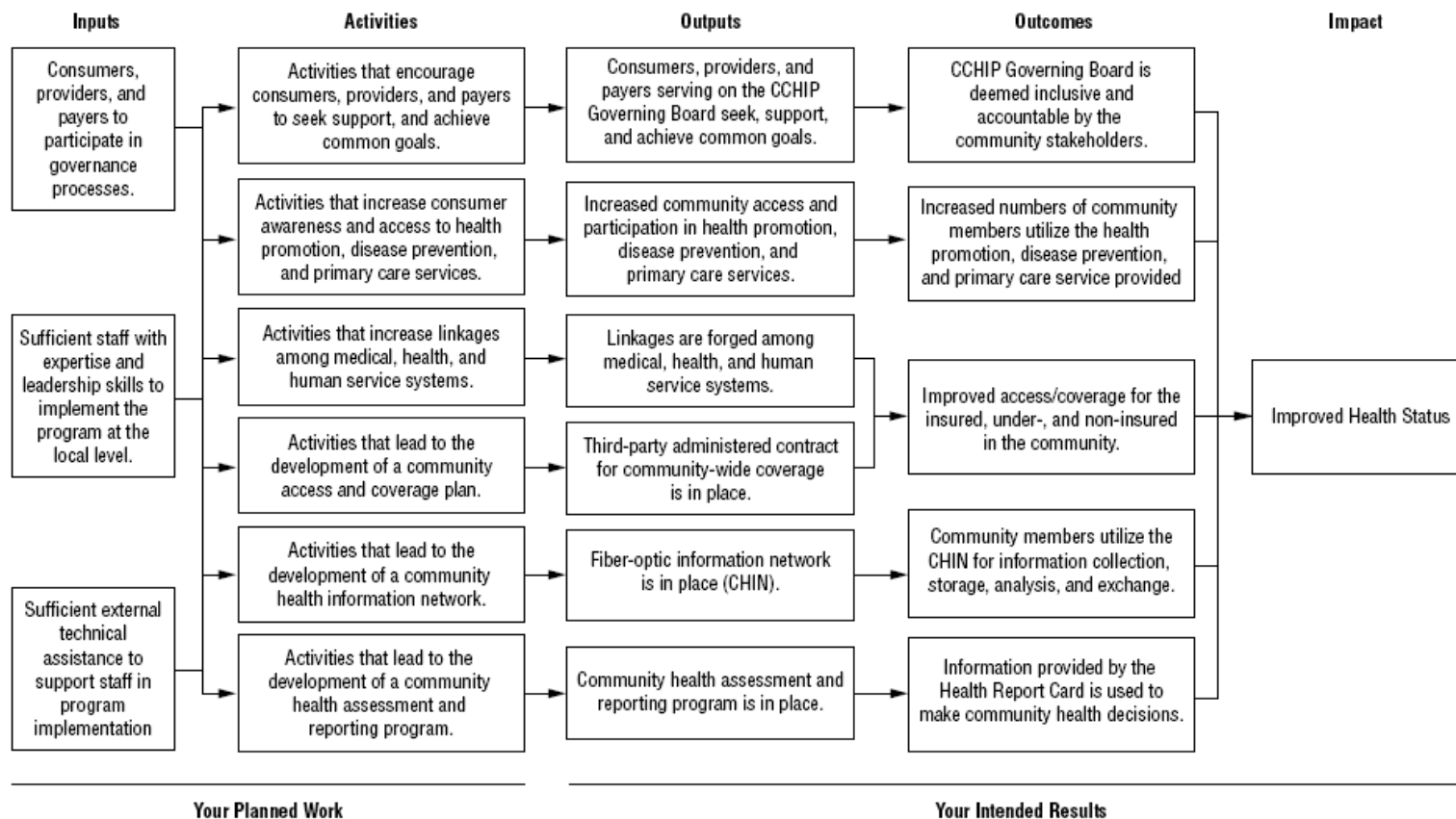
# WHAT IS A LOGIC MODEL?

Logic models provide a framework for program evaluation and have been used by public and nonprofit organizations since the 1990s. This increase in use was due to the Government Performance and Results Act requiring organizations to “manage for results.”<sup>59</sup> By describing logical linkages between resources, activities, outputs, outcomes, and impacts, a logic model allows an organization to tell its “performance story” and better manage for results.<sup>60</sup> The “story” unfolds with a listing of planned activities that demonstrate a logical path to realizing the intended outcomes. The story continues through an on-going formative evaluation of the organization’s effectiveness in implementing the program and concludes with an overall summative assessment of impacts. There are different forms of logic models with varying levels of complexity; however, the recommended framework represents a simplified model utilizing five commonly recognized components of logic models.<sup>61</sup> Two examples of logic model forms can be seen in Figures 4 and 5.

## Key Considerations

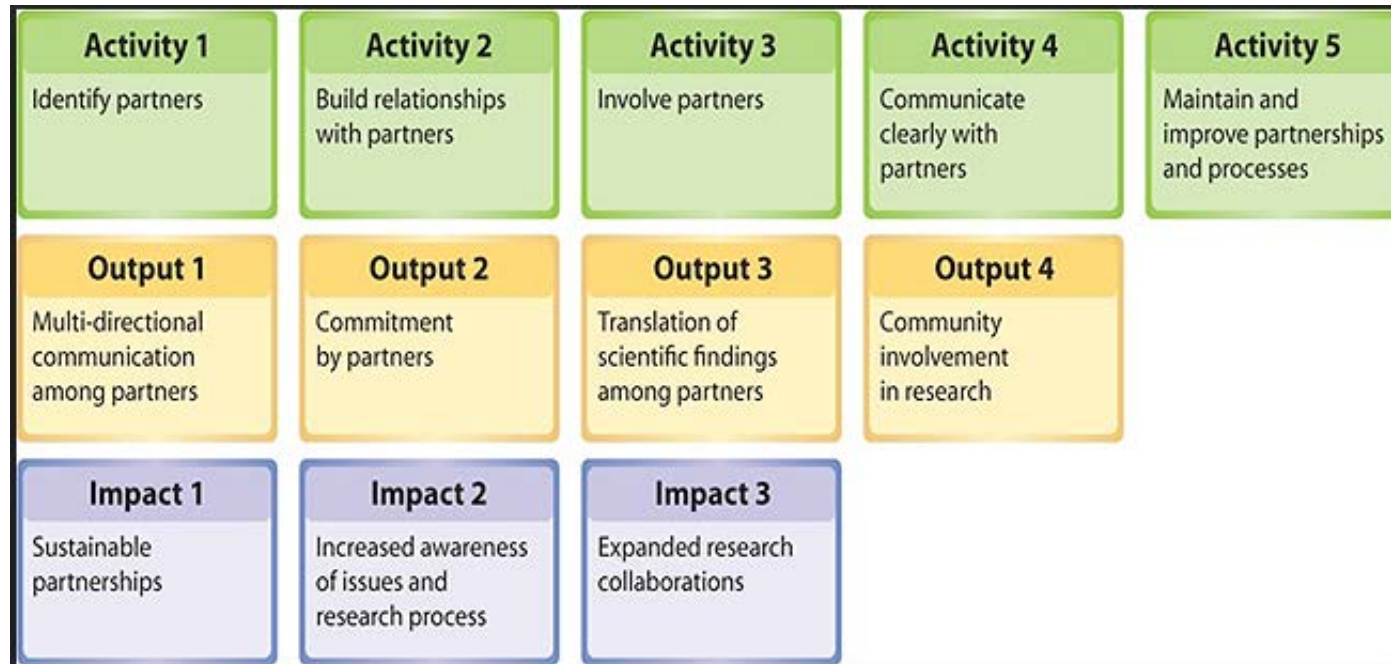
- Logic models provide an integrated framework for conducting formative and summative evaluations of a program.
- Logic models provides a process and a roadmap for communicating a program’s rationale and intended results to stakeholders.
- Logic models are beneficial for consensus building, effective planning and management, and for providing a strong case for funding applications.

Figure 4: Outcome Approach Model Example



Source: The Pell Institute

Figure 5: Sample Logic Model



Source: National Institute of Environmental Health Sciences



# LOGIC MODEL COMPONENTS

## Resources

Resources are the inputs available to an organization in carrying out its mission. Examples of resources include community resources such as a unique cultural identity or attraction, human resources such as staff and volunteer support, and financial resources such as a BID levy or grant funding.

## Activities

Activities are actions that are completed utilizing the available resources.<sup>61</sup> For example, a BID with an historic character and available funding could develop a regional marketing campaign to capitalize on the district's historic attributes.

## Outputs

Outputs are the direct results of the completed activities. Using the marketing campaign, the output could be the number of materials distributed regionally. Outputs are generally measurable and describe the scale of an activity.<sup>62</sup> Often, the outputs in a logic model may also be performance indicators.

## Outcomes

The model's outcomes are differentiated into short- and medium-term categories. Outcomes are changes in individual behaviors affected by the activities and outputs of the program.<sup>63</sup> A short-term outcome associated with the marketing campaign would be an individual's increase in knowledge and support for the historic district. A medium-term outcome associated with the marketing campaign would be the district has a readily identifiable brand.

## Impacts

Impacts are the overall systemic changes associated with the program.<sup>64</sup> An impact associated with the marketing campaign would be the community developing a sense of identity and participating in making improvements in the neighborhood historic character. The impacts should reflect the goals developed for the BID, with the model identifying a path to achieving these goals.

## Performance Indicators

The development of performance indicators will be an important contribution of the logic model process in terms of tracking performance. Performance indicators measure specific areas of interest, such as whether activities were completed on time and within the stated scope, or if there was an increase in the percent of sales tax revenues within a district.

## Assumptions

Clearly stating the assumptions underlying a logic model is an effective way to convey transparency to stakeholders. The assumptions should highlight the rationale used for the linkages of activities, outputs, and outcomes found in the model, allowing easier comprehension of the logic when sharing the models with others.

# READING A LOGIC MODEL

outcomes. Each indicator should be able to directly answer either formative or summative evaluation questions for a program.

## Flow

Logic models represent a graphic depiction of a program's activities and outcomes. There is a general flow to logic models starting with resources and moving towards impacts (i.e., left to right). As seen earlier in Figures 4 and 5 logic models may have many different formats. For the Czech Village & New Bohemia Main Street District models the resources are listed on the left with a progression through activities, outputs, and outcomes arriving at impacts, which are listed on the right.

## Relationships

There may be a one-to-one, one-to-many, or many-to-many relationship found between the model components. For example, the resources available will dictate the type of program activities able to be completed, but a resource may connect to more than one activity. Further, multiple resources may connect to one or more activities.

## Indicators

The data needed for evaluation will be derived from the model's outcomes. These will represent information needed for assessing the achievement and impact of the

# LOGIC MODEL PROCESS

The development of a logic model is a process. This process requires diligent and patient efforts of program managers, staff, and stakeholders to develop a shared understanding of the program rationale and its intended results. This process provides an organization with a roadmap for program implementation and evaluation. The following section provides a brief outline of the logic model process. For detailed instructions on conducting a logic model process, the W.K. Kellogg Foundation's *Logic Model Development Guide* is recommended as a resource.

## Stakeholder Inclusion

It is essential that stakeholders are involved in the process to ensure that different perspectives are included and developed in a collaborative process. Stakeholders may include program staff, the program's board of directors, and local property owners. The inclusion of different perspectives will lead to a broader understanding of the situation and a more thorough examination of potential components, their linkages and the proposed outcomes.

## Goal Identification

The focus of a logic model on a specific grouping of goals allows clarity on that subject. For example, a BID could

develop several logic models each focusing on a specific topic such as economic development or communication and advocacy. The Czech Village/New Bohemia Logic Models section of this report provides examples of this. This focus and clarity should lead to the identification of key components related to the achieving the goal.

## Component Identification

When conducting the logic model process, it is important to start with intended outcomes and work in reverse (outcomes to outputs to activities) through the model asking, "What needs to be done?" rather than "What is being done?", allowing a challenge to the status quo.<sup>65</sup> Starting with activities that an organization is already conducting rather than the intended outcomes limits the creative thinking process to current activities. In contrast, starting with outcomes may lead to thinking "outside the box" and developing new activities that are more effective in achieving the program's desired outcomes and impacts.

## Performance Indicator Identification

A logic model will assist an organization in developing a set of performance indicators for measuring results. The model's outputs will provide a set of measures for tracking the organization's success in delivering on its activities (e.g., were quarterly meetings held or was a maintenance reporting system established as planned). In terms of outcomes, measurable performance indicators need to be identified based on the availability of data. For example, if a BID had an expected outcome of increased property owner support, this could be tracked through an increase in

property owner signatures and property values determined during a BID's renewal process.

## **Iterative Process**

The logic model process is not done once the model is complete; it is an iterative process that should be completed when new information becomes available or if district circumstances change. When used in a formative evaluation process, the model may be used as a checklist to ensure that the process is implemented as planned and allows changes to improve performance.

# WHY USE LOGIC MODELS?

Reenstra-Bryant argues that the identification and measurement of indicators of success is the purpose of establishing an evaluation framework for BIDs.<sup>66</sup> Logic models are a suitable evaluation framework for BIDs since the process develops indicators to track performance and measures success for both formative and summative types of evaluation. They also allow for logical connections to be made between actions and goal achievement. These logical connections are important because assessing the direct impacts of a BID are difficult without detailed statistical analysis, on things like property value or vacancy rates. An alternative evaluation approach for evaluating a BID's impact is through a cost-benefit analysis of activities. However, this approach has limitations such as quantifying the benefits and understanding the benefits to whom, as well as having a more limited scope and effectiveness in achieving formative evaluation and mid-course improvements.<sup>67</sup>

In terms of BIDs, logic models provide organizations with “a systems tool for performance management” by depicting potential relationships between components that leads to a holistic perspective of the program and its parts with a focus on achieving outcomes.<sup>68</sup> From a systems perspective, logic models give organizations a roadmap for reaching

their objectives and sharing their performance story. Several of the other key benefits of using logic models for BID evaluation are discussed next.

## Benefits of Using Logic Models for BID Evaluations

### ***Consensus Building***

Logic models are an important tool for consensus building amongst stakeholders. The logic model process allows different stakeholders to state their beliefs about how the program works and through a collaborative process, a common vision may be developed.<sup>69</sup> This vision facilitates the ability to develop activities that represent the shared interest of the stakeholders, providing a framework for collaborating and achieving the organization's mission. Further, updates on the process and achievement of the outputs and outcomes can be used as a tool for regular communication with stakeholders encouraging their continued involvement in the process.

### ***Effective Planning and Management***

By identifying the logical linkages between model components, organizations have a tool for increasing efficiency of planning and managing activities and resources towards achieving their intended outcomes. This performance strategy assists an organization in focusing on improved efficiency by critically examining intended outcomes and the proposed methods for realizing outcomes.<sup>70</sup> An additional strength of logic models is the identification and assessment of assumptions related to

the program and its mission. A critical evaluation of the program's underlying assumptions may identify gaps in program logic, which may lead to refinement of the program. This fine-tuning may increase the clarity and understanding of the program to stakeholders and ultimately increase support for the program.<sup>71</sup>

### **Improved Case for Funding**

Logic models may strengthen a district's case for funding requests such as grant applications or general fundraising activities. When seeking funding opportunities, logic models provide a visual representation of the program's rationale and demonstrate a thorough examination and understanding of how the program will achieve its stated outcomes and impacts. Further, logic models may provide funding agencies an accountability mechanism (i.e., checklist) for evaluating the district's programs and activities and whether they were implemented as outlined in the funding proposal logic model.<sup>72</sup>

Suggested Resources
<a href="#">W.K. Kellogg Foundation Logic Model Development Guide</a>
<a href="#">United Way Outcome Measurements</a>
<a href="#">University of Wisconsin Extension: Welcome to Enhancing Program Performance with Logic Models online course</a>

# FROM MODELING TO EVALUATING

## Key Considerations

- The outcomes and outputs of the model may be used as a checklist to track progress.
- The model outcomes may be used to create a detailed timeline of when projects or programs need to be evaluated.
- Results should be disseminated promptly so any needed changes may be incorporated into daily practices to maximize efficiency.
- The formal reporting evaluation results is a crucial component of the BID renewal process. Clearly associating changes within the district to BID programs and activities demonstrates impact and communicates the value of the funding mechanism to key stakeholders.

In completing the logic model process, a framework and theoretical base for evaluation is created. Creating the models helps determine indicators and a process for

achieving district goals. Once complete, the process of using the model for evaluating the success of programs takes place. The model can work as a checklist of what has been accomplished, a tool for creating an evaluation timeline, and help with disseminating results. Moving from the modeling process to the evaluation process takes time, but the models already hold much of the information that is needed for evaluation.

## Model as a Checklist

The model itself can be a checklist for the objectives an organization aims to accomplish. Whether it be monthly, quarterly, or yearly, an organization may sit down and look at the model to see what has been accomplished. Progress would be measured in outputs, or outcomes that can be checked off as they are achieved. If an outcome has not been met, a group can work backwards to see which outputs or activities were not undertaken that would have led to that outcome being achieved.

## Evaluation Timeline

The model may also serve as the gateway to creating a timeline for evaluation. The model already indicates short-term and medium-term outcomes that break down the activities, outputs, and outcomes which need to be completed first. From these delineations, an organization may decide on a more specific timeline for executing activities. Specifying what needs to be accomplished to specific years or quarters can help with understanding how a program is progressing and what formative changes may need to be made during the course of the project.



## Dissemination of Results

Once a timeline has been created and data is gathered, prompt analysis and dissemination of results is recommended to ensure measures are enacted that improve program effectiveness. Reports analyzing the impact of the program on desired goals and objectives should be disseminated publicly to formally communicate and highlight to contributors, funders, the public, and the local municipality the difference the BID is making on an incremental or annual basis.

A formal report summarizing the impact of a program is necessary for many reasons, and is especially helpful in solidifying support for the BID. For a funding mechanism such as a BID, it is important to show the impact to those paying the increased tax rate to demonstrate how their money is being used to effectively advance the goals of the district. Additionally, communicating the results will aid in the petition renewal process and should also help garner additional support from city council, non-profit organizations, and other voluntary contributors.

In so far as altering components of program implementation, meeting with a steering committee or board of directors to aid in making programmatic changes is recommended. This meeting helps ensure those in a management capacity are aware of any changes that need to be made for the project going forward, facilitates open communication, and provides an opportunity for additional input.

# CZECH VILLAGE/ NEW BOHEMIA MAIN STREET DISTRICT LOGIC MODELS

## Introduction

In the fall of 2013, the Czech Village/New Bohemia Main Street District adopted a strategic revitalization plan, which is the guiding document for District activities. Extensive community input informed the plan, and it outlines many goals for the Main Street District. The SSMID focuses on five key areas for improvement that were derived from the goals identified in the strategic revitalization plan. The petition specifically identifies these precise uses of funds:

- Economic Development Programs
- Communications and Advocacy
- Capital Improvements
- Enhanced Maintenance
- Parking Management

With these logic models, the shared goals are tied to specific actions, and linkages are made to methods for measuring outcomes and impacts of the goals. It is important to note that the logic model provides a framework in which the BID can operate, but should not be viewed as prescriptive. Assumptions of and limitations to the logic models are identified to increase transparency. Indicators are provided as ways to gauge broad success over the lifetime of the BID, and should provide a framework for BID management to understand the direction the district may move as a result of the activities listed. If the indicators do not occur within the lifetime of the BID, the BID is not definitively a failure. Rather, an analysis of short-term outcomes should help gauge incremental progress toward achieving the BID's expected impact(s).



## Logic Model for: Advocacy & Communication

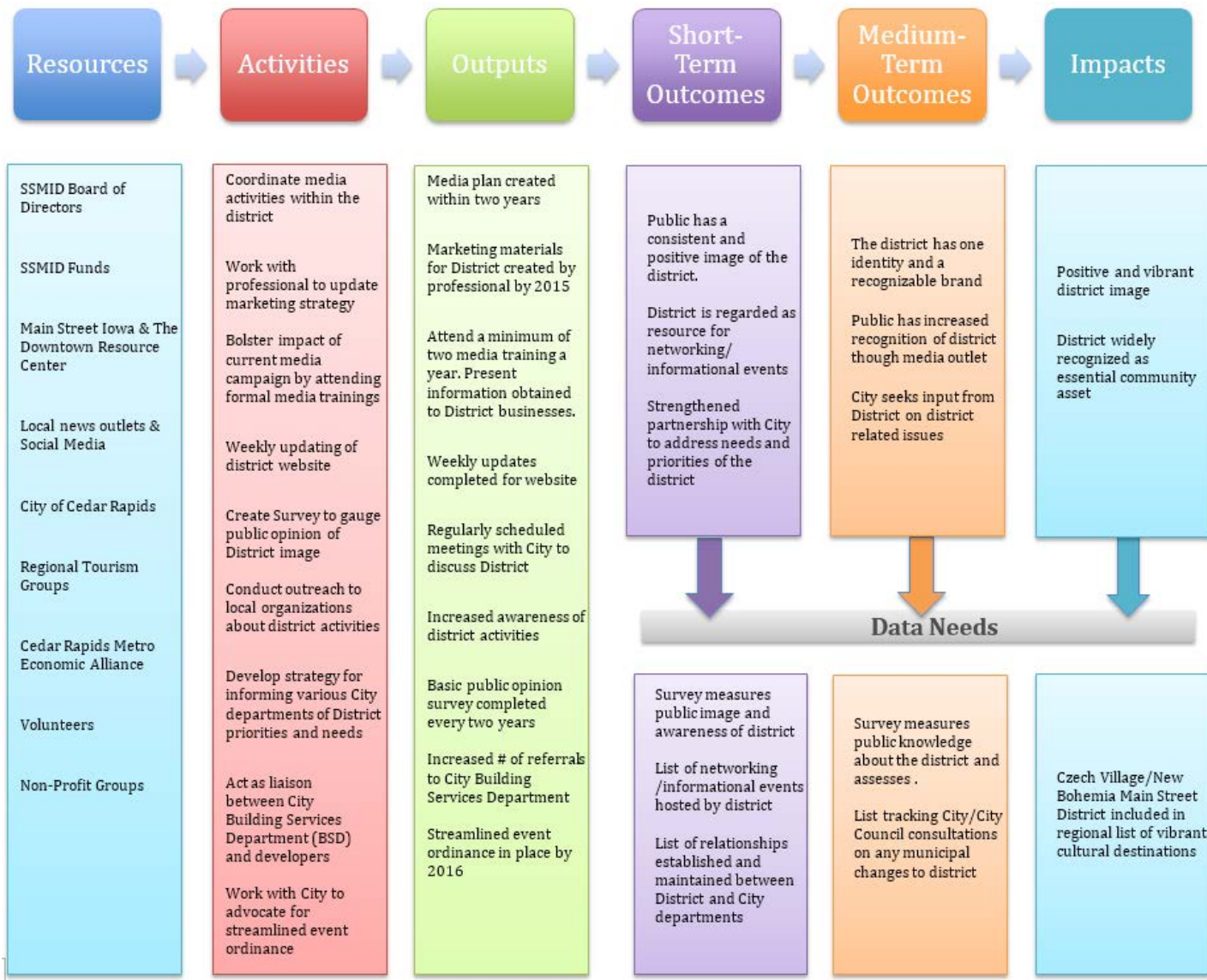
Priorities identified in the petition for Advocacy and Communication include:

- Develop a branding and marketing campaign for district
- Manage media relations to project a positive image
- Promote a positive image with public relations initiatives
- Advocate to advance policies and attract additional resources to improve district

In developing this logic model, the priorities defined above guided the process to ensure that all elements of the logic model pertain to the goals set forth by the Steering Committee, which are a result of a public input process.

### **Assumptions:**

- Media are receptive to and interested in events and businesses located in District.
- Capacity exists to complete market survey; it is completed and analyzed regularly.
- Media trainings are available and provide useful content, which supports a successful media plan. Main Street District/SSMID has capacity to attend trainings.
- Opportunity to present quarterly in front of City Council exists.
- Media coverage positively portrays the District.



## Logic Model for: Capital Improvements

Priorities identified in the petition for Capital Improvements include:

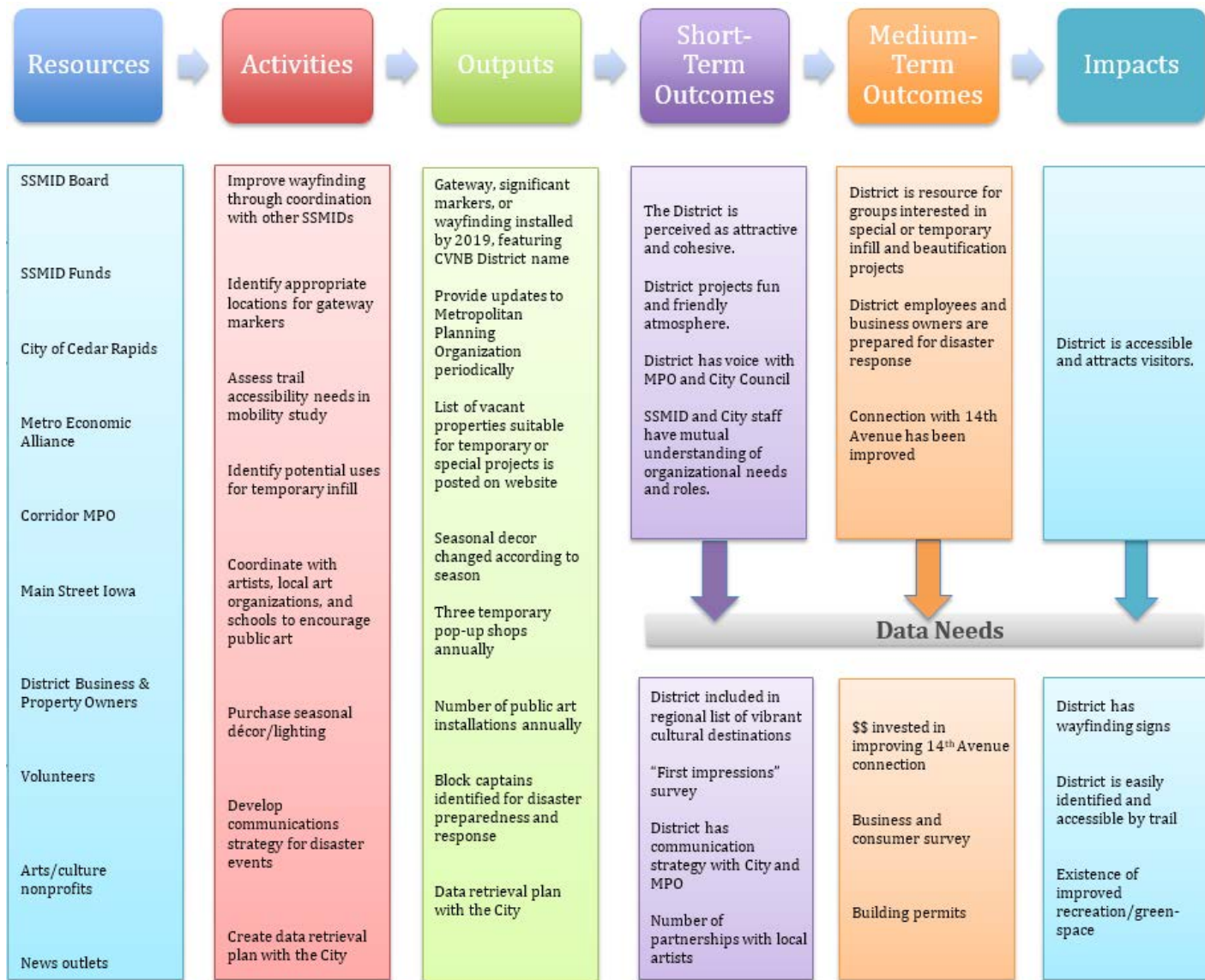
- Cosmetic improvements such as seasonal banners and decorations
- Gateways, signage, and public art
- Street beautification
- Additional recreation & trail opportunities
- Disaster cleanup and preparedness
- Tactical Urbanism: temporary infill of vacant properties
- Special projects to improve and beautify public spaces

In developing this logic model, the priorities defined above guided the process to ensure that all elements of the logic model pertain to the goals set forth by the Steering Committee, which are a result of a public input process.

### ***Assumptions***

The City will put in place the floodwall as scheduled.

- Local art orgs and/or schools would be interested in participating in the creation of public art projects
- Gateway or signage is a priority for the district.



## Logic Model for: Economic Development

Priorities identified in the petition for the Economic Development Programs include:

- Retain, attract, and incubate businesses
- Support existing businesses and help them grow
- Attract new investment and appropriate development
- Create investor marketing information specific to district
- Market research
- Consumer marketing, promotions, and special events

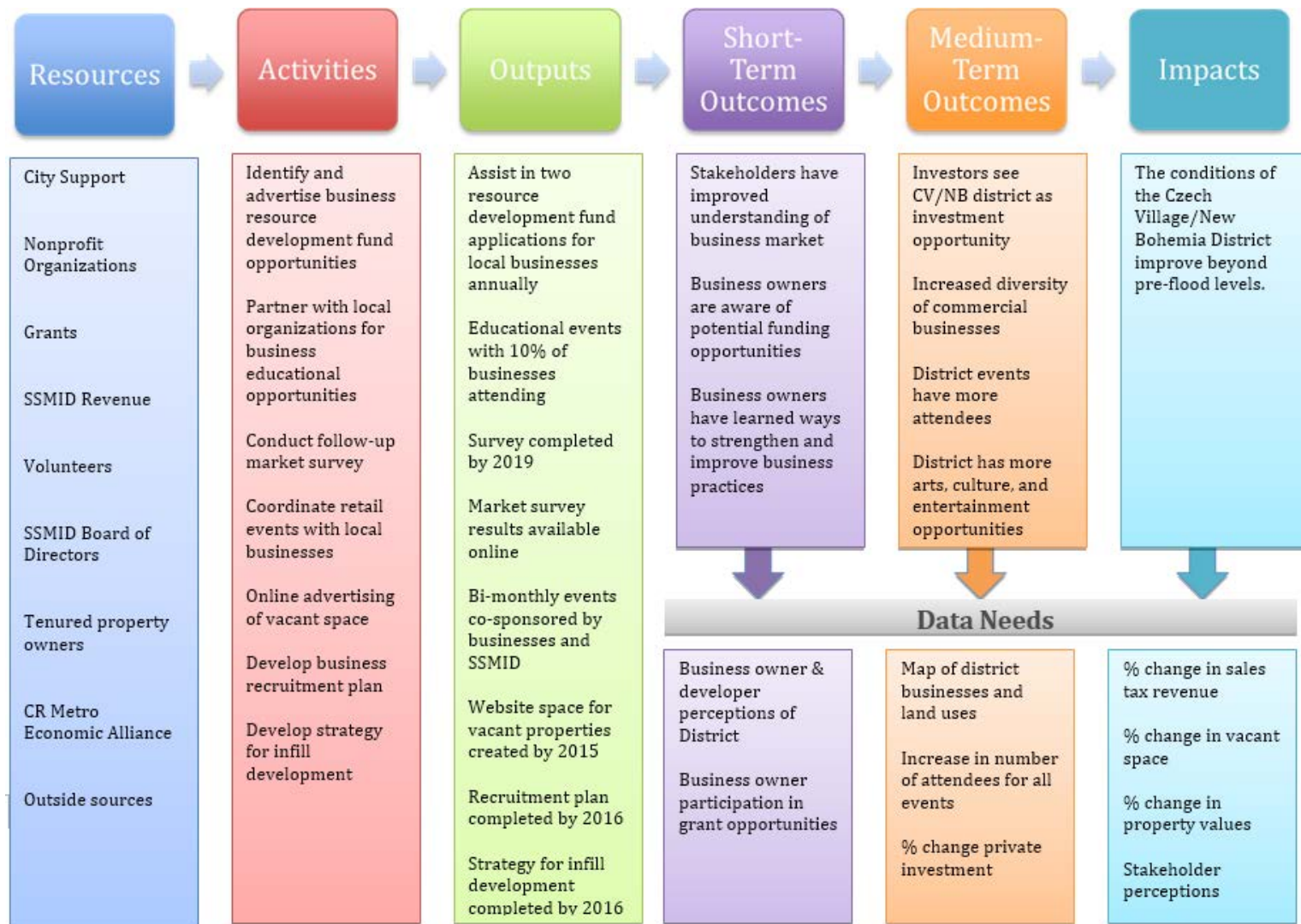
In developing this logic model, the priorities defined above guided the process to ensure that all elements of the logic model pertain to the goals set forth by the Steering Committee, which are a result of a public input process.

### **Assumptions**

- SSMID management has experience with grant applications.
- Grant funding opportunities exist for local businesses.
- Opportunity to partner with Small Business Development Centers exists.
- Capacity exists to administer and analyze the market survey on a regular basis.

- Historic buildings exist for redevelopment opportunities.
- Resources/Expertise are available to create marketing materials.





## Logic Model for: Parking, Safety & Cleanliness

Priorities identified in the petition for the Maintenance & Parking Management Programs include:

Parking Management including:

- Creation of a trolley service that connects the Czech Village/New Bohemia
- SSMID to downtown amenities
- Work with City to manage existing parking resources more effectively
- Encourage investment to update parking infrastructure and technology

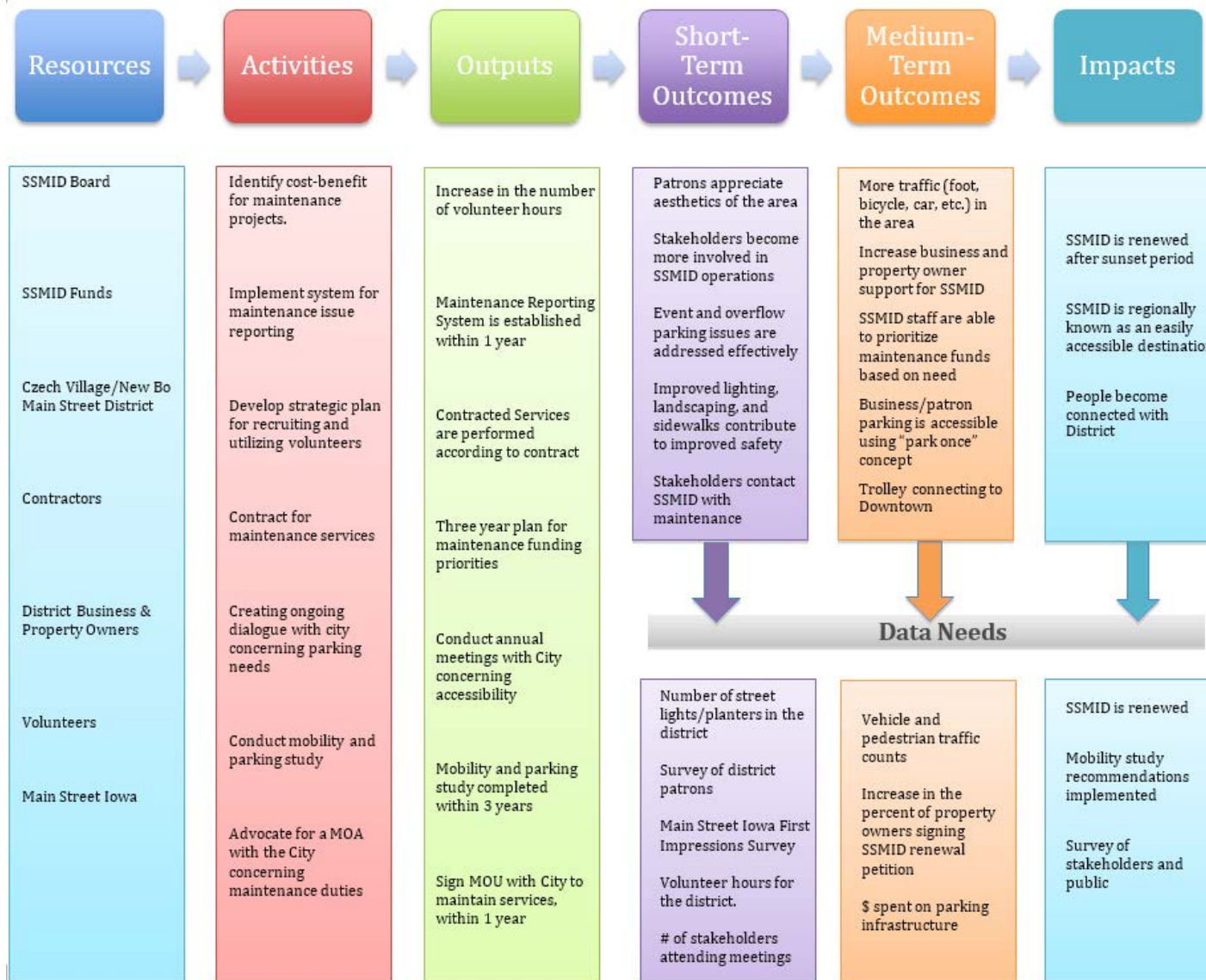
Enhanced Maintenance including:

- Ongoing maintenance of SSMID-financed improvements that are deemed to be beyond the City's base level of services
- Enhanced services that would not be expected from the City

In developing this logic model, the priorities defined above guided the process to ensure that all elements of the logic model pertain to the goals set forth by the Steering Committee, which are a result of a public input process.

## Assumptions

- Priorities for maintenance will be identified.
- Parking is a problem and needs to be addressed.
- Volunteers will be used to reduce overall maintenance costs through filling planters, etc.
- Some duties of district maintenance will be contracted out.



# CASE STUDIES

## Introduction

This section discusses a selection of BIDs in Iowa. To inform the group's research, a series of informational interviews was held with five cities containing SSMIDs in Iowa: 1) Cedar Falls, 2) Des Moines, 3) Iowa City, 4) Sioux City, and 5) Spencer. These sites were chosen to represent different aspects of SSMIDs, including Main Street funding approaches, long-running examples, and the planning and formation process. The districts have varying conditions, needs, and visions, in addition to budgets ranging from tens of thousands of dollars to more than one million dollars. The cities in which these SSMIDs exist represent a range of economic structures and population sizes. An interview tool provided a framework for conducting the interviews, and may be found in Appendix D. The interview tool consisted of four broad categories with fourteen questions. The tool's categories were: overview of the process, overview of governance, marketing, and financing.

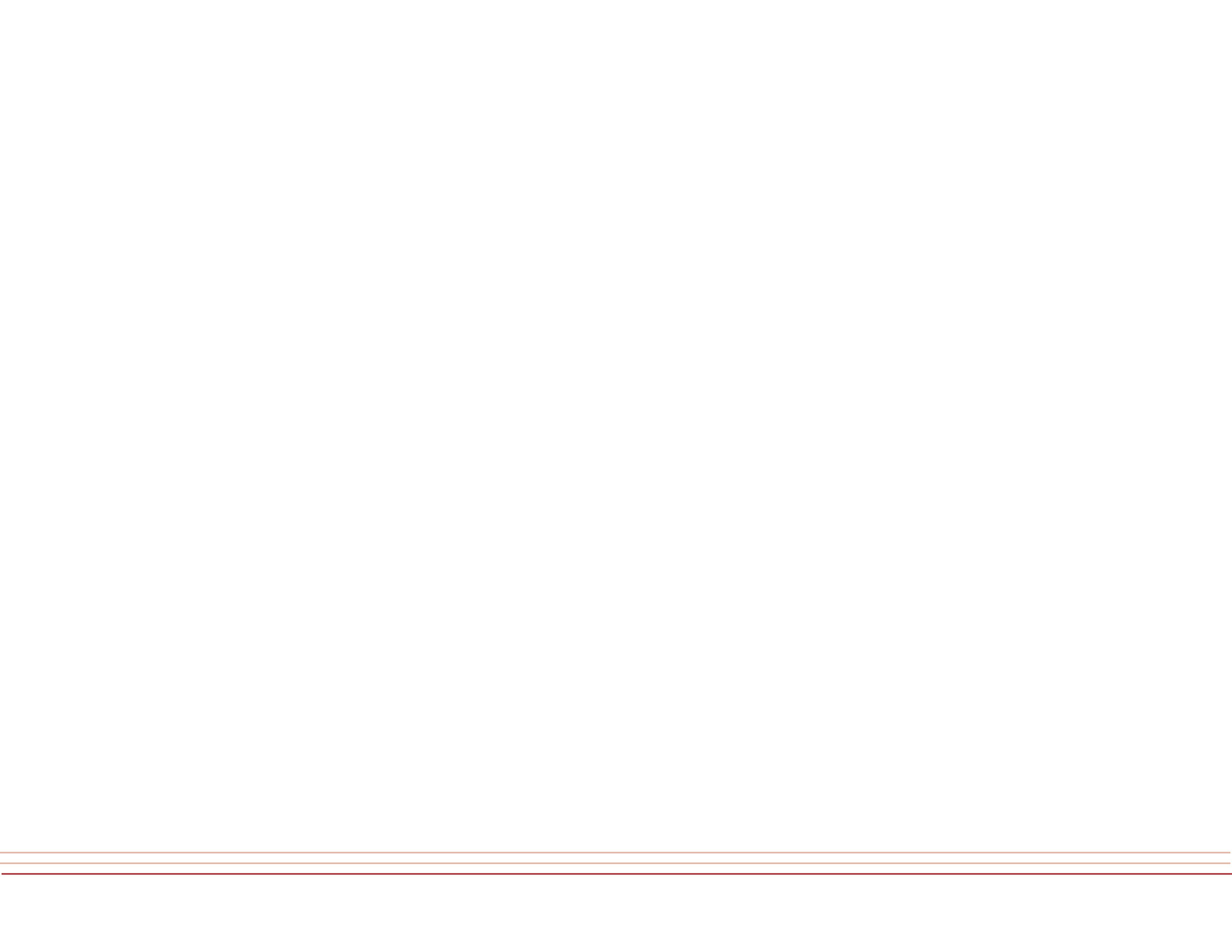
Notes from these interviews, along with additional follow-up and Internet research, contributed to the information found in the following case studies. The case studies discuss the various attributes of each SSMID, including SSMID accomplishments, and provide key findings. The key findings inform the group's approach in assisting with the development of the Czech Village/New Bohemia SSMID and also serve as a resource for other communities interested in SSMID implementation. To ensure accurate information, the executive director of each SSMID reviewed the case study that features his or her respective district.

## Key Considerations

A broad examination of the case studies showed five primary elements of successful SSMIDs, and traits of accomplishment for each element.

- **Establishment & Renewal:** Case studies indicated strongly that well-planned establishment or renewal processes contribute greatly to the success of implementing a SSMID. The most common trait of success for this element was frequent, informed, and open communication between a steering committee, city council, and area property and business owners.
- **Budget & Use of Funds:** An element of success for all cases was the creation of a clear budget that defines short and long term goals aligned with the district's mission. Important components of the budgeting process were creating and following established visions and projects for the district, and ensuring transparency in the budgeting process and use of funds.
- **Governance Structure:** Setting up a governing board or organization that represents local property and business owner interests was important to successful SSMIDs. A key to this element was making sure that board members represented diverse interests in the district and the community. Diversity in board members could be achieved through a mix of business or property owners of different sizes of establishments, non-profit organizations in the area, city officials, or even citizens at large.

- **Evaluation:** Assessing the impacts of a SSMID through formal evaluation is important. Evaluation helps demonstrate to property and business owners the degree to which their dollars are working to improve their area, and can help the SSMID leadership adjust strategies to better use SSMID funds. SSMID evaluations should show tangible impacts to the district, such as completed projects or increases in property value. To best guide SSMID operations, evaluations should be conducted regularly. See the *Evaluation* section of this report for additional information.
- **Accomplishments:** The ability to convey accomplishments is an important component of a successful SSMID. This allows a district to show property owners the benefits they received from their investment. The evaluation process may be part of conveying accomplishments, but the ability to communicate these improvements to stakeholders is important. Successful SSMIDs showed the capacity not only to measure, but also communicate their successes to local stakeholders.





# CEDAR FALLS COMMUNITY MAIN STREET CEDAR FALLS, IOWA

## Characteristics

2010 Population:	39,260
SSMID Created:	1987
SSMID Renewals:	4
SSMID Properties:	192
2012 Levy:	\$125,000

## Significance

The Cedar Falls SSMID provides an example of a SSMID funding mechanism that supports a Main Street District, similar to the proposed Czech Village/New Bohemia SSMID. Further, the Cedar Falls SSMID has been in place for over 25 years, providing an example of a long-established district. A map of the district is shown in Figure 6.

## Establishment and Renewal

The Cedar Falls SSMID formed in 1987 as a funding mechanism for the Cedar Falls Community Main Street District to encourage historic preservation and economic development in the downtown.

### *Communication with Stakeholders*

Due to the many years since initial district establishment and subsequent changes in SSMID staff, historical information regarding communication with stakeholders could not be obtained.

### *Levy Term and Rate*

The levy term is set at five years with a levy rate of \$3.50 per \$1,000 of assessed value. However, the maximum levy rate is capped at \$5.83, accounting for potential tax law changes. If changes to the tax law take place, the higher maximum rate will allow the SSMID to adjust the levy to maintain the same revenues. In addition, the SSMID is located within a Tax Increment Financing (TIF) district. The City Council voted to allow the SSMID to obtain revenue on the current assessed value, rather than the TIF's baseline value, allowing for growth in the SSMID budget.

### *Managing Organization*

The Cedar Falls Community Main Street District manages the SSMID.

### *Renewal*

The SSMID has been renewed four times since 1987 with no boundary extensions. As part of its preparation for renewals, the SSMID attempts to quantify its impacts and continuously share those results with stakeholders. Informational materials used for stakeholder outreach rely on visual aids such as charts to easily convey information. Due to the SSMID's long period of existence and proven history, the SSMID allocates less than a year to actively campaign for district renewal. The most recent renewal





 - Main Street SSMID Boundary

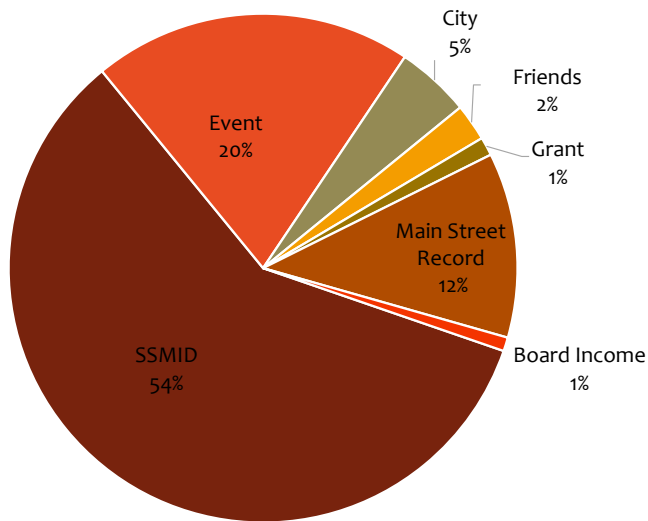
**Figure 6. Community Main Street Boundary, Cedar Falls**

Source: Authors

period in 2012 saw 58% petition approval with no counter petitions presented.

### Budget and Use of Funds

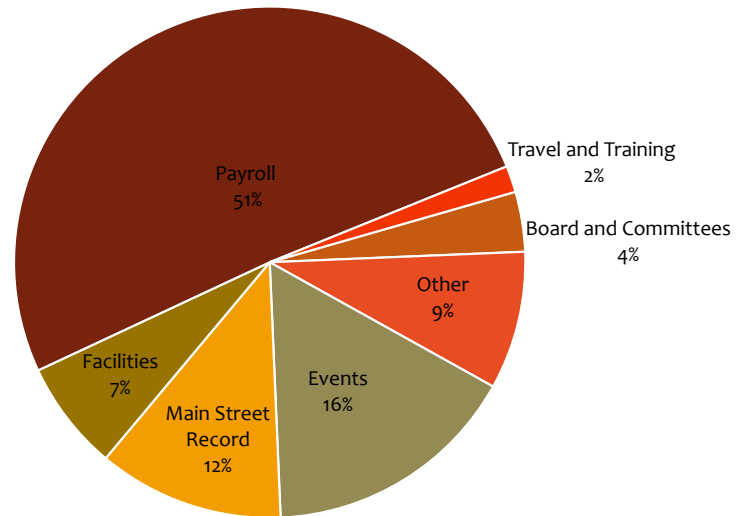
The current levy rate is set at \$3.50 per \$1,000, which generated approximately \$125,000 in 2012. This represented 59% of the District’s total budget, as shown in Figure 7. District events are a large revenue source (20%).



**Figure 7: Cedar Falls Downtown SSMID Revenue Sources as Percent of Total Revenue, 2012.**

Source: Cedar Falls Main Street District

Figure 8 shows that payroll is the largest single expense for the District (51%), followed by events (16%). Accounting for events expenses, the City is the second largest funding source for the District (\$10,000). The District spends modestly on streetscaping and beautification projects (\$7,000).



**Figure 8: Cedar Falls Downtown SSMID Expenditures and Percent of Total Budget, 2012**

Source: Cedar Falls Main Street District

### *Voluntary Contributions*

Fundraising efforts, including corporate contributions, are conducted to maintain flower and garden plots. Further, an annual “Friends” campaign raises additional revenues from businesses and the public.

### *City Support*

The City provides \$10,000 in grants to the District each year.

## **Governance Structure**

A Board of Directors consisting of 15 local property owners, business owners, city officials, and other local stakeholders governs the SSMID. An executive director and one events and promotions coordinator implement the Board’s decisions.

### *Board of Directors*

Members of the Board of Directors serve three-year terms and may serve no more than two consecutive terms. There is no specific property size or other requirements to serve on the Board. Potential board members nominate themselves or are nominated by others; following the nomination process, District property owners vote on the board members. The board meets monthly to discuss District business.

## **Evaluation and Communication**

The SSMID believes it is important to show the added value of the SSMID funds to their stakeholders using a number of performance indicators. Several of the major indicators tracked include property value change, jobs changes, improvements made, and volunteer hours spent on SSMID

activities. In addition, the SSMID tracks value added to the City and school district through increased property taxes associated with the SSMID. The SSMID creates informational materials that include graphs and charts to convey the SSMID’s benefit to the stakeholders. Further, the SSMID holds annual meetings, to which it invites all property owners and businesses to comment on operations.

## **Accomplishments**

### *Designations*

The District has capitalized on its funding to improve its branding and identity as a unique destination. This branding effort led to the District receiving designation as a cultural district from the State of Iowa, and two awards from the National Trust for Historic Preservation, the *Great American Main Street* and the *2010 Dozen Distinctive Designation*.<sup>73</sup>

### *Historic Preservation*

The District has maintained its historic character through careful planning, including a set of design guidelines for renovations and new construction.<sup>74</sup> The Design Review Board, appointed by the Board of Directors, provides recommendations to the City’s Planning and Zoning Commission regarding construction requests.

### *Economic Impact*

The District tracks its considerable economic impact attracting large private investments since its inception in 1987, as shown in Table 7.<sup>75</sup>

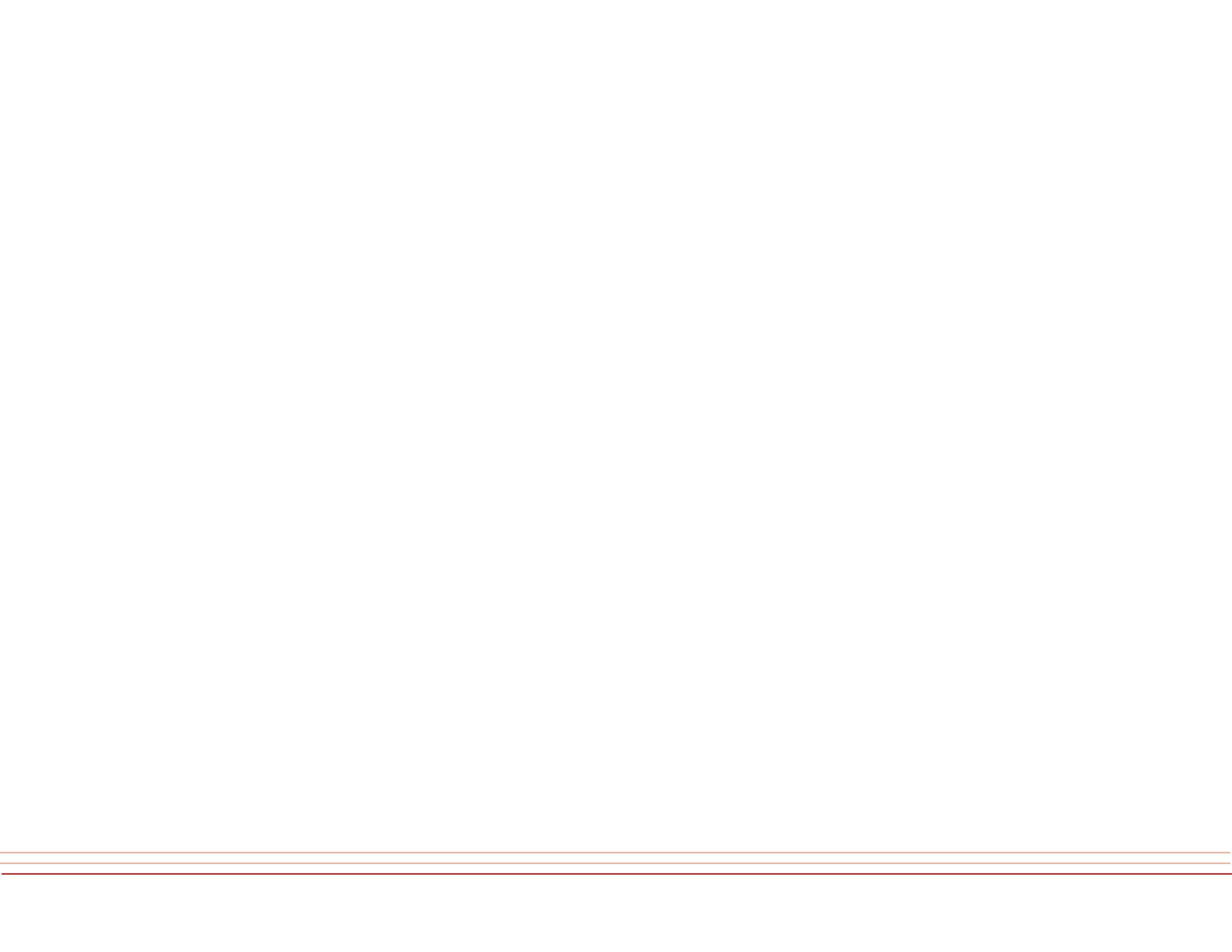
**Table 7: Community Main Street Economic Impact 1987-Present.**

Net gains in business starts, relocations, expansions	131
Net gain in new jobs	410
Buildings rehabilitated, renovated	493
Private \$\$ invested in rehabilitation	\$17,665,299
Buildings sold	102
Private \$\$ invested in property acquisition	\$15,852,134
Total volunteer hours	38,462

### **Conclusions**

The Cedar Falls SSMID provides an example of a long-established SSMID that assists in funding a Main Street District. Several of the key findings from this case study follow.

1. The District receives a majority of its funding from the SSMID levy. It uses these funds to pay for staff to promote the District as a destination that attracts private investment, as shown in Table 7.
2. The District negotiated with the City regarding its local TIF district to obtain the incremental property tax increase each year rather than the increase going solely to the TIF district. This will assist the SSMID budget's growth over time.
3. The Cedar Falls SSMID exemplifies a successful SSMID implementation. Prior to creation, the district had been declining and was marginalized as an important part of the city. Since implementation, not only have the property values increased, but also the district has once again become a vibrant part of the city.





# OPERATION DOWNTOWN DES MOINES, IOWA

## Characteristics

City 2010 Population:	203,433
SSMID Created:	1998
SSMID Renewals:	5
SSMID Properties:	~700
2014 Levy	\$1,300,000

## Significance

The Des Moines Downtown SSMID provides an example for analysis of a dense, urban and long-established SSMID. A map of the district is shown in Figure 9.

## Establishment and Renewal

The Des Moines Downtown SSMID was formed to provide a higher level of service than the city was delivering. Providing clean public areas, flower planter installation, and maintenance, as well as marketing and event support, were several of the SSMID's initial services.

### *Communication with Stakeholders*

Due to many years since initial district establishment and subsequent changes in SSMID staff, historical information regarding communication with stakeholders could not be obtained.

### *Levy Term and Rate*

Initially, the SSMID required a three-year levy term. The current levy term is set at five years with a maximum levy rate of \$2.00 per \$1,000 of assessed value. In 2013, the levy rate increased to \$1.15 per \$1,000 of assessed value, marking the first time that the rate has been set above \$1.00.

### *Managing Organization*

Operation Downtown manages the SSMID. Operation Downtown is a 501(c) 6 non-profit organization managed by the Downtown Community Alliance and operates under the larger organization of the Greater Des Moines Partnership, the local organization promoting development in Des Moines and the surrounding areas.

### *Renewal*

The SSMID has been renewed five times since 1998, with the latest renewal occurring in 2013. About three months before the latest renewal period, the SSMID began an outreach campaign to gather support for the district's renewal. The SSMID boundary has expanded three times since its initial establishment. In 2013, the petition was "signed by 39.25% of property owners representing 77.23% of assessed value."<sup>76</sup> City Council passed the ordinance 6-1.

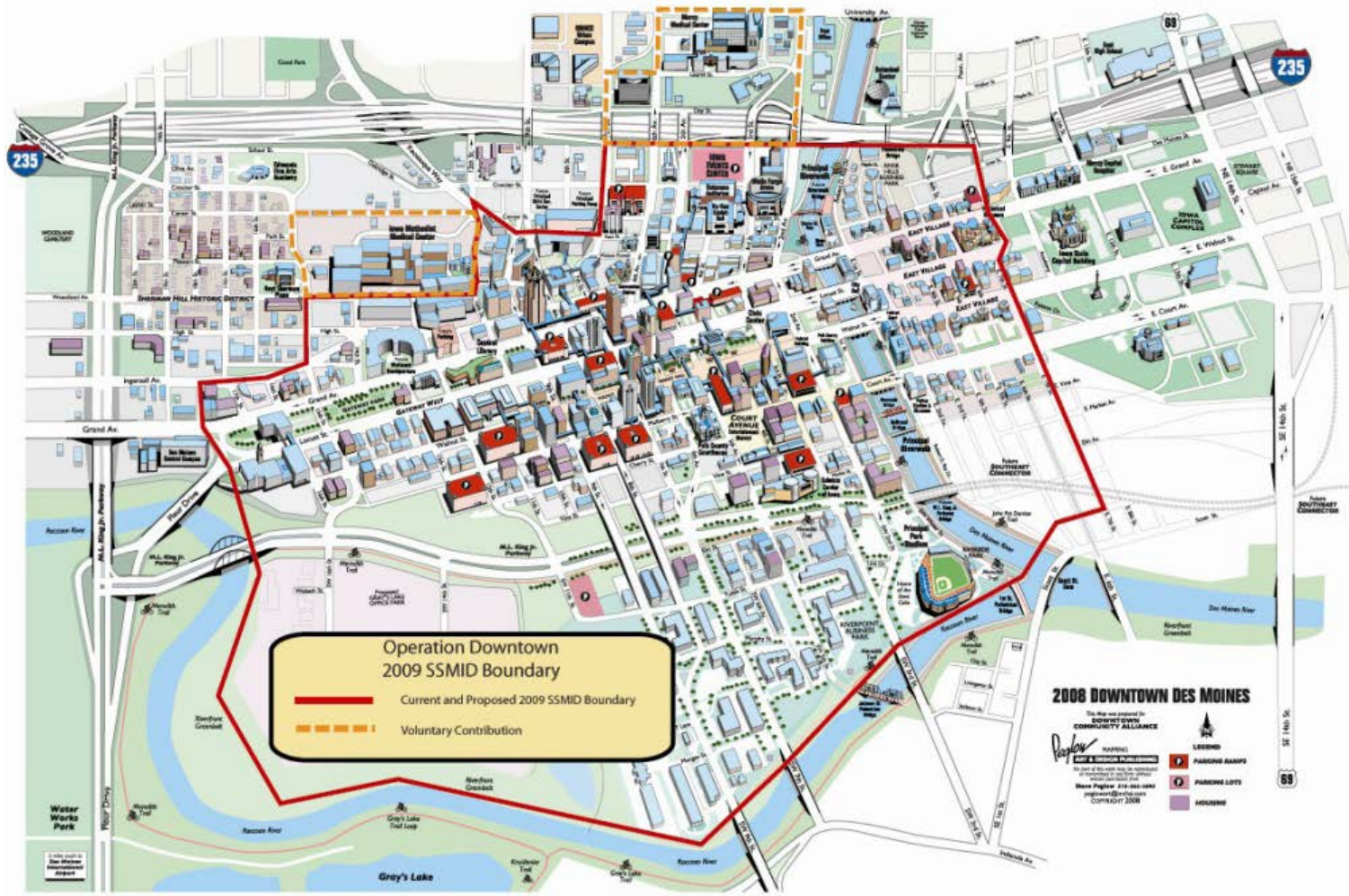
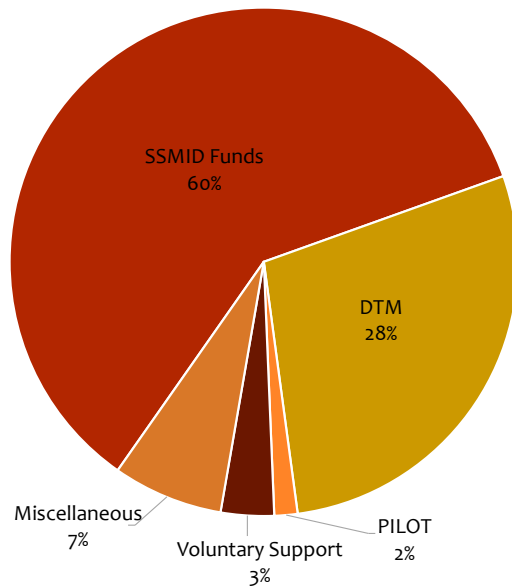


Figure 9. Operation Downtown, Des Moines

Source: Operation Downtown

## Budget and Use of Funds

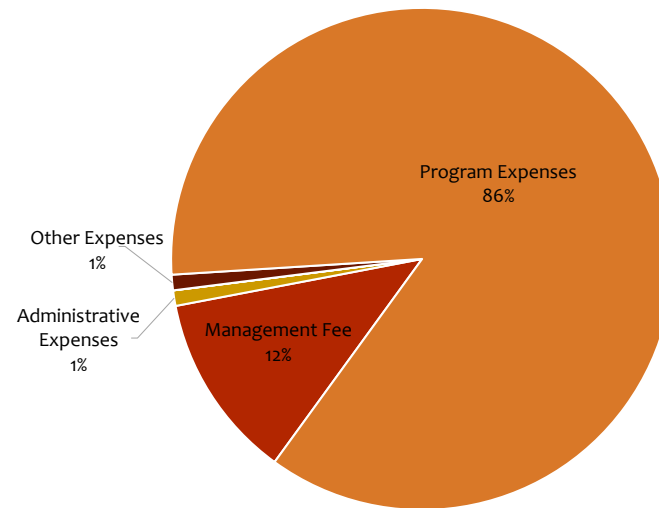
Operation Downtown's total budget for FY 2014 is \$2.2 million dollars with \$1.3 million (60%) from SSMID funds.<sup>77</sup> Figure 10 shows the different revenue sources for Operation Downtown. Operation Downtown has been able to leverage the SSMID funds to obtain additional funding to improve the downtown. For example, in FY14 SSMID received \$123,000 from "corporate contributions for specific beautification projects."



**Figure 10: Downtown Des Moines SSMID Revenue Sources as Percent of Total Revenue, FY 2014**

Source: Operation Downtown Des Moines

Figure 11 shows Operation Downtown's projected expenses with 86% spent on programs and 12% on management and administration. The program expenses consist of maintenance (56%), cleaning (15%), and beautification projects (14%) within the district.



**Figure 11: Downtown Des Moines SSMID Expenditures as Percent of Total Budget, FY 2014**

Source: Operation Downtown Des Moines



### *Voluntary Contributions*

The SSMID receives a total of \$75,000 annually from two hospitals bordering the SSMID

### *City Support*

The SSMID procured a MOA with the City to ensure a continual level of city services.

## **Governance Structure**

The Board of Directors consists of thirty-one members. Four members of Operation Downtown management implement the Board's decisions.

### *Board of Directors*

The Board members must have property or businesses located in the downtown and meet the requirements defined in the organization's by-laws. The current Board of Directors appoints new Board members. The Board requirements are outlined as follows.<sup>78</sup>

- One Director for every \$50 million in taxable value for any property or property group valued at greater than \$50 million
- One Director for any property or property group valued at greater than \$15 million, but \$50 million or less
- Four Directors representing property valued at greater than \$5 million, but \$15 million or less
- Four Directors representing property valued at \$5 million or less

- One Director representing leasehold tenants of property of at least 25,000 square feet
- Two Directors representing leasehold tenants of property of less than 25,000 square feet
- One Ward Councilperson or other designated City representative (non-voting)
- One City Manager or designated representative (non-voting)
- One representative from Polk County (non-voting)
- One representative from at least one voluntarily contributing non-profit

## **Evaluation and Communication**

Operation Downtown believes it is important to show the value of the SSMID to stakeholders. The group develops and tracks performance indicators to measure success. Examples of these indicators include counts of graffiti tags removed, pedestrians assisted, and pounds of trash removed, which represent instances of visually demonstrating the SSMID's value. Such cleaning and assistance efforts contribute to the SSMID's goal of providing a safe, clean, and attractive downtown.

### *Annual Report*

The District provides an annual report that contains results from surveys and quotes regarding the value the SSMID provides to the downtown.

### *Website*

Operation Downtown maintains a website designed to convey the value of the program to district stakeholders. The website provides information on the range of programs offered by the SSMID, such as off-duty police officers, controlling crowds, streetscape enhancements, and quality of life improvements.

### *Innovative Communication*

The SSMID leaves messages on post-it notes on the doors or windows of properties in the District to inform property owners when they perform tasks such as snow removal, which conveys the individual benefit that a property owner receives.

## **Accomplishments**

Operation Downtown determines its success by evaluating its efforts to create a clean, beautiful, and safe environment. The SSMID tracks performance indicators and conveys their achievements to stakeholders. In fiscal year 2012 for example, the *Community Report* states 173 block faces washed, 1,919 graffiti tags removed, and 490,436 pounds of trash removed.<sup>79</sup> Furthermore, they have been successful based on survey responses such as the following taken from the *Community Report*:

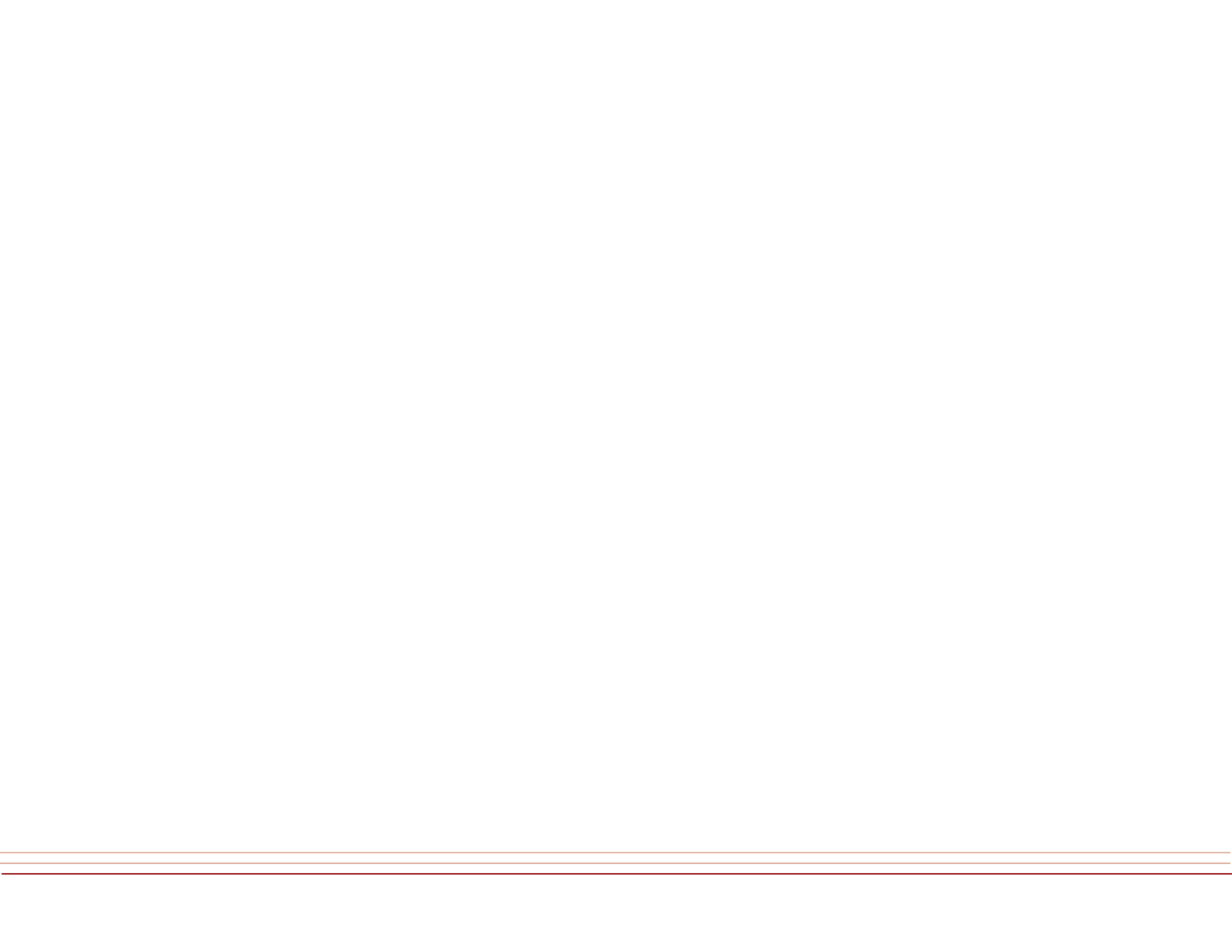
1. 92% of respondents view downtown positively.
2. 65% of respondents gave downtown a good or excellent rating (4 or 5 on a 5 point scale).
3. 77% of respondents gave downtown beautification a good or excellent rating.

In addition, Operation Downtown has continued to evolve its relationship with the City to provide additional services. In 2006, Operation Downtown began working with the City to provide assistance in maintaining public parks and trails in the downtown.

## **Conclusions**

The Des Moines Downtown SSMID provides an example of a long-well established SSMID. Key findings from this case study follow.

1. The SSMID tracks a number of performance indicators to evaluate its success in achieving its goals of a clean, safe, and beautiful downtown while actively promoting their accomplishments through an easy-to-use website, visually impactful annual reports, and personal communication through post-it note messages. Operation Downtown's success in achieving their goals has resulted in the district being renewed five times.
2. The SSMID has been able to leverage their activities to receive additional money from the City for downtown maintenance as well as corporate contributions for beautification projects.
3. The SSMID employs innovative communication techniques such as post-it notes after completing a job.



## DOWNTOWN DISTRICT IOWA CITY, IOWA

### Characteristics

2010 Population:	67,862
SSMID Created:	2011
SSMID Renewals:	0
SSMID Properties:	~275
2013 Levy:	\$280,000

### Significance

The Iowa City SSMID provides an example of a current district planning process and recent implementation period for a SSMID. A map of the district is shown in Figure 12.

### Establishment and Renewal

In 2004, property owners in downtown Iowa City failed to implement a SSMID with a sunset period of 20 years. In 2011, SSMID organizers and the City of Iowa City felt the timing was right to revitalize the Downtown in response to changing market conditions, outdated infrastructure, and competition from other regional commercial nodes. This process resulted in SSMID establishment in 2012.

#### *Communication with Stakeholders*

Accountability and transparency were critical to gathering support from local property and business owners. The SSMID organizers spent one year developing support

through local contacts, open forums, and utilizing influential people to advocate for the SSMID. The organizers found that a projected budget outlining revenue and expenditures was helpful for showing transparency regarding use of funds. In addition, a prospective job description for the executive director assisted in demonstrating the purpose and goals of the SSMID. Informational materials were equally important. A *Frequently Asked Questions* (FAQ) provided detailed answers to many common questions and was available online. In addition, tables showed expected cost for various property values, creating perspective on the additional tax liability for an economically diverse range of property owners. Another vital component to gathering support was an annual \$100,000 voluntary contribution from the University of Iowa (UI), effectively leveraging the SSMID funds to gain additional value for the district's property owners.

#### *Levy Term and Rate*

The levy term is four years and the levy rate is set at \$2.00 per \$1,000 assessed value.

#### *Managing Organization*

The Iowa City Downtown District manages the SSMID as a 501(c) 6 non-profit organization.

#### *Renewal*

The SSMID was established in 2012 and will undergo a renewal process in 2016. The district's sunset period is four years, and the SSMID's leadership intends to spend at least one year prior to the first renewal period showing the value that it has created for the district and gathering support for renewal.

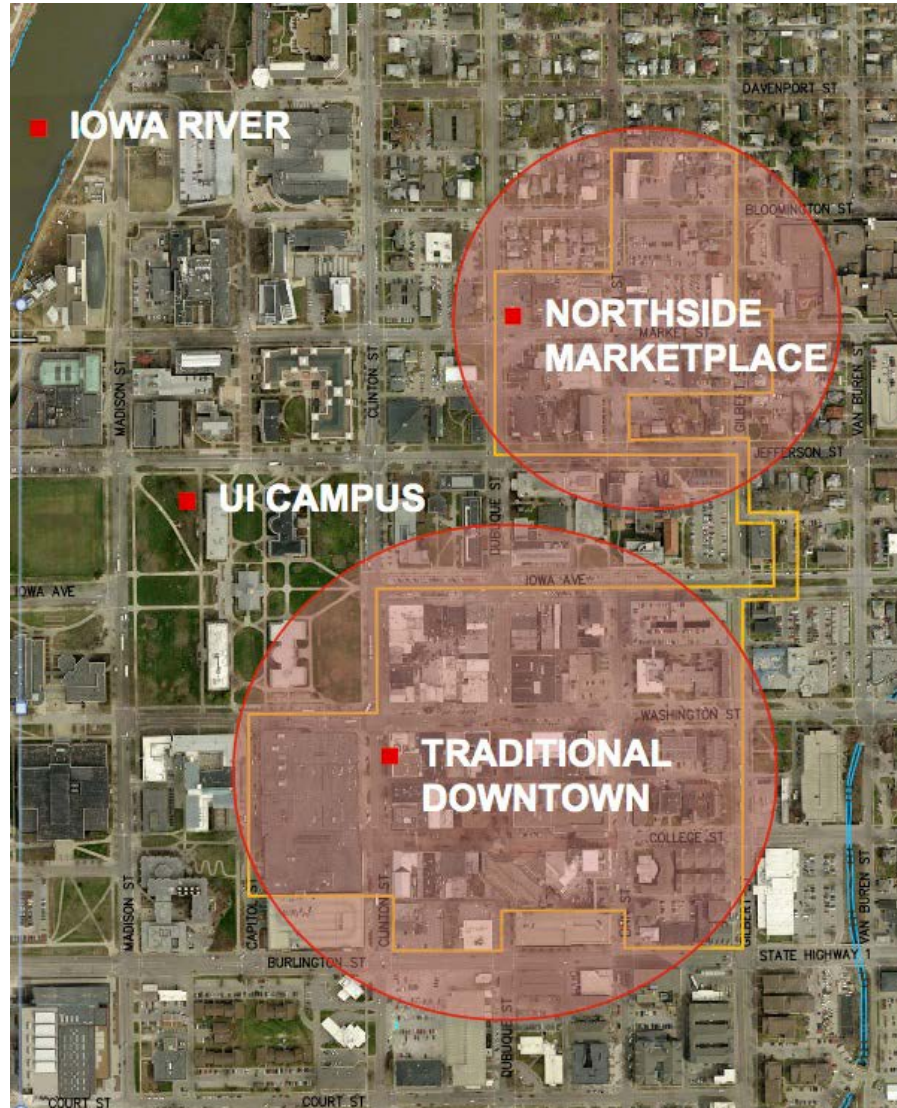
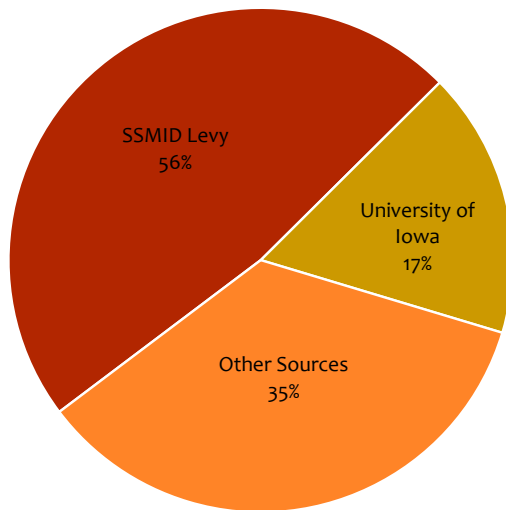


Figure 12. Downtown District, Iowa City, Iowa

Source: Downtown District

## Budget and Use of Funds

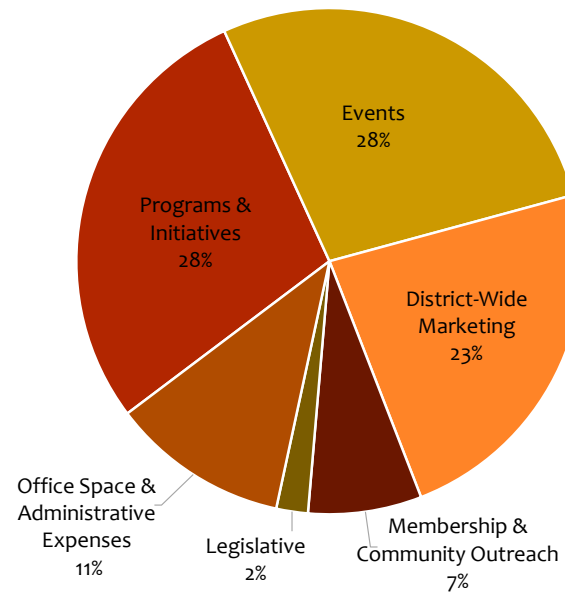
Figure 13 depicts the SSMID's budget for FY 2014, which totals approximately \$585,260 with \$280,000 originating from the SSMID levy, \$100,000 from the University of Iowa, and \$205,260 from sponsorships and other sources. The SSMID has been successful in leveraging the SSMID funds to obtain additional funding for downtown improvements.



**Figure 13: Downtown Iowa City SSMID Revenue Sources as Percent of Total Revenue, FY 2014**

Source: Iowa City Downtown District

Figure 14 shows that roughly three-quarters of the budget is spent on the following three categories: Programs and Initiatives (28%), Events (28%), and District-Wide Marketing (23%). These expenditures indicate that the SSMID is active in improving downtown aesthetics, promoting and organizing downtown events, and promoting the downtown as destination spot. In addition, the SSMID has dedicated almost \$12,000 (2%) to support legislative advocacy on the downtown's behalf.



**Figure 14: Downtown Iowa City SSMID Expenditures as Percent of Total Budget, FY 2014**

Source: Iowa City Downtown District



### *Voluntary Contributions*

The largest voluntary contribution to the downtown SSMID comes from the University of Iowa, which makes an annual \$100,000 contribution. The University is adjacent to the downtown and rents or owns several properties in the district, giving it reason for an interest in a strong downtown. With its contribution, the University recognizes the importance of a viable downtown. The District was able to use the University's contribution to leverage support of other property owners, whose added levy was magnified by the University's contribution.

### *City Support*

The SSMID has an MOA with the City of Iowa City to ensure a continual level of services.

## **Governance Structure**

The Board of Directors consists of 19 members from stakeholders within the SSMID boundaries. An executive director and operations director implement the Board's decisions.

### *Board of Directors*

The Board members serve four-year terms, must have businesses or property located in the downtown, and meet the requirements defined in the organization's by-laws. Potential Board members were identified through an open nomination process with the final Board members chosen by a small steering group. The Board of Directors meets monthly to discuss SSMID affairs. The requirements to be a Board member follow.<sup>80</sup>

Board membership shall consist of voting members:

1. Two from property owners or their representatives from a single property within the Proposed District that has an assessed value in excess of 1.0% of the total assessed value of property within the district boundaries as of January 1, 2011.
2. Two from property owners or their representatives from a single property within the Proposed District that has an assessed value less than of 1.0% of the total assessed value of property within the district boundaries as of January 1, 2011.
3. Two from business owners within the Proposed District that lease more than 3,000 square feet of commercial space.
4. Two from business owners within the Proposed District that lease less than 3,000 square feet of commercial space.
5. One from a business in the Northside Marketplace area.
6. One from the University of Iowa.

Board membership shall consist of ex-officio non-voting members from:

1. Iowa City-Coralville Area Convention and Visitors Bureau
2. Iowa City Area Chamber of Commerce
3. Iowa City Area Development Group
4. City of Iowa City

## Evaluation and Communication

The SSMID wants to demonstrate value to its stakeholders, and is currently developing an evaluation component, including performance indicators on cultural vibrancy and economic impacts. Several of the specific indicators tracked include change in number of retailers, change in apartment vacancy rate, and change in hotel vacancy rate. The results will be highlighted in Downtown District brochures and the SSMID’s website.

## Accomplishments

### *Aesthetics*

The District has undertaken the Benchmarks program, a public art project decorating benches; has provided additional lighting within the District through hanging grapevine and sphere lighting; and has implemented a policy of power washing sidewalks three times per year.<sup>81</sup>

### *Advocacy*

Part of the District’s role is informing the City Council of downtown activity, and advocating for improvements to the area. The District’s advocacy has resulted in first-hour free parking, a matching grant program for building renovations, and allowing dogs in their pedestrian plaza.<sup>82</sup>

### *Business Support*

The District has created a system for small business owners to cooperate in bargaining group rates on common expenses such as core services, essential goods, marketing, and joint investments.<sup>83</sup> Further, the District advocated for first-hour free parking to assist businesses in attracting

customers to the downtown and increase accessibility to businesses.<sup>84</sup>

### *Marketing*

The District “acts as a clearinghouse for marketing businesses and special events” through their website.<sup>85</sup> The website provides information on local businesses and activities providing users with detailed information.

### *Public Safety*

The District worked with the City to assign a police officer whose sole responsibility was to patrol the downtown in addition to the police department’s normal patrol schedule.<sup>86</sup>

## Conclusions

The Iowa City SSMID provides an example of a newly established SSMID going through its formative process. Several of the key findings from this case study follow.

1. The SSMID created a number of informational pieces to use in gathering support for the SSMID with property and business owners including an FAQ, a mock budget, and job descriptions for proposed staff. The SSMID utilized a yearlong process to recruit support for the petition, using influential property owners to market the SSMID. Extensive preparation and outreach was paramount to gaining property owner support.
2. The SSMID successfully leveraged voluntary contributions from The University of Iowa and other sources to gain support for the initial SSMID effort.



Broad, voluntary financial support helped build momentum for additional contributions.

3. The SSMID has been able to show success in a number of projects in a short period. This demonstrates value to its stakeholders, providing additional support for the SSMID and assisting in upcoming renewal efforts.
4. The SSMID has taken a proactive approach in advocating for downtown at City Council, dedicating funds towards this effort and achieving several results as noted previously.

## DOWNTOWN PARTNERS SIOUX CITY, IOWA

### Characteristics

2010 Population:	82,684
SSMID Created:	1993
SSMID Renewals:	5
SSMID Properties:	484
2013 Levy:	\$268,000

### Significance

Like Cedar Rapids, Sioux City is one of Iowa's largest cities and had an active Main Street District at the time of SSMID implementation. The Sioux City SSMID is no longer an active Main Street District, but the SSMID has been in place for 20 years, providing an example of a long-standing SSMID. A map of the district is shown in Figure 15.

### Establishment and Renewal

The Sioux City SSMID formed in 1993 as a funding mechanism for the Sioux City Main Street District to encourage historic preservation and economic development in the downtown. The District formed the SSMID to create a reliable funding mechanism, allowing a shift away from fundraising activities.<sup>87</sup>

### *Communication with Stakeholders*

Due to the many years since initial district establishment and subsequent changes in SSMID staff, the group did not obtain historical information regarding communication with stakeholders.

### *Levy Term and Rate*

Initially, the SSMID required a two-year levy term. Following a successful first term in which the SSMID demonstrated value to district property and business owners, the SSMID board was confident in the prospects for district renewal and chose to extend the levy term to five years, which is the duration of the current term. The current levy rate is \$2.25 per \$1,000 of assessed value. The SSMID formerly used two different levy rates, one for the central business district and one for the outlying areas; all areas now pay the same rate so that, "there was no perception of discrimination between services provided to one area over another."<sup>88</sup>

### *Managing Organization*

The Sioux City Main Street District originally managed the SSMID. Downtown Partners, a non-profit organization supporting downtown revitalization, succeeded the Main Street District in operating the SSMID. Downtown Partners continues to practice the Main Street approach for economic development.<sup>89</sup>

### *Renewal*

The District has been renewed five times, with an expansion of the boundary occurring four times. The District maintains a full year process for campaigning when the SSMID faces renewal. The District provides informational materials using

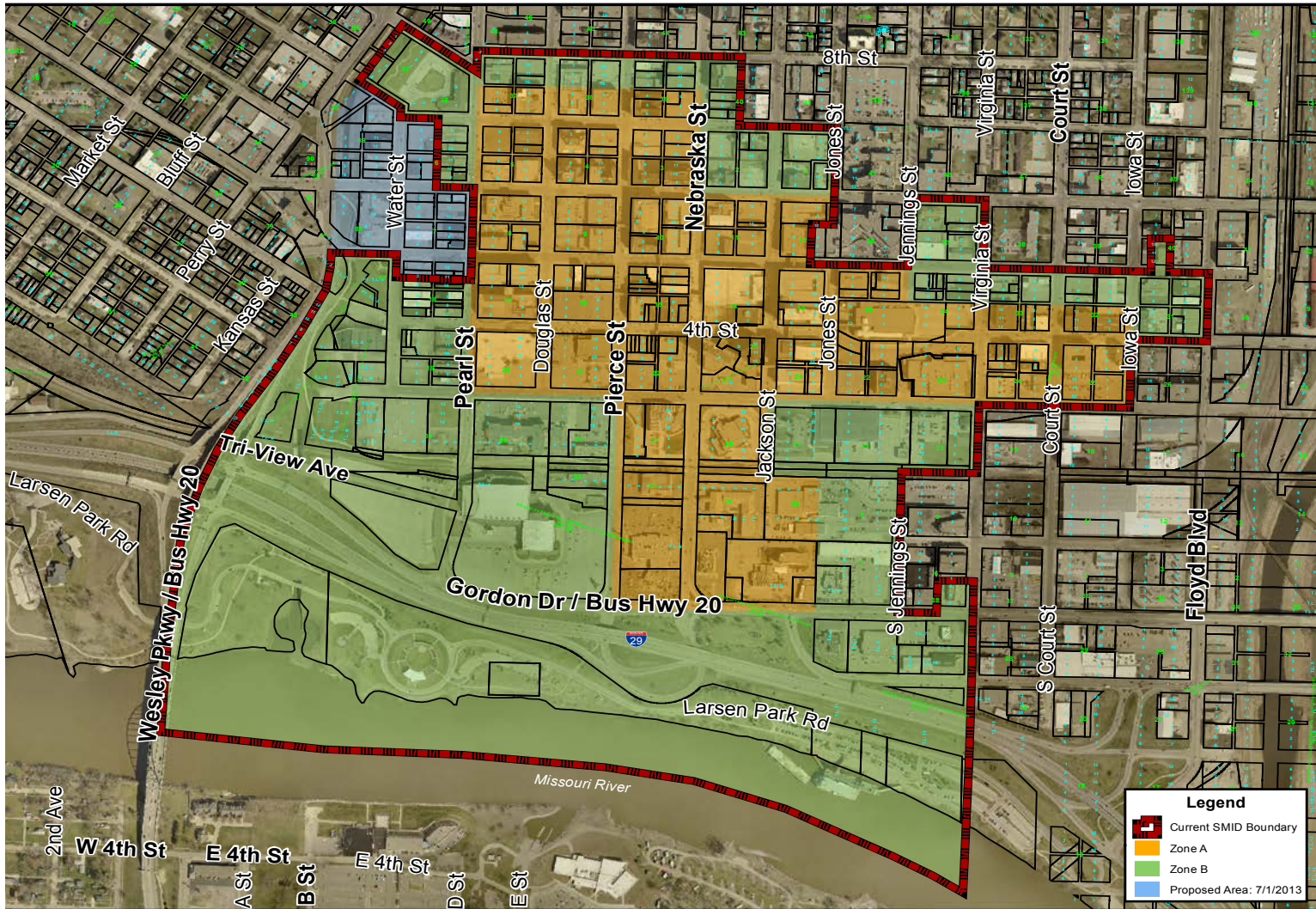


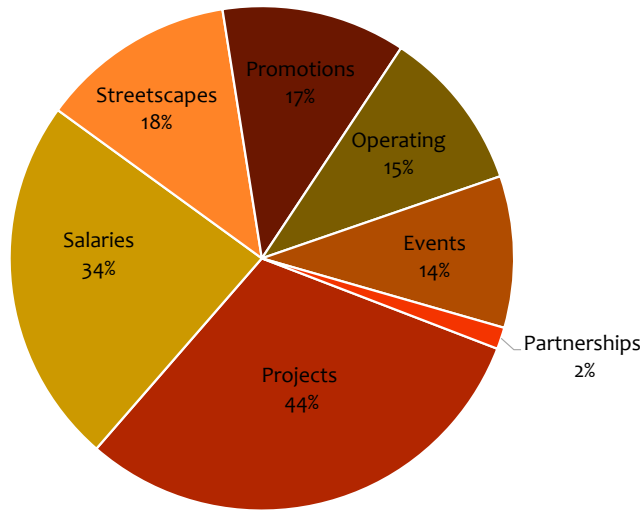
Figure 15. Downtown Partners SSMID, Sioux City, Iowa

Source: Downtown Partners

charts that show the value that SSMID funding provides. The City Council passed the latest renewal 5-0.

### Budget and Use of Funds

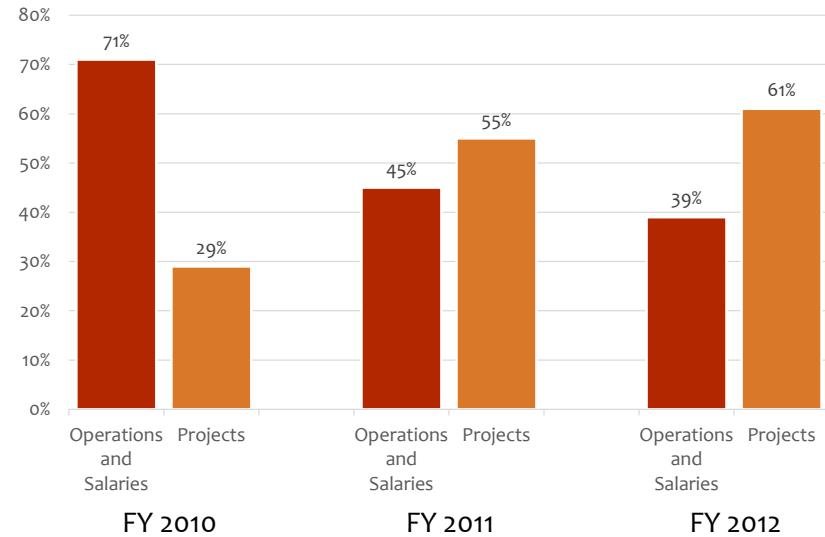
The current levy rate is set at \$2.25 per \$1,000 of assessed value. At this rate, the projected revenue is \$268,000 consisting of the entire budget. Projects, streetscaping, marketing, and promotions are the focus of the current budget.



**Figure 16: Sioux City SSMID Expenditures as Percent of Total Budget, FY 2013**

Source: Sioux City Downtown Partners

This is in contrast to 2009 when the District spent \$183,670 on payroll, which caused vocal opposition to its renewal attempt.<sup>90</sup> Figure 16 shows the FY 2013 budget, and Figure 17 shows the dramatic shift in budget priorities from FY 2010 to FY 2012, with the focus moving from payroll to projects. For instance, in FY10, payroll consisted of 71% of the budget as compared to 39% of the budget in FY12.



**Figure 17: Sioux City SSMID Budget Priority Changes, FY 2010 to FY 2012**

Source: Sioux City Downtown Partners



### *Voluntary Contributions*

The SSMID does not obtain any voluntary contributions from businesses or the community.

### *City Support*

Downtown Partners does not receive any monetary support from the City nor does it maintain a MOA with the City.

## **Governance Structure**

A Board of Directors consisting of 15 local stakeholders and city representatives governs the SSMID. One executive director and one administrative assistant implement the Board's decisions.

### *Board of Directors*

The Board consists of 15 members from the SSMID boundary that represent the district's characteristics and interests. For example, with the advent of market-rate housing in the downtown, the Board added two new condominium owners. Board members serve 3-year terms with three positions available each year. New Board members are nominated through ballot and voted on by property owners each year. The Board of Directors meets monthly to discuss SSMID priorities and tasks.

## **Evaluation and Communication**

The District maintains ongoing communication with property owners and businesses located within the district; however, there is no formal evaluation component for the District. District staff makes individual contact with stakeholders to assess how the District may provide value to that stakeholder. In addition, the District employs periodic

surveys to gather input from the property and business owners.

## **Accomplishments**

### *Advocacy*

The District has been able to successfully lobby on behalf of downtown businesses and property owners resulting in decreased skywalk maintenance costs, modifications to a City signage ordinance, and the creation of the Downtown Casino Overlay District, which may allow for entertainment facilities to be built, potentially adding to property on which a SSMID tax may be levied.

### *Financing*

The District assists businesses in financing development opportunities in the downtown. Several of the activities include a targeted revitalization fund to “enhance the quality and overall appearance of Sioux City’s downtown streetscapes; financing for development of vacant lots; and financing assistance for building rehabilitation.”<sup>91</sup>

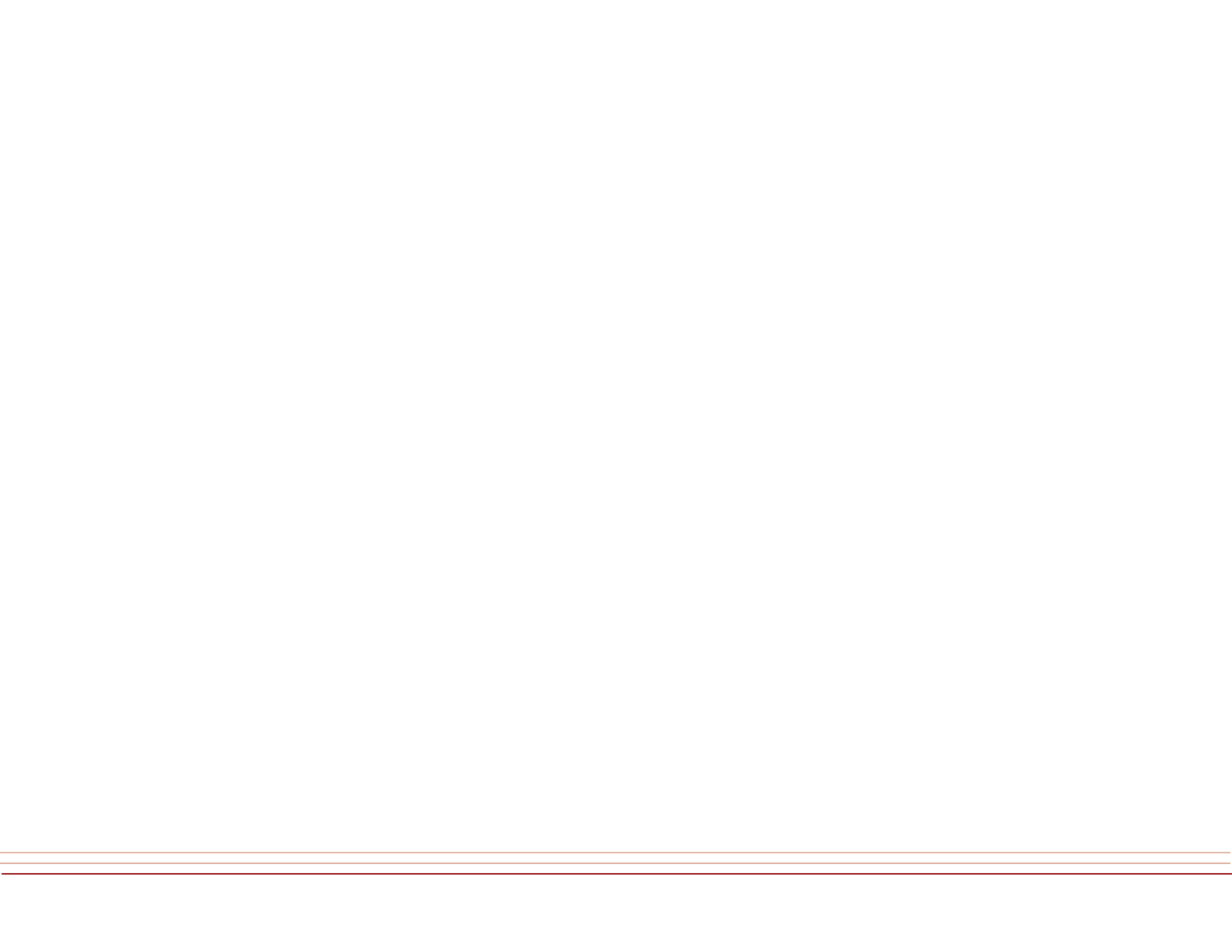
### *Marketing*

The District focuses primarily on marketing the district and businesses within the district. Their efforts include a website displaying local businesses, available properties, and assistance with starting a business downtown. To advertise to tourists, informational materials regarding the district can be found in every hotel room in the city.<sup>92</sup> Further, in collaboration with the City of Sioux City, the District conducted a market survey to determine the area’s economic characteristics.<sup>93</sup>

## Conclusions

The Sioux City SSMID provides an example of a long-running SSMID that was originally developed to fund the local Main Street District. Several of the key findings from this case study follow.

1. The SSMID has lobbied for downtown interests at City Council leading to economic and financial gains for local property owners and business owners.
2. The SSMID has been successful in branding downtown Sioux City as a destination for businesses and tourists through their marketing efforts.
3. The SSMID has been successful in economic development efforts through partnerships with over 20 organizations, completing over fourteen economic development projects, and working on eight different streetscape projects to improve downtown aesthetics.
4. The SSMID adapted its Board structure to reflect the changing composition of its downtown, including two positions for Board members to be filled by condominium owners following the addition of market-rate housing in its downtown.
5. The SSMID conducts personal outreach to stakeholders to inform how it provides value to members of the District. Further, the SSMID conducts periodic surveys to gather input from business and property owners.
6. The SSMID experienced vocal opposition when spending a high percentage of revenues on payroll, suggesting that SSMIDs should be aware of possible backlash related to the proportion of expenditures allocated to this category.



## SPENCER MAIN STREET DISTRICT SPENCER, IOWA

### Characteristics

2010 Population:	11,233
SSMID Created:	1987
SSMID Renewals:	0
SSMID Properties:	~200
2013 Levy:	\$57,000

### Significance

The Spencer SSMID provides an example of a SSMID funding mechanism to support a Main Street District, similar to the proposed Czech Village/New Bohemia SSMID. Further, the SSMID has been in place for over 25 years, providing an example of a long-established SSMID. A map of the district is shown in Figure 18.

### Establishment and Renewal

The Spencer SSMID formed in 1987 as a funding mechanism for the Spencer Main Street District to encourage historic preservation and economic development in the downtown. The SSMID provided the Main Street District with a reliable funding mechanism, allowing a shift away from membership fees and fundraising.

### *Communication with Stakeholders*

A group of local businesses owners convened to promote the downtown. In 1987, this group's efforts led to the formation of the Spencer Main Street District. Later that year, the Main Street District received funding after the business owners organized to work toward implementing the SSMID.<sup>94</sup> From the beginning, active business owners drove the formation and implementation of the SSMID.

### *Levy Term and Rate*

The SSMID has no sunset period and will continue indefinitely. The SSMID is separated into two districts with the core area (i.e. Grant Avenue) rate at \$4.00 per \$1,000 of assessed value and the remaining area's rate at \$2.00 per \$1,000 of assessed value. The District formed in this fashion because it believed that most benefits would be seen in the core area, making a higher levy rate for the area logical. Further, the levy rate was capped for existing businesses at the 1987 assessed value to incentivize investment without penalty; however, new businesses in the District are taxed at their current assessed value.

### *Managing Organization*

The Spencer Main Street District manages the SSMID.

### *Renewal*

Since the SSMID has no sunset clause, the district has not undergone a renewal period.





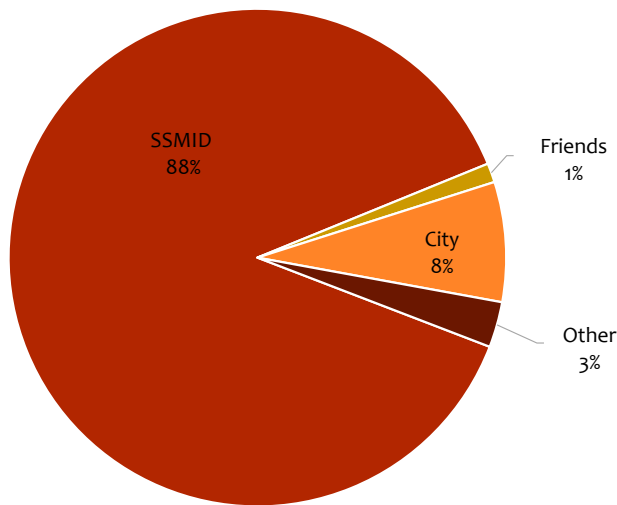
 - Spencer Downtown District SMID

**Figure 18. Main Street District, Spencer, Iowa**

Source: Authors

## Budget and Use of Funds

The current levy rate is either \$2.00 or \$4.00 per \$1,000 assessed value, depending on the property's location, resulting in a total levy of \$57,000. The SSMID provides approximately 88% of the Main Street District's budget, with the City contributing \$5,000 annually; the remainder of the budget is generated through promotions and activities as shown in Figure 19. The SSMID's largest expense categories are payroll (46%), events (27%), and marketing (13%) as shown in Figure 20. The budget shows the importance of events, and marketing for the SSMID.



**Figure 19: Spencer Downtown SSMID Revenue Sources as Percent of Total Revenue, FY 2014**

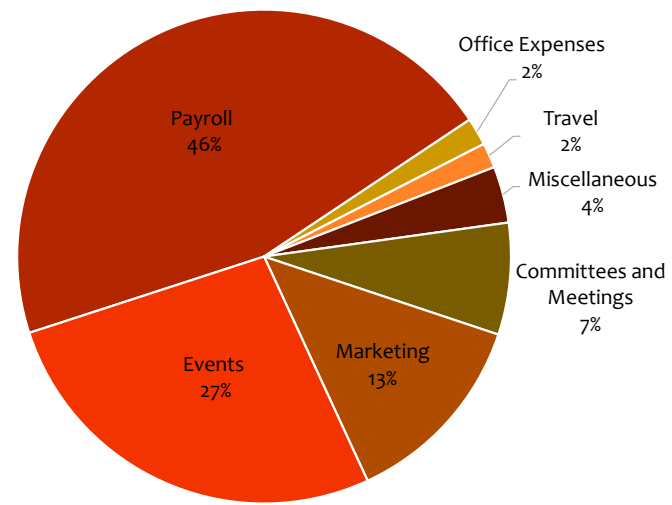
Source: Spencer Main Street District

## Voluntary Contributions

The SSMID does not receive voluntary contributions; however, it does receive sponsorships for events and activities.

## City Support

The City provides an annual contribution of approximately \$5,000.



**Figure 20: Spencer SSMID Expenditures as Percent of Total Budget, FY 2014**

Source: Spencer Main Street District

## **Governance and Structure**

A Board of Directors consisting of 12 local property owners governs the SSMID. One executive director implements the Board's decisions.

### *Board of Directors*

Board members serve three-year terms; each year, the District holds an election and Main Street members vote on four board members to replace outgoing members. The only requirement to serve on the Board is that the member own property within the district.

Two non-voting members, one each from the Chamber of Commerce and the City Council, are appointed by their respective organizations; these organizations also determine the length of term that they serve. The Board meets monthly to discuss District business.

## **Evaluation and Communication**

The SSMID does not have a formal evaluation component and does not conduct regular surveys with stakeholders. However, gauged from informal conversations, the Director estimates that there is approximately an 80% approval rating.

## **Accomplishments**

### *Aesthetics*

The District contributed \$100,000 to a \$3 million streetscape improvement project and invested \$25,000 in new holiday decorations.

### *Community Engagement*

The District maintains a large public outreach effort that provides the driving force behind implementing collaborative programming with community organizations and businesses. This collaboration assists with promotions and events sponsorship, efforts to achieve district designations, and development of additional financing mechanisms for business improvement within the district.

### *Designations*

The District worked with the City to establish a cultural and arts district, assisted with the City's Blue Zone designation (a community-based health and wellness initiative), and was the driving force behind the addition of three blocks to the National Register of Historic Places.<sup>95</sup>

### *Financing*

The District assists businesses in financing development opportunities in the downtown. Two of the activities include collaborating with a local utility to fund storefront improvements with \$1 million in grants and \$1 million in 10-year, no interest loans since its creation and assisting in the development of a revolving \$15,000 loan fund program to finance retail starts or expansions.<sup>96</sup>

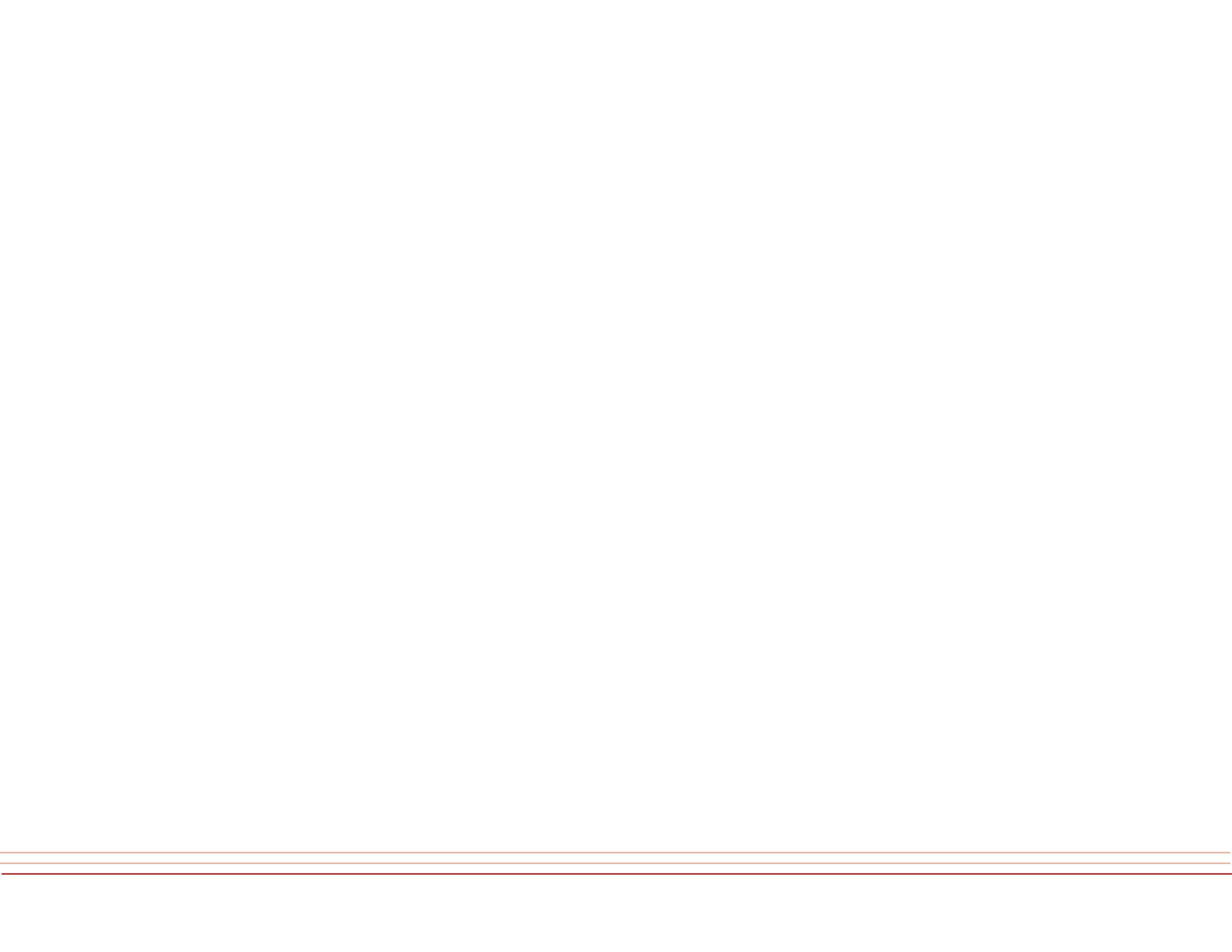
### *Parking*

The District invested \$150,000 in constructing a 35-space parking lot on an abandoned service station.

## Conclusions

The Spencer SSMID provides an example of a long-running SSMID that assists in funding a Main Street District. Several of the key findings from this case study follow.

1. The SSMID provides a substantial portion (88%) of the Main Street District's annual budget with the city providing annual support as well.
2. The SSMID provides a unique example of a levy rate capped at a pre-determined value based on the year 1987. This mechanism hinders the SSMID's ability to increase their budget annually.
3. The SSMID functions as a two-tiered system with different levy rates for each tier. This system leads to a disparity in tax levies between tiers with similarly sized properties, possibly making it difficult for the SSMID to justify expenditures in particular areas.
4. The SSMID has no sunset period. If stakeholders in the district wish to change aspects of the SSMID, they are required to file petition for the district's dissolution and then must file a petition to reform the district.



# FINANCING ALTERNATIVES

While this toolkit focuses on implementing a BID to finance improvements and development in an area, alternative financing mechanisms should also be considered in the process of finding funding to address economic and community development goals. When examining a funding option, it may be determined that a BID is not appropriate or feasible choice for a project, or that another mechanism may be effectively used to supplement BID funds and further strengthen economic revitalization efforts within a district. This section is intended as a resource for community development professionals or those interested in financing improvements to a community to help determine which funding mechanisms may be most appropriate.

This section begins with the process for ranking alternative financing mechanisms based on individual district or group preferences and needs. The majority of the section focuses on four categories of financing that could be used by cities or organizations to fund improvements or development including fundraising, grant funding, tax credits, and municipal financing tools. These financing mechanisms are described in-depth and are not evaluated or ranked using the evaluation criteria and weighting process provided. They are included as a resource for communities in Iowa; if a community considers one or more financing alternatives for use, it is recommended that they use the criteria and weighting process as described below and change criteria for the evaluation formula based on their own mission and needs.



# PROCESS FOR RANKING FINANCING ALTERNATIVES

In order to determine the most appropriate financing alternative for a community, evaluation and ranking of financing alternatives is recommended. The Scoring Criteria section includes an explanation of five criteria used to rank each financing mechanism. These criteria are: startup costs, maintenance costs, funds generated, alignment with a group mission, and political feasibility. Although these five criteria are not comprehensive, they are broad enough and may be used as a starting point for an organization's ranking process. These criteria are derived from the interviews in conjunction with the case studies and represent areas of importance that communities identified. Evaluation criteria should be adapted to adequately reflect an individual community's preferences.

In addition to the criteria provided, each criterion should be assigned a rank and weight to define priorities and level of importance associated with various considerations of the funding mechanism. A community may rank the criteria

differently based on individual organizational capacity. For example, an organization may have staff able to apply for grants, but not necessarily dedicate an adequate amount of time and effort to the establishment of a SSMID. In this case, startup costs would be given a high weight, because it is more important to this organization than one with additional staff. An example ranking scheme is shown in Table 8. It is important to gain multiple perspectives when assigning a rank and weight to the evaluation criteria. Discussing priorities with persons involved in management is important and should be part of the weighting process.

**Table 8: Ranking scheme for financing alternative criteria<sup>97</sup>**

Rank	Level of Importance
1	Not very important
2	Somewhat important
3	Important
4	More important
5	Essential

Once the ranking scheme has been identified, weighting of the criteria must take place. The scoring criteria are provided below, and a discussion on how to weight the criteria follows.



## Financing Mechanism Scoring Criteria

When scoring each financing mechanism, five categories should be evaluated. Scores range from 1 to 3 (i.e., 1 = low, 2 = medium, 3 = high). A brief description of each category follows:

### **1. Are startup costs acceptable?**

Startup costs refer to any resources used in establishing a financing mechanism or building support for it. Scoring of these costs may be looked at in two different ways, depending on how an organization prefers to assess these costs.

The first method takes into account an organization's ability to fund necessary start up cost and perform necessary work. In this case a high score would indicate that the organization has the necessary staff, time, and funds to establish the financing mechanism while a low score would indicate significant limitations with the organization's abilities.

In the second method organizational resources are held constant and the actual startup costs are assessed. In this case a high score would indicate low startup costs, and a low score would represent high startup costs.

### **2. Are maintenance costs acceptable?**

Some financing mechanisms may require more resources after the initial startup, such as a renewal process for BID, annual applications for grants, or required reporting. Similar to startup costs this cost may be assessed two ways.

In the first method, a high score indicates strong willingness and resources to maintain the financing mechanism while a low score indicates insufficient resources and willingness.

Again, the second method organizational resource are held constant and actual maintenance costs are acceptable. For this method a high score would indicate low maintenance costs and a low score indicates high maintenance costs.

### **3. Are the funds generated sufficient?**

Each financing mechanism presents different abilities to generate funds. Depending on each organization's level of need, some mechanisms may not be adequate. Relative to the funding needs of an organization, a high score indicates sufficient funding is provided by the mechanism, medium indicates some funding is provided, and low indicates the funding provided would be minimal.

### **4. Does the funding mechanism align with mission of the organization?**

If an organization has specific goals or objectives, the chosen funding mechanism(s) should reflect those. If equity is an objective, then a funding mechanism that promotes greater horizontal and vertical equity would receive a higher score. A high score indicates a close alignment with an organization's goals and objectives, medium indicates some alignment, and low indicates little or no alignment.

### **5. Is the mechanism politically feasible?**

Local politics impacts the feasibility of using some financing mechanisms more than others. For example, a BID requires

significant effort to obtain petition signatures and a longer process in gaining support for its passage than fundraising or grant applications. A high score indicates general support for and ease in establishing the mechanism, medium indicates that there are some barriers to its use and/or limited support, and low indicates a lack of support or significant barriers to implementation.

## Weighting Scoring Criteria

Each community should determine the importance of each evaluation criterion. This process is done by allocating a weight per criterion. The combined value of all weights should add up to 100%. If a community chooses to rank each of the evaluation criteria exclusively, meaning that one criteria has the lowest level of importance, one has the highest, and the others fall equally in between, the weighting scheme is as follows:

**Table 9: Sample Weighting Scheme**

Rank	Level of Importance	Weight
1	Not very important	7%
2	Somewhat important	13%
3	Important	20%
4	More important	27%
5	Essential	33%

Total rank points (15) = 100% weight

The percentage weight is determined by the points divided by the total points. For example, the least important criterion is weighted at 7% because  $1/15$  points = .07.

If a community has two criteria with the same levels of importance (i.e., startup costs and maintenance costs), the weight of the scoring criteria must be adjusted to reflect this preference. If these two criteria are both equally important (three out of five levels of importance), which would originally be given three points, or 20% each, the following weighting scheme in Table 10 would apply.

**Table 10: Weighting Scheme - Adjusted**

Rank	Level of Importance	Weight
2	Somewhat important	12%
3	Important	18%
3	Important	18%
4	More important	24%
5	Most important	29%

Total rank points (17) = 100% weight

In this example, the percentage is determined using the cumulative denominator of 17. For example, the “somewhat important” criterion is weighted at 12% because  $2/17$  points = .12.

While this method of determining weighting of evaluation criteria is recommended by the authors, communities may adapt the method to suit their community’s preferences and practices.

## Determining Final Scores for Alternatives

To determine the final score for each financing alternative, multiply the weight by the score for each of the five evaluation criteria. Then, total all points. For example, the score for a BID scores 1.94 out of a possible 3 maximum points. This is illustrated in Table 11.

Table 12 shows how the original scores are converted into the weighted scores using the same method as shown in Table 11. This format allows for easy comparison between all funding alternatives. Note that in Table 12, a SSMID and Local Option Sales Tax (LOST) both had an original score of 10, but because of the weighting scheme, the SSMID is preferred to the LOST. However, the Downtown Revitalization Grant has the highest score, with 2.6 out of a possible 3 points. It is important to note that it is possible to attribute any percentage weight to any of the evaluation criteria, so long as all criteria weights add up to 100%. This offers flexibility in deciding which criteria should be prioritized over others.

**Table 11: Sample Final Score Calculation for BID**

Evaluation Criteria (Assign score of 1-3)	BID Criteria Score	Criteria Weight (Assign weight of 1-5)	Total Weighted BID Score
Startup Costs	2	7%	2*.07 = .14
Maintenance Costs	2	13%	2*.13 = .26
Funds Generated	2	20%	2*.20 = .40
Alignment with Goals and Objectives	3	27%	3*.27 = .81
Support Needed	1	33%	1*.33 = .33
<b>Total Score</b>	10	100%	

**Table 12: Creating a Comparison Chart**

Evaluation Criteria  (Assign score of 1-3 per mechanism)	Criteria Weight  (Assign percentage weight)	SSMID		Downtown Revitalization Grant		Local Option Sales Tax	
		Original Score	Weighted Score	Original Score	Weighted Score	Original Score	Weighted Score
Startup Costs	7%	2	0.14	1	0.07	3	0.21
Maintenance Costs	13%	2	0.26	1	0.13	2	0.26
Funds Generated	20%	2	0.4	3	0.6	3	0.6
Alignment with Mission	27%	3	0.81	3	0.81	1	0.27
Political Feasibility	33%	1	0.33	3	0.99	1	0.33
Total Scores		10	1.94	11	2.6	10	1.67

# MUNICIPAL FINANCING OPTIONS

Municipal finance options include a range of options that require a city or county to be involved in the approval, collection, or distribution of funds. Each option was chosen due its ability to fund projects or redevelopment efforts that could be undertaken by a BID. The funding options examined are: Business Improvement Districts, Tax Increment Financing, Tax Abatement, Special Assessments, Local Option Sales Tax, Debt Financing, Revolving Loan Funds, Excise Tax, and Enterprise Zones.

For municipal financing options, five components of each option will be examined:

## Part I – Description

This section will describe the mechanism; this provides a definition and basic description of how it can be used to generate funding.

## Part II – Funding Suitability

Funding suitability refers to what types of development or projects a mechanism may be used for. For example, some

grants or municipal mechanisms may have strict regulations about what the funds may be spent on. An applied example is included for each mechanism.

## Part III – Managing Organization

The managing organization states who is allowed to levy the tax, and who will manage or distribute the funds.

## Part IV – Other Considerations

The other considerations section is meant to help groups or districts consider where their funds come from, any hidden costs that may be a result of choosing the mechanism, and what type of support would be needed to implement the funding. These considerations will be based on:

- Who pays – Where does the funding come from and who pays for it?
- Equity – Two methods of analyzing taxes are the Benefits and Ability to Pay Principles. Each municipal and tax mechanism will be evaluated using these criteria.
  - Benefits Principle - The benefits principle measures whether those who pay taxes receive benefits from those taxes. The specificity of the benefit can change based on what type of spending and benefit are being assessed. Some may require a specific benefit measurement in which, “Payments should be equal to, or proportional to, benefits received by each user.”<sup>98</sup>
  - Ability to Pay Principle – The ability to pay principle is based on two types of equity: vertical and

horizontal. Horizontal equity means those with the same income or property value pay the same taxes. If two people with building valued the same pay the same taxes on that property, then horizontal equity is achieved. Vertical equity means those with a higher ability to pay would pay more. Within vertical equity a tax may be regressive, progressive or proportional. A progressive tax means those with a larger assets would pay more. A regressive tax means those with lesser assets pay more. Finally, a proportional tax means a tax takes the same percent of assets from each group.<sup>99</sup> A highly valued property would pay more tax than the lesser valued property, then vertical equity is met and the tax would be progressive.<sup>100</sup>

- Administrative efficiency refers to the complexity of collecting a tax, and who collects it. This section also discusses any potential hidden costs such as staff time, or time value of money.

## Part V-Additional Information

Resources for additional information are included here.

# BUSINESS IMPROVEMENT DISTRICTS

## Part I – Description

A Business Improvement District (BID) allows property owners within a defined area to levy an additional fee on property values in order to fund district improvements and services.

## Part II – Funding Suitability

BIDs perform a variety of services including consumer marketing, economic development assistance, basic services like trash collection or security, capital improvement projects, and land use planning.<sup>101</sup>

In order to be viable as a funding mechanism, the area served by a BID should primarily consist of commercial and industrial properties and few vacant properties. Residential properties are not typically assessed the BID levy, although may be included in historic districts.<sup>102</sup>

## Part III – Managing Organization

Many BIDs are managed or operated by a 501(c)(6) or 501(c)(3) non-profit organization. This organization may already exist, such as with a Main Street organization, or it can be specifically created for the purpose of managing the BID.

Local governments are also closely tied to a BID, as the petition for BID creation must be approved by a city council, and levies are collected as part of property tax assessments.

## Part IV – Other Considerations

### *Who Pays*

In theory, property owners within a BID pay the additional fee. However, this cost may be passed down to business owners in the form of higher rents. Additionally, customers may pay higher prices at these businesses as a result of costs being pushed forward.

### *Equity*

#### *Benefits Principle*

BIDs assess an additional tax on commercial and industrial properties to fund improvements and services within the district. Although these taxes are collected throughout the district, the funds may not be distributed equally to all areas. There is no guarantee that a property will receive benefits roughly proportional to the fee it pays to the BID. Additionally, because residential and non-profit owned properties are not included in the BID assessment, they can receive the benefits of improved services without paying

for the improvements. Therefore, some properties may receive more benefit from the BID than others and the *Benefits Principle* may not be satisfied.

#### *Ability to Pay Principle*

Within BIDs, the amount a property pays is based on its property value and generally assessed as an amount per \$1,000 value in Iowa. If a property owner has a higher valued property, they pay more than an owner holding lower valued property. Horizontal equity met by BIDs as properties with similar assessments pay the same, and higher valued properties pay more. Vertical equity is not met by the BID because the rate is proportional and not progressive.

#### ***Administrative Efficiency***

Establishing a BID requires significant time and effort. The process of creating a steering committee, gaining support among property and business owners, and gathering petition signatures can take over a year to accomplish. Even after establishment, a BID must be managed and evaluated. Renewal after the sunset period requires a process similar to the initial BID creation.

#### ***Support Required***

Because BIDs are created through a petition process, they need the support of property and business owners. To pass, signatures must be received from at least 25 percent of property owners representing 25 percent of property value within the district. Likewise, a counter petition of another 25 percent of owners and value requires a unanimous city

council vote to create the BID while a petition of 40 percent will completely eliminate consideration for a BID.

## **Part V – Additional Information**

Additional information on BIDs can be found in *Business Improvement Districts: Research, Theories, and Controversies* by G.H. Morcol, 2008.

# TAX INCREMENT FINANCING

## Part I – Description

Tax increment financing (TIF) has become an important financing tool for municipalities, being described as “the most widely used local government program for financing economic development in the United States.”<sup>103</sup> The original intent of TIF was to finance urban renewal in blighted areas. Over time TIF has evolved to include promoting economic development throughout a city, not just in blighted areas. To encourage development, a TIF district creates a base level of assessed property value to which it assesses taxes for a given period. For the life of the TIF, growth in property value taxation above the base level (i.e., the increment) flows to the TIF fund to finance development within the district.

## Part II – Funding Suitability

TIF provides a flexible financing tool for districts to use in addressing a wide variety of needs. TIF funds may be used to finance infrastructure and other activities related to improving economic growth within a designated area. For example, the City of Cedar Rapids has 18 TIF districts that have been used to provide \$20 million in incentives to

refinance an underutilized retail mall and construct an \$8 million parking garage.<sup>104</sup> Further, the Davenport school district boundary contained 59 TIF districts in 2011.<sup>105</sup> The large scope allowed by TIF has allowed other communities to use the funds to retire debt and bond obligations not directly related to economic development projects.<sup>106</sup>

## Part III – Managing Organization

TIF is a viable option only for municipal governments who may then disperse funding as incentives for development within that TIF district.

## Part IV - Other Considerations

### *Who Pays*

TIF has the illusion that nobody pays because the funds come from an increase in property values, and it is commonly thought that TIF “shift(s) costs to other taxpayers.”<sup>107</sup> It has been shown that TIF districts’ tax burden is shifted to local school districts, tax payers in other communities, and ultimately, state taxpayers to raise additional funds to support local school districts.<sup>108</sup>

### *Equity*

#### *Benefits Principle*

Evaluating TIF in terms of the *Benefits Principle* suggests that TIF is an inequitable financing mechanism in the short term. Those who receive the direct benefit of the TIF financing (e.g., developers) do not pay for the incentives they receive. Furthermore, as discussed earlier, the TIF tax



burden may be shifted to taxpayers outside the district who receive little or no benefit, if taxing entities outside the district are required to raise taxes due to tax shifting from the TIF district. It may be argued that all will be made better off in the long-term due to the increased property valuation at the end of the TIF term. However, a recent study of TIF and education expenditures suggests that this is not the case for Iowa school districts.<sup>110</sup>

#### *Ability to Pay Principle*

Evaluating TIF in terms of the *Ability to Pay Principle* suggests TIF is vertically proportional due to all parcels within the TIF District paying the same property tax burden as others within the city assuming that equal properties are assessed at the same value (e.g., no staggered assessments or tax abatements for certain properties). In terms of horizontal equity, again given that equal properties are assessed at the same value, TIF appears to be horizontally equitable.

#### **Administrative Efficiency**

TIF is an administratively efficient funding mechanism since it utilizes property taxes, which already have a collection mechanism in place. There is an additional requirement to develop the TIF framework determining baseline values, collecting the increment, and distributing the funds, but is relatively uncomplicated compared to a new taxation framework.

#### **Support Required**

TIF is a widely used financing mechanism for municipalities, as described earlier, due to its tax exporting characteristics

in the short run and promise of economic development in the long-term.

## **Part V – Additional Information**

The [Iowa Legislative Services Agency](#) provides a detailed description of Tax Increment Financing.

# TAX ABATEMENT

## Part I - Description

Tax abatement is a financing mechanism cities may use to encourage development by exempting a portion of property taxes on new development or rehabilitation projects. 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 requirements to be eligible and allow for different amounts and terms of length for property tax abatement; this information may be found through Part V of this section. Tax abatement allows the property owner to directly receive the tax benefit through reduced property taxes for a set period of time.

## Part II – Funding Suitability

Tax abatement is best suited for targeted development in cities. It may be used to encourage all forms of development including industrial, commercial, and residential. By reducing tax obligations for a set period of time, the tax abatement increases the economic feasibility of a project in the short-term. Further, it may be used to encourage historic preservation of residential properties. For example, Des Moines, Iowa, has utilized tax abatement to spur residential development in their downtown converting an commercial

building to market rate condominiums promoting a ten-year tax abatement.<sup>110</sup>

## Part III – Managing Organization

As long as an area is designated for tax abatement by a city, any property owner or developer may apply for property tax abatement within the program eligibility requirements.

## Part IV - Other Considerations

### *Who Pays*

City taxpayers pay for tax abatements in the form of lost services or higher tax liability due to the decrease in revenue that would have been collected absent the tax abatement.

### *Equity*

#### *Benefits Principle*

Evaluating tax abatement in terms of the *Benefits Principle* suggests that, like TIF, tax abatements have the illusion that nobody pays because the new assessed value initially stays off the ledger. In the short-term, tax abatement may be inequitable because taxpayers forgo the revenue from the increased property value while the property owner receives the direct benefit. However, long-term all are made better off by increased tax revenues from the new or improved properties that may be used to provide additional public services from the municipality.

### Ability to Pay Principle

Evaluating tax abatement in terms of the *Ability to Pay Principle* suggests that it may be horizontally inequitable. For example, two identical properties may not be able to utilize a tax abatement due to one being in a designated zone and one not. Since one is not able to receive tax abatement due to location, tax abatements are horizontally inequitable. In terms of vertical equity, tax abatements are proportional, therefore not equitable, because abatement will occur based on the improvement of the property, not in terms of the ability to pay for the development or improvement receiving tax abatement.

### Administrative Efficiency

Tax abatements can be an administratively difficult financing mechanism due to varying requirements based on the type of improvement or development. For example, Figure 21 shows Des Moines’ tax abatement schedules for residential and commercial properties with varying requirements and tax abatement periods based on the type of development.

### Support Required

Tax abatements are a commonly used form of development financing for municipalities and are a politically favorable due to no direct outlays of funding to finance the project.

## Part V – Additional Information

The [Iowa League of Cities](#) provides a detailed questions and answers document regarding tax abatement in Iowa.

**Figure 21: Des Moines’ Tax Abatement Schedules for Residential and Commercial Properties**

Abatement Schedule	Must increase building assessment by: Residential: at least 5% Commercial: at least 15%	How much of improvement’s value is abated?	Improvement must qualify with applicable zoning, building and fire codes. Commercial and industrial uses must be in an approved tax abatement area. Where?
1 (for residential new, addition, renovation)	Up to \$20,000	115% for 10 years	<i>Residential:</i> Anywhere in city with appropriate zoning.
2 (new construction, major improvements and renovation)	No limit	1 <sup>st</sup> year - 80% 2 <sup>nd</sup> year - 70% 3 <sup>rd</sup> year - 60% 4 <sup>th</sup> year - 50% 5 <sup>th</sup> & 6 <sup>th</sup> year - 40% 7 <sup>th</sup> & 8 <sup>th</sup> year - 30% 9 <sup>th</sup> & 10 <sup>th</sup> year -20%	<i>Residential:</i> Anywhere in city with appropriate zoning.
4A (new construction, major improvements and renovation)	No limit	100% for 10 years	Must be in a specified area (generally located in the downtown and near-downtown area).
4B (new construction, major improvements and renovation)	No limit	100% for 5 years	Anywhere in city. <u>Not</u> permitted in areas where public sewer is unavailable.

# SPECIAL ASSESSMENT

## Part I – Description

A special assessment is a one-time tax levied on properties within a certain area to pay for all or part of a public improvement project. These assessments must specifically benefit those properties on which the tax has been levied.<sup>111</sup> Often when costs are shared between the assessed property and taxing body, the costs of the assessment is in proportion to the benefit the property will be receiving.<sup>112</sup>

## Part II - Funding Suitability

Iowa statutes require that any special assessment be used for public improvements. While public improvement is defined in the statute, the definition is broad and consists exclusively of what most would consider capital improvements. Examples of allowed uses for special assessment funds are: the building or repair of sewers, streets, sidewalks, street lighting, plazas, parking facilities, and traffic control fixtures.<sup>113</sup> Urbandale, Iowa has used a special assessment program aimed at improving pedestrian accessibility. The funds from the assessment are used to build sidewalks and connect existing walkways.<sup>114</sup>

## Part III – Managing Organization

City or county governments may levy special assessments. The implementation of a levy can be started by a local government, or by petition of property owners in an area. A petition to consider an assessment for public improvements must be signed by all property owners of record who will be assessed the levy.<sup>115</sup>

## Part IV - Other Considerations

### Who Pays

An improvement funded by a special assessment may be funded in one of two ways: wholly by the property owners in the area, or by a combination of the property owners and local government.<sup>116</sup> When the cost of improvement to each property is calculated, any deficiency in funds between the cost of improvement and the benefit to each property will be paid for by the city.<sup>117</sup> In all cases, the assessment to each property may not exceed 25% of the value of that property.<sup>118</sup>

### Equity

#### *Benefits Principle*

On the surface, a special assessment appears to meet the *Benefits Principle*. Those who are assessed the cost of the public improvement are benefitting from it. Nuances in the actual application of these assessments cloud the picture. Because some of the cost can be, and often is financed by the city, part of the cost of improvement is paid by the whole tax base. In effect, the city separates what level

of benefit is derived by the general population, and by residents in the immediate area of the improvement. For example, a sidewalk will benefit all people who walk on it, not just those who have the sidewalk go through their property. If the calculations of benefit are off, either the general population or those being assessed will be paying for more than they are receiving in benefit and the principle would not be met.

#### *Ability to Pay Principle*

Evaluating special assessments based on the *Ability to Pay Principle* also depends on the allocation of payment between the city and those being assessed. Looking only at those who are being assessed, a special assessment may not meet the requirements of vertical equity depending on how the assessment is calculated. If an assessment is calculated based on a measurement such as feet of road frontage, it may allow for properties with higher values but less frontage to pay less than a property with lower values and more road frontage. This would not meet the requirements of the *Ability to Pay Principle* because a property with a higher value taxed more than a property with a lower value.

The situation for horizontal equity is similar. Those who have similar property values may not necessarily pay the same. If an assessment is based on a measurement such as road frontage it may allow for properties that are of similar value to pay differently. However, if the assessment is based on property value, horizontal equity would be met because similarly valued properties would be taxed the same.

#### **Administrative Efficiency**

A special assessment is added on to each property owner's property tax bill. This allows for easy collection and little additional administrative time required. The process of approving a special assessment may take time as public notices must be sent and hearings are required to take place. In some cases, bonds may be sold to pay the upfront costs of improvement because the assessments may be assessed to property owners over a number of years, not allowing for all up-front costs to be collected quickly.

#### **Support Required**

The approval of a special assessment without the support of the residents of the assessed area may be difficult. The ability to show a direct benefit to each owner could be difficult as some property owners may not see the improvement as a benefit. The same may be similar for the general public. If tax dollars generated by the public are spent in a designated area, and the improvement is viewed only as a benefit of the people within the assessed area, it may become a contentious issue.

### **Part V – Additional Information**

The [State of Iowa Code – Chapter 384](#) outlines requirements for special assessments.

# LOCAL OPTION SALES TAX

## Part I - Description

Local option sales taxes (LOSTs) are a widely used funding mechanism for communities, ranking second in terms of revenue sources for municipalities.<sup>119</sup> In Iowa, 865 of 936 Iowa cities had a LOST in June of 2013.<sup>120</sup> LOST in Iowa is a countywide funding mechanism voted on by county residents to increase the county sales tax collection by up to one percent, generally to fund local projects. The Iowa Department of Revenue states, “The election is countywide, but the tax only applies in the incorporated areas (city) and the unincorporated area of the county where a majority vote in favor of the local option tax.”<sup>121</sup> The ballot proposition must include information on the tax rate, the purpose of the funds, and may require a proposed sunset period; however, funds may be spent on any lawful purpose, except to the direct benefit of school districts.<sup>122</sup>

It is important to note how these funds are distributed throughout the county after collection, as it is not based solely on the amount collected within each area.

Distribution occurs through a formula based on population and the sum of property tax funds levied from 1982 to 1985 with the distribution formula shown below:<sup>123</sup>

$$D = (.75 \times P \times Z) + (.25 \times V \times Z)$$

*D = distribution for the taxing jurisdiction*  
*P = jurisdiction percentage of the population*  
*V = jurisdiction percentage of the property tax levied*  
*Z = the total collections for the county in which the jurisdiction is located.*

## Part II – Funding Suitability

LOST has the capacity to fund a wide range of projects for a municipality as determined by the language of the ballot proposal. LOST has been a successful funding mechanism for large infrastructure improvements such as transportation upgrades or flood mitigation. For example, the Cedar Rapids, Iowa metro area approved a ten year LOST to fund road improvements in 2013, while the Iowa City area passed a LOST in 2008 to assist with flood recovery projects.

## Part III - Organization

LOST is a viable option only for municipal governments. However, the municipal government may be able to provide supplemental funding to other organizations based on the intent of the tax as stated in the ballot proposition.



## Part IV - Other Considerations

### Who Pays

As a sales tax, LOST provides municipalities an option for collecting tax revenues from residents and nonresidents who shop within the LOST jurisdiction. For example, it is estimated that almost “40% of the retail sales in Linn County might come from those who live outside the county.”<sup>124</sup> This shifting of taxes provides municipalities a form of tax relief for its residents because funds from those outside the community help support public financing within the community.

### Equity

#### *Benefits Principle*

Evaluating LOST in terms of the *Benefits Principle* suggests that LOST may be internally equitable amongst communities and residents in the county, but externally inequitable for commuters and shoppers who pay the tax in the county. For example, county residents will experience the benefit of the tax through improved roads and infrastructure on a daily basis. In addition, the formula-based approach for distribution of funds functions to return money to cities within the county where their residents spent money in the commercial area of the county. In contrast, commuters and shoppers who pay the tax will only occasionally receive the benefits of their taxes only when they are within the county.

#### *Ability to Pay Principle*

Evaluating LOST in terms of the *Ability to Pay Principle* suggests that LOST is both horizontally and vertically inequitable. LOST is horizontally inequitable because two households with the same income may pay a larger tax burden due to family conditions such as more children leading to additional purchases and thus a large tax burden. LOST is vertically inequitable (i.e., regressive) because higher income groups do not pay a higher tax burden relative to lower income groups. For example, a 2008 report notes that households earning the top 1% of the state’s income paid 1.1% of their income in sales/excise taxes while the lowest 20% of households paid 7.3% of their income in sales/excise taxes.<sup>125</sup>

#### **Administrative Efficiency**

LOST is an administratively efficient funding mechanism since it utilizes the already collected state sales tax. There are additional requirements due to the redistribution of funds to communities, but this is uncomplicated compared to developing a new taxation framework. Further, businesses must pay for the reprogramming of hardware to accommodate the new tax collection.<sup>126</sup>

#### **Support Required**

LOST is a politically favorable form of financing due to its tax exporting nature.

## Part V – Additional Information

The [Iowa Department of Revenue](#) maintains a website on LOSTs in Iowa.

# DEBT FINANCING

## Part I – Description

When cities need more financing than they are able to derive from taxes, they are allowed to issue bonds for debt to be repaid at a later time. Cities can take on three types of debt including general obligation debt, special assessment debt, and revenue debt. This section will focus on general obligation debt, as it is the lowest risk to a city and can be used for a wide range of projects.<sup>127</sup>

In Iowa, two types of general obligation debt are used: Essential Corporate Purpose Debt (ECP) and General Corporate Purpose debt (GCP). Before a city may take on these debts, a public hearing must be held, and debt sale must be approved by a majority of city council members.<sup>128</sup>

GCP funds differ from ECP funds in that to have the debt approved city residents must vote on its approval. The vote to approve this debt issuance may take place during a general or special election.

## Part II - Funding Suitability

ECP funds can be used for essential functions of the city, which can include improvements to sidewalks, street lighting, financing for urban renewal projects, and many other functions deemed essential to the city.<sup>129</sup>

Uses for GCP funds are defined differently because in general these funds are used to construct new public structures such as a library, park, or city hall. The key difference is whether a structure is new or if it is not an essential corporate purpose.<sup>130</sup>

## Part III – Managing Organization

Both ECP and GCP debt must be issued by a city because it is backed by property taxes. Other organizations such as a BID may issue bonds, but the process of issuing the bonds must go through a municipality.

## Part IV – Other Considerations

### Who Pays

Both types of debt are paid for through property tax revenues. This means the cost is spread across the whole taxpayer population.<sup>131</sup> If an organization such as a BID issues bonds, they would be paid off through BID revenues.<sup>132</sup>



## **Equity**

### *Benefits Principle*

Debt funding has difficulty meeting the requirements of the *Benefits Principle*. Because the repayment of debt is done through property taxes, the benefit to each taxpayer would have to be equal to their contribution to property tax revenue. Projects that are allowed to be debt funded serve a public purpose and therefore will benefit the city as a whole, but will not benefit each taxpayer equally.

### *Ability to Pay Principle*

Debt financing does not fulfill horizontal and vertical equity requirements for the *Ability to Pay Principle*. Being paid out of property taxes, some properties that are valued equally may not pay the same amount of property tax due to tax credits, or things such as being in a TIF district. Therefore horizontal equity is not met. The application of tax relief to some properties may also create vertical inequities. If a high value property may pay little or no tax if certain tax benefits are applied, leaving lesser valued properties to pay more. However, if the tax is applied with no outside influence, such as tax relief, it is neutral because each similar property pays at the same rate regardless of its worth.

## **Administrative Efficiency**

The payment of debt usually comes from property taxes, which are already collected by the city, making the collection of funds efficient. However, the process of issuing debt requires council approval, hiring an organization to sell the bonds, and repaying the bonds with interest. These costs can add up quickly and increase the overall cost of a

project. The time value of money must also be considered. When a city or group considers debt financing as an option both the length of repayment and interest rates should be considered so the full cost of a project may be assessed.

## **Support Required**

The support needed for a General Corporate Purpose debt involves an election and approval of the governing body selling bonds for revenue. Essential Corporate Purpose debt requires approval of a city council.

## **Part V – Additional Information**

The [State of Iowa Code - Chapter 384](#) and [Region XII Council of Governments](#) provide information about using debt financing.

# EXCISE TAX

## Part I - Description

Excise taxes can take many forms, but at their most basic level an excise tax is levied on purchases of a specific good.<sup>133</sup> In Iowa excise taxes exist on goods including alcohol, tobacco, hotels, roads, and several other goods. Excise taxes are also a type of benefit tax. For a benefit tax, the revenue is earmarked for a specific purpose relating to the good being taxed, which creates a benefit for the taxpayer.<sup>134</sup> For example, revenue from a gasoline tax may be earmarked for road maintenance and construction, which means, in theory, those who drive more contribute more heavily to road maintenance.

While excise taxes for goods such as gas and alcohol may not be applicable to economic development objectives, others for hotels and food may be.

In Iowa, the state levies a 5% tax on hotel stays. The taxation enabling statute also allows individual cities and counties to levy their own tax on hotels and motels up to an additional 7%, for a maximum total of 12%.<sup>135</sup> Currently five counties and 150 cities in Iowa take advantage of this additional stream of revenue.<sup>136</sup>

Taxing food is slightly more complicated than hotels and motels. Not all foods are subject to the tax, but those

that are “prepared” foods can be taxed. While there are many specifics to “prepared” food, it generally includes restaurant meals or ready to eat meals from a convenience or grocery store.<sup>137</sup>

## Part II – Funding Suitability

Being a benefit or earmarked tax means any revenues raised have a specific purpose. For the Iowa hotel tax, at least fifty percent of revenues must be spent on, “... recreation, convention, cultural, or entertainment facilities; or for the promotion and encouragement of tourist and convention business in the city or county and surrounding areas.”<sup>138</sup> Any remaining revenue after at least fifty percent of the revenue has been spent may be spent as the city or county sees fit. For example, Clarion, Iowa uses their hotel/motel tax revenues to fund a grant program which provides funds to promote tourism, enhance quality of life for its residents, or bring new residents to the city.<sup>139</sup>

The tax allowed on food does not specify uses. However, issues with undue taxation are avoided more often when the tax is tied to a related purpose. For example, a tax on restaurant meals could be used for improvement of entertainment or shopping districts in a city or county.

## Part III – Managing Organization

An excise tax can only be levied by a government entity. In the case of both food and lodging taxes in Iowa, they may be levied by the state, counties, and cities. However, any additional tax on hotels or food must be approved by voters in the area where the tax will be levied.<sup>140</sup>

## Part IV - Other Considerations

### Who Pays

An excise tax on prepared foods or lodging provides an option for cities to bring in revenue from nonresidents who stay or eat in the taxed area. While a tax on prepared foods will likely impact those in the community who dine out at restaurants or buy prepared foods, a hotel tax would likely be almost entirely passed on to those visiting the community.

### Benefits Principle

In general, an excise tax is equitable according to the *Benefits Principle*. Those who are paying for the good are benefitting from the use of the tax revenues. Once again, the example of a gas tax helping pay for road improvements is illustrative.

However, the examples of the hotel tax, and the prepared food tax may not meet the criteria of the *Benefits Principle*. Within the taxed area, those who live and buy prepared food and hotel goods there will see much of the benefit from improved amenities. Counter to this, those who visit the area and pay the extra fee will see some, but not necessarily their share of the benefits. This would make the tax inequitable because those paying a majority of the tax are not seeing commensurate benefits.

### Ability to Pay

Generally, excise and sales taxes in Iowa are found to be regressive and do not meet the Ability to Pay Principle. Excise taxes are likely horizontally equitable because it is probable that those with the same income pay the same. However, it is vertically inequitable because the proportion of one's income paid to the tax does not increase as the level of income increases. A 2009 study showed Iowans earning less than \$20,000 paid 6.5% of their income to sales and excise taxes. Meanwhile, people earning between \$37,000 and \$56,000 paid 4.5%, and people earning over \$98,200 paid 0.9%.<sup>141</sup>

### Administrative Efficiency

The administrative efficiency of an excise tax depends on what the tax is being levied on. A tax on hotels may be fairly straightforward, as the business owner collects the tax at the time of a transaction as a percentage of the total room cost. A drawback to the hotel tax is that any tax implemented locally must be voted on. While the measure can go on a general ballot, the time and cost to inform the public and rally support could be high. If a special election needs to be held, the monetary costs of implementing an excise tax could be high as well.

The implementation of a prepared food tax may be complicated. Statutes dictate the specific foods, which may be and may not be taxed. The collection of the tax is put on the proprietor of an establishment serving such items. Discerning which food items need to be tax and which do not can be time consuming and difficult.

### ***Support Required***

Excise taxes may be well received by local residents if those outside the community largely carry the burden of the tax. An example of this is a hotel tax. However, taxes that directly affect more residents, such as a food tax, can be difficult to pass because the residents must understand the benefit they will be receiving from the extra tax.

Finally, excise taxes are tied directly to how much of a good is bought. This relationship can be problematic if the local, regional, or national economy experiences a downturn. For example, if maintenance of a downtown is tied heavily to hotel taxes, a decrease in travel may disproportionately hurt maintenance of the area because it has no other funding.

### **Part V – Additional Information**

The State of Iowa Department of Revenue provides information about the [Hotel & Motel Tax](#) and on the [Prepared Foods Tax](#).

# REVOLVING LOAN FUND

## Part I - Description

Revolving Loan Funds (RLFs) are used to help finance many projects including housing improvement, natural resources conservation, and economic development.<sup>142</sup> For the purpose of this description, the focus will be on economic development RLFs. When used for economic development, an RLF generally is used as a gap financing mechanism, which means that it provides the needed funds between what is required for a business to develop or expand, and what the private sector will lend that business.

The goal of these funds is to encourage the development of business and entrepreneurship in the administering region. The “revolving” part of the fund describes how it is maintained. Once a fund is started, the interest gained from loans help to increase the fund and allow for more loans to be dispensed to businesses, which in turn increase the fund balance as they pay back their loans.

## Part II - Funding Suitability

An RLF is suited for helping to expand existing businesses or encourage the development of new businesses. Funds can have requirements tied to job creation, benefit to low income individuals, relationships to existing businesses, or acquired private equity. In general, the funds loaned to a business or entrepreneur are usually aimed at creating operating capital, helping with new construction, building construction or renovation, or buying machinery and equipment.<sup>143</sup>

An example of an RLF is the Limestone Bluffs Resource & Conservation Development Area, Inc. in Maquoketa, Iowa. Their RLF is aimed at providing loans for companies that promote recreation and tourism, natural resource based companies, alternative agriculture businesses, and businesses that provide for the needs of the elderly, low-income, and underemployed populations.<sup>144</sup>

## Part III – Managing Organization

In Iowa, these funds can be created and administered by local, county, regional, and state government.

## Part IV - Other Considerations

### *Who Pays*

The initial capital for these funds can come from a range of sources. The administrative body of the RLF is usually the main provider of initial capital. Other bodies, including non-profit organizations, individuals, and other non-government

entities can contribute to these funds and benefit from a tax credit for their contribution.<sup>145</sup>

### **Equity**

#### *Benefits Principle*

The application of the *Benefits Principle* can show money spent for an RLF may be equitable or inequitable depending on the point of view, and who contributes to the fund. If funded by a local government, one view is that the increased economic activity and creation of quality jobs benefits an entire community. This would mean the *Benefits Principle* shows the mechanism to be equitable because those paying are benefiting when new businesses succeed. If one took the view that a specific benefit to the taxpayer needs to be shown, it may be more difficult to connect an RLF and its benefits to each payer.

When individuals or non – governmental organizations contribute to these funds they likely do so, because they believe it will benefit the greater community or their own business and would hope to see some benefit from their invested dollars.

### **Administrative Efficiency**

RLFs require a considerable amount of time and effort in order to be administered effectively. The administrative body loans and collects funds. This can require a substantial time and finance commitment. The financial commitment may come in needing to hire new staff to monitor the fund, or increase the salaries of current staff to compensate them for additional time spent administering the fund.<sup>146</sup>

### **Support Required**

The most important initial support required for an RLF is the capital to get the fund started. Because it is likely some of these funds will come from taxpayers, it is necessary to make sure the governing area can see the benefit of spending their tax dollars on loans for private businesses.

### **Part V – Additional Information**

For more complete details of the Limestone Bluffs Resource and Development Council RLF, please visit their [Revolving Loan Fund](#) page. The Council on Development Finance also provides information on RLFs, which can be found [here](#).

# ENTERPRISE ZONES

## Part I - Description

Enterprise Zones (EZ) are designated areas where state and local governments provide tax incentives for economic development in an economically distressed or blighted area.<sup>147</sup> There are detailed requirements for being classified as an economically distressed or blighted area for both counties and cities as defined in the Iowa Code (please refer to Iowa Code, Chapters 15E.194 and 403.17 for more information). Once an EZ has been proposed, a local enterprise zone commission is formed to recommend projects to receive incentives. The tax incentives are designed to attract developers who will invest in the area and promote employment opportunities. In addition to targeting business development, incentives for housing development are available as well. The specific eligibility requirements as listed from the Iowa Economic Development Authority and the specific tax incentives available for both business and housing development are provided as follows.<sup>148</sup>

### **Business Development**

#### *Eligibility Requirements*

- The business must make a minimum qualifying investment of \$500,000 over a three year period. Qualifying investment includes the cost of land, buildings, and improvements to buildings, manufacturing machinery and equipment, and/or computer hardware.
- The business must create or retain at least 10 full-time, project-related jobs over a three year period and maintain them for an additional two years.
- The business must provide some level of medical benefits to all full time employees. Additionally, the business must also provide all full-time employees with a standard medical and dental insurance plan of which the business pays 80% of the premiums for employee-only coverage, pays 50% of the premiums for family coverage, or provides a monetarily-equivalent benefit package.
- The business must pay new or retained employees a starting wage which is equal to or greater than 90% of the laborshed wage.
- The business cannot be a retail establishment or a business whose entrance is limited by coverage charge or membership
- The business cannot close or relocate its operation in one area of the state and relocate substantially the same operation in the Enterprise Zone.



- The local Enterprise Zone Commission and IEDA must approve the business' application for Enterprise Zone program incentives prior to project initiation.

#### *Tax Incentives*

- A local property tax exemption of up to 100% of the value added to the property to a period not to exceed 10 years may be available.
- Additional funding for training new employees. If applicable, these funds would be in addition to those authorized under the Iowa New Jobs Training Program.
- A refund of state sales, service, or use taxes paid to contractors or subcontractors during construction.
- For distribution center projects, a refund of sales and use taxes paid on racks, shelving, and conveyor equipment.
- An investment tax credit of up to a maximum of 10% of the qualifying investment, amortized over 5 years. This tax credit is earned when the corresponding asset is placed in service and can be carried forward for up to seven additional years or until depleted, whichever occurs first.
- The State's refundable research activities credit may be increased while the business is participating in the program.

### **Housing Development**

#### *Eligibility Requirements*

- The developer or contractor must build or rehabilitate at least four single-family homes or at least one multi-family building containing three or more units in a certified Enterprise Zone.
- The housing must, when completed and made available for occupancy, meet HUD Housing Quality Standards and local housing codes.
- The housing project must be completed within two years of the start of construction or rehabilitation.
- The local Enterprise Zone Commission and IEDA must approve the developer or contractor's application for Enterprise Zone program incentives prior to project initiation.

#### *Tax Incentives*

- A refund of state sales, service or use taxes paid during construction.
- An investment tax credit of up to a maximum of 10% of the investment directly related to the construction or rehabilitation of the housing.\* The tax credit is based on the new investment used for the first \$140,000 of value for each home or unit. This tax credit is earned when the home or unit is certified for occupancy and can be carried forward for up to seven additional years or until depleted, whichever occurs first.

\*If the project is, in part, financed through federal, state and local government tax credits, grants and forgivable loans, these monies cannot be included for purposes of calculating the investment tax credit.

## Part II - Funding Suitability

Enterprise zones are best suited for targeted development in distressed or blighted areas through tax incentives. The program allows for flexibility in allocating resources for both business and housing development through tax incentives. For example, in FY 2010, Sioux City, Iowa, approved four enterprise zone applications, including three housing applications that supported rehabilitation of 58 apartments, and one business application that created 71 jobs in the City.<sup>149</sup>

## Part III - Organization

Enterprise zones are a viable option only for city and county governments who are then able to provide tax incentives to eligible developers and projects.

## Part IV - Other Considerations

### Who Pays

Since enterprise zones provide tax incentives to developers, state and local taxpayers compensate for the cost of enterprise zones through paid taxes.

## Equity

### *Benefits Principle*

Evaluating enterprise zones in terms of the *Benefits Principle* suggests that enterprise zones are inequitable. The direct benefit of the tax incentives are received by developers, while it may be argued that enterprise zone residents benefit from new, well-paying jobs. However, Gordon notes it is questionable if residents of the enterprise zone benefit from the development due to, “new jobs claimed by the program fall(ing) short of the current average wage for the county in which they are located.”<sup>150</sup> Although the law stipulates that new jobs should be well-paying according to local conditions, Gordon notes the intent of the law may be undermined by the process to determine the local wages. For example, a regional and county wage average is determined and then the lower of the two is chosen and then further discounted by 10% potentially leading to an even lower average wage in the county.

### *Ability to Pay Principle*

Evaluating enterprise zones in terms of the *Ability to Pay Principle* suggests that it may be horizontally equitable and vertically inequitable. For example, it is horizontally equitable because two developers with the same ability to pay would receive the same tax credit amount for a project based on the assessed property value of that project given the same assessment. It can be argued it is vertically inequitable, because the incentives do not necessarily flow to those with the lowest ability to pay and instead flow to well-financed, established firms. Therefore, it could be considered either proportional or regressive depending

on the situation. For example, Gordon notes that from 2003 to 2007, “nearly a quarter (over \$80 million) were claimed by a few well-established insurance, financial service, agricultural processing, and agricultural equipment firms.”<sup>151</sup> Poor targeting of the program may lead to further inequity with the funds not flowing to those areas most in need.

### ***Administrative Efficiency***

Enterprise zones require administrative work in order to designate a zone, create a local enterprise commission to recommend projects, and the allocate incentives to various firms. It is a complicated process compared to LOST or TIF financing mechanisms.

### ***Support Required***

Enterprise zones are a popular choice for municipalities, with Iowa having over 1,300 enterprise zones in 2008. Enterprise zones may be passed by county or city governments without any type of public approval process; however, it must be approved by the Iowa Department of Economic Development.

## **Part V - Additional Information**

The State of Iowa Code 15E.192 describes [Enterprise Zone](#) requirements. The Iowa Economic Development website provides additional information on enterprise zones.

- [Business Enterprise Zones](#)
- [Housing Enterprise Zones](#)

# TAX INCENTIVES

## Introduction

Tax incentives are used to reduce taxes for individuals and businesses in order to encourage desirable behavior or outcomes from those individuals or businesses. Any level of government that engages in taxation can offer tax incentives. Two common forms of tax incentives are:<sup>152</sup>

**Tax Deductions:** Eligible expenses can be subtracted from taxable income. Tax deductions reduce taxable income; therefore, taxes are based on a smaller amount, and taxes payable are lower.

**Tax Credits:** Eligible expenses can be subtracted from taxes payable. Tax credits do not affect the taxable income amount, but the taxpayer pays a lower tax amount as a result of the direct subtraction, or credit, to his taxes payable.

Due to differing forms of tax incentives that are offered to encourage a range of actions or investments, tax incentives should be evaluated on an individual basis. The Benefits Principle as it relates to federal tax incentive programs should be considered at the federal policy-making level and is usually beyond the scope of local organizations. Therefore, the following section assesses federal tax incentive programs based on horizontal equity, and state tax incentive programs

based on horizontal equity and the *Benefits Principle*.

Listed in Table 13 are incentives that could be used to help meet the goals as outlined in the petition for the proposed Czech Village/New Bohemia Main Street District SSMID. Generally, the tax incentives listed here encourage investment related to development and historic preservation. For example, the Iowa Economic Development Authority awarded \$1 million in tax credits to the Brownfield and Grayfield Redevelopment Tax Credits program to support redevelopment of a former manufacturing site in Cedar Rapids, which is slated to be the headquarters for Geonetric, Inc., a health company.<sup>153</sup>

**Table 13. Relevant Tax Incentives for Czech Village/New Bohemia**

Tax Credit	Purpose	Eligibility Requirements	Related District Goal	Type of Benefit
Brownfield/ Grayfield Tax Credit Program <sup>154</sup>	To encourage redevelopment of grayfield/brownfield sites, which serves to promote a community’s economic health, reduce environmental hazards, increase tax revenue, and improve neighborhood aesthetics.	Site must be a grayfield or brownfield	Economic Development	Tax credits of up to 24% for qualifying costs of a Brownfield project and 30% if the project meets green building requirements  Tax credits of up to 12% of qualifying costs of a Grayfield project and 15% if the project meets green building requirements
Federal Historic Preservation Tax Incentives Program <sup>155</sup>	To “encourage the reuse of historic properties while retaining their character-defining features.”	Property must be listed on National Historic Register or assessed as National Register eligible and then listed within 30 months after claiming the credit	Economic Development	Tax credits of 20% of qualified rehabilitation costs against federal income taxes on income-producing historic properties
Statewide Historic Projects <sup>156</sup>	To “encourage the reuse of historic properties while retaining their character-defining features.”	Properties must be listed on or eligible for listing on the National Register of Historic Places or barns constructed before 1937 or barns that are eligible or listed on the National Register of Historic Places.	Economic Development	Tax credits of 25% of qualified rehabilitation costs against the owner(s) state income taxes

Tax Credit	Purpose	Eligibility Requirements	Related District Goal	Type of Benefit
Temporary Historic Property Tax Exemption <sup>157</sup>	To “encourage the reuse of historic properties while retaining their character-defining features.”	Properties must be listed on or eligible for listing on the National Register, contributing to National Register or local historic districts, or designated by a county or municipal landmark ordinance	Economic Development	“Freeze” on property tax increases for 4 years, then 25% increase per year for 4 years to adjusted value after rehabilitation
ADA Small Business Tax Credit <sup>158</sup>	“... To help small businesses cover ADA-related eligible access expenditures” for those that are disabled	A business that for the previous tax year had either revenues of \$1,000,000 or less or 30 or fewer full-time employees	Economic Development Maintenance and Parking Capital Improvements	The amount of the tax credit is equal to 50% of the eligible access expenditures in a year, up to a maximum expenditure of \$10,250. There is no credit for the first \$250 of expenditures. The maximum tax credit, therefore, is \$5,000

## Brownfield/Grayfield Tax Credit Program

### **Equity**

#### *Benefits Principle*

This state-funded tax incentive could be unfair to those living outside of areas targeted for the brownfield/grayfield incentives unless they receive indirect benefits, such as enjoyment from visiting the district. If state taxpayers are unable to receive benefits from these incentives, such as spillover effects to neighboring areas, or increased state tax revenues that are redistributed to taxpayers around the state, then the credit would not fulfill the *Benefits Principle*.

#### *Ability to Pay Principle*

The Brownfield/Grayfield Tax Credit may not achieve horizontal equity. Locational characteristics determine whether a site is eligible for a Brownfield/Grayfield Tax Credit. For example, two sites could be identical except that one has a building with 30% vacancy, which qualifies for the credit, and one has a building with 29% vacancy, which would not qualify for the credit. This small difference in percent vacancy does not reflect any intrinsic differences in ability to pay between the two sites, meaning that these sites are equals that are not treated equally, which would mean that they are horizontally inequitable.

## Federal Historic Preservation Tax Incentives Program

### **Equity**

#### *Ability to Pay Principle*

For the Federal Historic Preservation Tax Incentives Program, property owners with equally valued improvements will receive the same amount of tax credit. However, certain factors may influence whether a building is listed on the National Register of Historic Places, which may limit its owner's ability to receive the credit. Therefore, this program may not achieve horizontal equity.

## Statewide Historic Projects

### **Equity**

#### *Benefits Principle*

Those that are not part of an eligible district or designated property may not see benefits from this credit, in which case it may not fulfill the *Benefits Principle*.

#### *Ability to Pay Principle*

For Statewide Historic Projects, property owners with equally valued improvements will receive the same amount of tax credit. However, certain factors may influence whether a structure qualifies for this credit, which may limit its owner's ability to receive the credit. Therefore, this program may not achieve horizontal equity.



## Temporary Historic Property Tax Exemption

### Equity

#### *Benefits Principle*

Those that are not part of an eligible district or designated property may not see benefits from this credit, in which case it may not fulfill the *Benefits Principle*.

#### *Ability to Pay Principle*

While all counties in Iowa are required to offer this program, not all counties fund it equally or make it a priority.<sup>159</sup> Properties with identical abilities to pay may be located in different counties; one in which this credit is a priority and one where it is not. In this instance, equals may not be treated as equals under this tax incentive.

## Americans with Disabilities Act (ADA) Small Business Tax Credit

### Equity

#### *Ability to Pay*

For the ADA Small Business Tax Credit, property owners with equally valued improvements will receive the same amount of tax credit. Additionally, if two applicants are located in different neighborhoods, their ability to obtain the tax credit is not limited. How they are “situated” does

not determine the amount of tax credit they are eligible to receive. Because the ADA Compliance tax credit satisfies these two tests, it is horizontally equitable.

### Additional Information

[ADA Small Business Tax Credits](#)

[Brownfield/Grayfield Tax Credit Program](#)

[Federal Historic Preservation Tax Incentives Programs](#)

[Statewide Historic Projects](#)

[Temporary Historic Property Tax Exemption](#)

# GRANT FUNDING OPPORTUNITIES

## Description

Grants are funding provided to an organization without expectation of repayment and are often provided by federal, state, and local government, and large, private businesses. Following is a list of benefits and drawbacks to using grant funding to reach revitalization goals. Following in Table 14 is a list of grants that attempt to address the goals and objectives listed in the Strategic Revitalization Plan for the Czech Village/New Bohemia Main Street District. The grants are identified as falling under one of the SSMID's four categories of uses, including: Economic Development, Advocacy and Communication, Capital Improvements, and Maintenance and Parking.

### Benefits of using grant funding include:

- Funding does not require repayment
- May address a specific need in the community
- Information about grant opportunities is widely available and easily accessible
- Political climate in general doesn't preclude application

### Drawbacks of using grant funding include:<sup>160</sup>

- Oftentimes administered on a reimbursement basis; therefore, funding must be available upfront to pay costs
- May be time consuming
  - Application costs
  - Maintenance and reporting costs
- Time lag exists between application and award notification
- Competitive process
- Uses of funds can be very specific, especially if government-funded. For more information on fund use specifics, visit the sources provided in the Additional Information section.
- Typically a one-time funding opportunity

**Examples of projects funded with grants in Iowa include:**

- Independence, Iowa received funds to “restoration of masonry walls and roofs of the historic Frank Lloyd Wright designed Cedar Rock Boat House near Quasqueton, Iowa” through the Historic Resource Development program.<sup>161</sup>
- In 2011, the Winneshiek County Historic Preservation Commission, created by the county’s Certified Local Government, hosted a regional workshop about rural historic schools in Iowa. The workshop included keynote speakers and a tour of two historic schools in the county.<sup>162</sup>
- Woodbine, Iowa, used a \$500,000 CDBG Downtown Revitalization grant to assist in façade improvements 25 buildings on Main Street.<sup>163</sup>
- In 2013, Hazleton, Iowa, received \$197,994 through the CDBG Housing Rehabilitation program to rehabilitate owner-occupied single family residences.<sup>164</sup>
- West Union, Iowa, received a \$500,000 CDBG grant through the Community Sustainability Fund to implement a district geothermal distribution system in their downtown.<sup>165</sup>
- In 2012, the Fort Madison Economic Development Corporation received \$766,000 through Vision Iowa to build a multi-use sporting facility including multiple fields and a playground.<sup>166</sup>
- Guthrie Center, Iowa, received funding through the Derelict Building Grant Program to abate asbestos and deconstruct a dilapidated building downtown.<sup>167</sup>

**Table 14. Relevant Grant Funding Opportunities for Czech Village/New Bohemia**

Grant Fund/Form of Grant	Purpose	Eligible Applicants	Related District Goal	Additional Requirements	Maximum Request Amount
Resource Enhancement and Protection: Historic Resource Development Program <sup>168</sup>  Reimbursable grant	“Acquisition and development of historical resources including land acquisition and development, preservation and conservation, in addition to professional training or educational programs related to the historical resource”	Non-profit organizations; governmental units; traditional tribal societies and governments of recognized resident American Indian tribes in Iowa; Individuals; Private corporations and businesses	Economic Development	All projects require matching funds. The amount of matching funds is dependent upon the type of applicant  Limitations to use of grant funds	“While requests up to \$100,000 are eligible, due to the amount of funding and the high demand for these funds, applicants are encouraged to consider requests not exceeding \$50,000.”
CLG: Certified Local Government Grant Program <sup>169</sup>  Reimbursable grant	“CLG grants can also be used for planning, for survey and evaluation, for preparing National Register of Historic Places nominations, for developing a system for designating local landmarks and districts, for developing local legislation and procedures to protect properties, and for public education projects.”	Iowa cities, counties and land use districts that have signed a Certified Local Government Agreement with the State of Iowa and National Park Service	Economic Development  Advocacy and Communication	All projects require matching funds  Limitations to use of grant funds	No maximum award amount, however, awards typically range between \$5,000 - \$20,000
Downtown Revitalization (CDBG) <sup>170</sup>  Reimbursable grant	“The CDBG Downtown Revitalization Fund provides grants to communities for a variety of projects and activities contributing to comprehensive revitalization in historic city centers. To date the program has primarily funded façade improvements to privately owned buildings.”	All incorporated cities and counties in the state of Iowa, except those designated as HUD entitlement areas	Economic Development	The project must meet a CDBG national objective  There is not an explicit matching requirement; however, evaluation criteria include level of local support	The maximum grant award is \$500,000  Communities with populations less than 300 are limited to \$1,000 per capita  Those with populations between 300 and 999 may receive up to \$300,000

Grant Fund/Form of Grant	Purpose	Eligible Applicants	Related District Goal	Additional Requirements	Maximum Request Amount
Housing Rehabilitation (CDBG) <sup>171</sup>  Reimbursable grant	“This annual competitive program funds owner-occupied rehabilitation for single family homes being used as the principal residence.”	Eligible applicants include all incorporated cities and all counties within the state of Iowa, except those designated as HUD entitlement areas	Economic Development	Only households whose gross annual income is at or below 80% of the area median income level can participate	Maximum award amount is \$500,000  The maximum per unit subsidy for all single-family activities involving rehabilitation is \$37,500
Community Sustainability Fund (CDBG) <sup>172</sup>  Reimbursable grant	“Provides CDBG grants to communities for a variety of projects and activities demonstrating comprehensive innovative approaches to support community sustainability.” Examples of funded projects include a demonstration district geothermal project in a community downtown and a demonstration green infrastructure streetscape project.	All incorporated cities and counties in the state of Iowa, except those designated as HUD entitlement areas	Economic Development	The project must meet a CDBG national objective. The national objective most applicable to Sustainable Community Demonstration projects is the slum and blight national objective	The maximum grant award is \$500,000  Communities with populations less than 300 are limited to \$1,000 per capita  Those with populations between 300 and 999 may receive up to \$300,000  Those with populations of 1,000 or greater may receive the maximum award
Vision Iowa: Community Attraction and Tourism (CAT) <sup>173</sup>  Form of assistance may vary (grant, loan, forgivable loan, loan guarantee, interim financing)	“Vision Iowa assists projects that will provide recreational, cultural, entertainment and educational attractions. Projects must be available to the general public for public use and be primarily vertical infrastructure.”	Eligible applicants include a city, county, public organization (including some not-for-profits), or school district in cooperation with a city or county.	Economic Development	CAT funding may not constitute more than 50% of the total project costs	Maximum award amount is \$4,000,000; however, average award amounts range between 18%-20% of total project cost <sup>174</sup>

Grant Fund/Form of Grant	Purpose	Eligible Applicants	Related District Goal	Additional Requirements	Maximum Request Amount
Derelict Building Grant Program (IDNR) <sup>175</sup>  Reimbursable grant	“This grant program works with small communities and rural counties to help improve the attractiveness and appearance of their towns by providing financial assistance to address derelict commercial and public buildings. Each project must have a landfill diversion component through the recycling and reuse of materials.”	Any county or municipal government with a population of less than 5,000  Any commercial or public building that a local government has ownership of or intent to own  An applicant may partner with a local non-profit organization on a project	Economic Development	Use of funds restricted to: Certified ACM (asbestos containing material) inspection; Removal and disposal of ACM; structural engineering analysis; Phase I environmental assessment; Phase II environmental assessment; building deconstruction; building renovation	Maximum award amount is determined by activity  Highest award amount available is \$50,000 for building deconstruction and renovation
Washington County Riverboat Foundation <sup>176</sup>	Focused on funding “innovative programs that address community needs and in funding facilities and physical improvements that will have a lasting positive impact on the community’s image and quality of life.” Funding supports “community needs with a focus on community development and beautification, economic development, education, and human and social needs.”	Governmental units  Charitable, religious, or educational organizations  Social welfare organizations and local associations of employees  Business leagues	Economic Development  Capital Improvements	All projects require matching funds.  Primary geographic focus is on Washington County, Iowa	No maximum. Awards have ranged from \$400 to \$2,500,000.

Grant Fund/Form of Grant	Purpose	Eligible Applicants	Related District Goal	Additional Requirements	Maximum Request Amount
Program Grants (The Greater Cedar Rapids Community Foundation) <sup>177</sup>	Funding supports programmatic activity in Linn County, Iowa that serves to have a positive effect on quality of life. Foundation seeks to fund programs “that are well designed, innovative, effective, and target an important community issue, need or opportunity.”	Nonprofit organizations classified as 501(c)(3)  Government entities	Advocacy and Communication  Capital Improvements  Economic Development	Grant requests generally should not exceed 20% of organization’s budget  Exceptions made for small or start-up organizations.	Maximum of \$60,000. For groups less than 2 years old with a budget of under \$100,000, grants are typically awarded for up to \$10,000 with a duration of one year
Organizational Development Fund (The Greater Cedar Rapids Community Foundation) <sup>178</sup>	Funding supports nonprofits’ “ability to carry out their mission”	Nonprofit organizations located in Linn County that have been fully operational for two years or longer are eligible	Economic Development  Advocacy and Communication	Generally, the Community Foundation does not fund Organizational Development grant requests in excess of 7.5% of the organization’s budget, up to \$15,000 total.	Typically between \$2,500-\$7,500, depending on age of organization
AEGON Transamerica Foundation <sup>179</sup>	Funding supports arts and culture, and civic and community programs in communities where AEGON is located	Nonprofit organizations are eligible to apply	Economic Development  Capital Improvements		Varies
Alliant Energy Foundation <sup>180</sup>	Funding supports five major categories: Civic; Culture and Art; Education; Environment; Human Needs  Programs that fulfill multiple categories receive special attention	Nonprofit organizations [501(c)(3)], accredited schools or universities, and government entities are eligible to apply	Economic Development  Capital Improvements	Priority given to projects in communities where Alliant Energy has a presence	Typically range from \$500-\$5000



## **Additional Information**

[Derelict Building Grant Program \(IDNR\)](#)

[AEGON Transamerica Foundation](#)

[Alliant Energy Foundation](#)

[Organizational Development Fund  
\(The Greater Cedar Rapids Community Foundation\)](#)

[Program Grants  
\(The Greater Cedar Rapids Community Foundation\)](#)

[Washington County Riverboat Foundation](#)

[Resource Enhancement and Protection: Historic Resource  
Development Program](#)

[CLG: Certified Local Government Grant Program](#)

[Downtown Revitalization \(CDBG\)](#)

[CDBG Housing Rehabilitation](#)

[CDBG Community Sustainability Fund](#)

[Vision Iowa: Community Attraction and Tourism](#)

# FUNDRAISING

Fundraising can be used for a variety of purposes ranging from covering an organization's operating costs to funding specific projects. This can be an effective tool for helping to fund an organization's activities, but may not be recommended as the exclusive source of funds. Fundraising can and should be used to complement other mechanisms. In the five BID case studies in this report, most must rely on more than one funding mechanism including the following examples showing the percent of revenues from sources beyond BID or city support:

- Cedar Falls: 22% from events and friends (see below)
- Des Moines: 10% from voluntary support and other sources
- Iowa City: 35% from other sources not including the University of Iowa
- Spencer: 4% from friends and other sources

An organization's financial goals should include fundraising to some degree as it provides benefits not found in other financing mechanisms, in spite of its challenges.

Fundraising can be done by any organization, but it is typically associated with non-profits. However, an effective non-profit organization will utilize fundraising as a fundamental part of its operations.<sup>181</sup> If your organization is

a tax exempt 501(c)(3), donors can take a tax deduction,<sup>182</sup> a consideration that should be noted in your approach to donors.

If fundraising is used, extensive time may need to be spent reaching out to donors. An effective option is to use volunteers for fundraising activities, but all members of an organization carry some responsibility for fundraising.<sup>183</sup> Fundraising is an ongoing activity throughout an organization's life. Therefore, adequate resources must be budgeted and apportioned to this activity to ensure that an organization maintains good relationships with current donors and continues to attract new ones.

The National Main Street Center is one example of an organization that uses fundraising as a key component of its operations. Main Street programs aim to revitalize downtown and neighborhood commercial districts.<sup>184</sup> Fundraising is aimed at businesses, residents, and organizations within these districts as well as other organizations or individuals who would benefit from Main Street's work.<sup>185</sup> In other organization's fundraising campaigns, no matter the organization type, it would be wise to plan which groups and individuals to solicit for funds and how to explain why the organization's work would matter to them. Fundraising is more successful when potential donors understand what the organization does and why their cause is important.<sup>186</sup>

In helping potential donors understand the organization's impact, one key consideration made by the National Main Street Center is to provide the most important statistics or indicators illustrating a program's impact on an area to

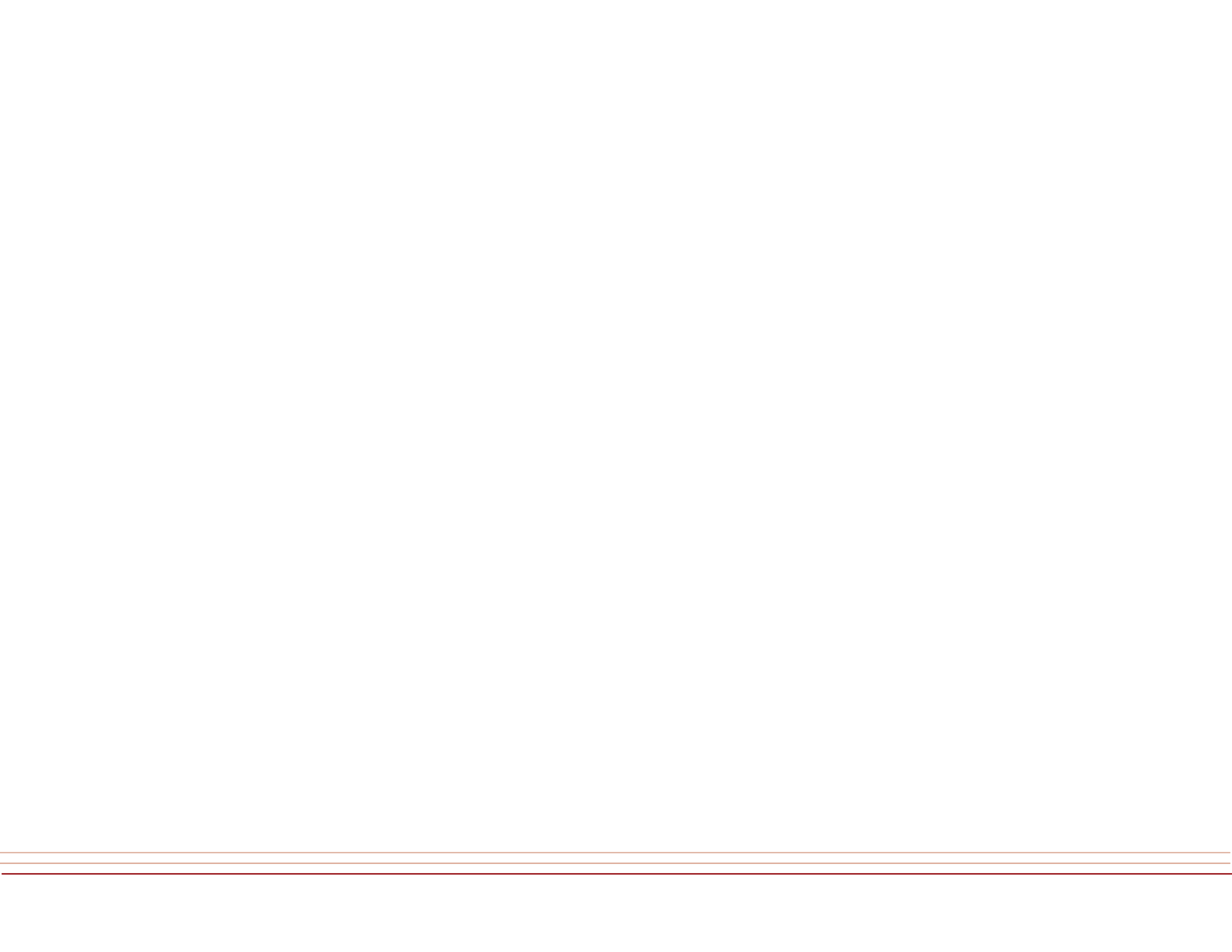
existing and potential donors.<sup>187</sup> Assuming that evaluation is done correctly, there should be at least one or two indicators that can show how an organization is meeting its goals. These should be reported on the organization’s website, in newsletters, and when approaching a new donor or seeking more contributions from existing ones.

Providing benefits for donating is one approach that can help influence individual donors to contribute to an organization. The Cedar Falls Main Street District has a “friends” group that helps raise about 2 percent of the BID’s revenues and mainly fund projects within the district.<sup>188</sup> Membership is open to anyone and, for any size of donation, members of the group receive exclusive benefits such as the Main Street newsletter, invitations to the Main Street annual meeting, and a listing in the Main Street Record as a donor.<sup>189</sup>

Another approach suggested by the National Main Street Center is for an organization to utilize its existing donors to reach out to businesses and vendors who may not be established within its district, but provide services to businesses and residents served by the organization.<sup>190</sup> The key message in these two examples is that having someone from outside the organization telling their associates about the organization’s work can go a long way in finding new donors. Hearing success stories from someone who has benefited from the organization’s efforts can better influence a potential donor’s decision to contribute than a phone call from a volunteer or organization staff. Developing these types of relationships with businesses and residents may take time to build, but strong relationships between an organization and the community are essential for successful fundraising.

## Additional Information

The [National Main Street Center](#) provides advice for fundraising strategies.



# APPENDICES

# APPENDIX A

## BUDGETS FROM CASE STUDY SSMIDS

### Community Main Street, Cedar Falls, Iowa: Budget Overview, 2012

#### Community Main Street - Cedar Falls Budget Overview July 2012 through June 2013

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL BUDGET Jul '12 - Jun '13
<b>Ordinary Income/Expense</b>													
<b>Income</b>													
Board Income	1,848.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,848.00
City Funding	0.00	0.00	0.00	5,000.00	0.00	0.00	0.00	0.00	0.00	5,000.00	0.00	0.00	10,000.00
Event Income	1,500.00	0.00	7,000.00	8,000.00	12,000.00	4,000.00	1,200.00	1,500.00	0.00	3,000.00	4,050.00	350.00	43,200.00
Friends Campaign	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,500.00	2,500.00	0.00	0.00	5,000.00
Grant & other Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,500.00	0.00	0.00	2,500.00
Main Street Record	0.00	0.00	0.00	0.00	12,500.00	0.00	0.00	0.00	0.00	0.00	12,500.00	0.00	25,000.00
Phil's Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SSMID	0.00	0.00	0.00	82,500.00	0.00	0.00	0.00	0.00	0.00	82,500.00	0.00	0.00	125,000.00
<b>Total Income</b>	<b>3,348.00</b>	<b>0.00</b>	<b>7,000.00</b>	<b>76,600.00</b>	<b>24,600.00</b>	<b>4,000.00</b>	<b>1,200.00</b>	<b>1,600.00</b>	<b>2,600.00</b>	<b>76,600.00</b>	<b>17,160.00</b>	<b>360.00</b>	<b>212,648.00</b>
<b>Expense</b>													
Bank Service Charge	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Board Lunch Expense	154.00	154.00	154.00	154.00	154.00	154.00	154.00	154.00	154.00	154.00	154.00	154.00	1,940.00
Committee Expense	390.00	390.00	390.00	390.00	390.00	390.00	390.00	390.00	390.00	1,390.00	1,390.00	390.00	5,200.00
Depreciation Expense	406.00	406.00	406.00	406.00	406.00	406.00	406.00	406.00	406.00	406.00	406.00	406.00	4,872.00
Dues and Subscriptions	165.00	250.00	500.00	95.00	215.00	0.00	370.00	0.00	0.00	95.00	0.00	0.00	1,690.00
Event Expense	600.00	1,700.00	4,000.00	7,000.00	7,000.00	6,000.00	2,000.00	1,500.00	1,500.00	1,200.00	1,000.00	1,000.00	34,500.00
Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,900.00
Main Street Record Expense	0.00	0.00	0.00	0.00	12,600.00	0.00	0.00	0.00	0.00	0.00	0.00	12,600.00	25,000.00
Miscellaneous	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	1,500.00
Office Supplies	275.00	275.00	275.00	275.00	275.00	275.00	275.00	275.00	275.00	275.00	275.00	275.00	3,300.00
Payroll Expenses	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	108,000.00
Postage and Delivery	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	600.00
Professional Fees	500.00	1,000.00	0.00	0.00	0.00	0.00	1,000.00	0.00	0.00	0.00	0.00	0.00	3,700.00
Rent	584.00	584.00	584.00	584.00	584.00	584.00	584.00	584.00	584.00	584.00	584.00	584.00	7,008.00
Repairs	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00	0.00	400.00
Telephone	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	1,800.00
Travel & Training	150.00	400.00	100.00	100.00	400.00	100.00	100.00	400.00	100.00	1,500.00	100.00	100.00	3,550.00
Utilities	465.00	465.00	465.00	465.00	465.00	465.00	465.00	465.00	465.00	465.00	465.00	465.00	5,580.00
<b>Total Expense</b>	<b>13,074.00</b>	<b>15,506.00</b>	<b>16,159.00</b>	<b>16,054.00</b>	<b>31,674.00</b>	<b>17,859.00</b>	<b>15,729.00</b>	<b>13,459.00</b>	<b>13,159.00</b>	<b>15,454.00</b>	<b>13,659.00</b>	<b>20,059.00</b>	<b>212,440.00</b>
<b>Other Income/Expense</b>													
<b>Other Income</b>													
Interest Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Other Income</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Other Expense</b>													
Other Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Other Expense</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Other Income</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Income</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Operation Downtown, Des Moines, Iowa: FY 2014 Budget

### Operation Downtown FY14 Budget

Revenues:	Detail:	FY14 Budget
SSMID Revenues including DT Maint	<i>Includes Downtown Maintenance (DTM) contribution</i>	1,139,242
SSMID Revenues from abatement	<i>Accumulated abatement increase</i>	12,000
SSMID Revenues from rate increase	<i>SSMID tax rate increase</i>	172,686
DTM Revenues	<i>Excludes DTM SSMID revenues, City/RDA support, misc support, interest</i>	627,000
PILOT Revenues	<i>City parking contract for clean and safe services in garages</i>	32,710
Voluntary Support	<i>Mercy and Iowa Health contributions</i>	75,000
Miscellaneous Support-Beautification	<i>Corporate contributions for specific beautification projects</i>	123,000
Miscellaneous Support-Clean and Safe	<i>Farmers Mkt pmt for cleaning services</i>	31,827
<b>Total Revenues</b>		<b>2,213,465</b>
<b>Expenses:</b>		
Management Fees	<i>DCA/GDMP mgmt, acctg fee</i>	270,000
Administrative Expenses	<i>Communications, travel/meetings</i>	28,100
Facilities	<i>Utilities, storage rental</i>	9,600
Other Expenses	<i>Legal, bank, audit fees</i>	21,500
Clean	<i>Block by Block clean services, special cleaning projects, site furnishings</i>	300,000
Safe	<i>Block by Block safe services, off duty police, crime prevention</i>	124,000
Events Support	<i>Community Development Liaison compensation and grants for at-risk/new downtown events</i>	45,000
Beautification	<i>Plant material and maintenance, special projects</i>	264,000
Downtown Maintenance Expense	<i>Expenses specifically for the four areas within the Downtown Maintenance Contract (MLK, East Locust St., Principal Riverwalk, Western Gateway)</i>	1,097,850
Equipment Repair/Maintenance	<i>Dumpster fees, bike repairs</i>	4,500
Market Research	<i>Professional research assessing public perception of downtown</i>	8,000
Traffic Management Support	<i>Traffic reduction and construction communication</i>	20,000
Misc Project Support	<i>Funding to assist with specific downtown projects - (D-Line, etc)</i>	100,000
<b>Total Other Program Expenses</b>		<b>1,963,350</b>
<b>Total Expenses</b>		<b>2,292,550</b>
<b>Increase/(Decrease) in Net Assets</b>		<b>(79,085)</b>



## Iowa City Downtown District, Iowa City, Iowa: FY 2014 Budget



### IOWA CITY DOWNTOWN DISTRICT FY 2014 Operating Budget Summary

<b>Income</b>	
University of Iowa Contribution	\$100,000
Property Tax Assessment	\$280,000
Sponsorships, Programs, and Events	\$205,260
<b>Total Income</b>	<b>\$585,260</b>
<b>Expenses</b>	
Programs & <u>Initiatives</u> *	\$166,533
Events*	\$161,560
District-Wide Marketing*	\$136,500
Membership & Community Outreach*	\$42,460
Legislative*	\$11,820
Office Space & Administrative Expenses	\$66,387
<b>Total Expenses</b>	<b>\$585,260</b>

Notes: \*Includes staff time and contingency

# Downtown Partners, Sioux City, Iowa: FY 2014 Budget

## Downtown Partners Sioux City Fiscal Year Budget 2014

<b>Income</b>		
40000 - SMID Revenue		268,000.00
41000 - Earned Interest - SNB		500.00
<b>Total Income</b>		<b>268,500.00</b>
<b>Expense</b>		
60000 - Operating Expenses		
60100 - Rent/Utilities		20,000.00
60200 - Repairs/Maintenance		1,500.00
60300 - Telephone/Internet		3,000.00
60400 - Parking		1,200.00
80500 - Liability Insurance		4,000.00
<b>Total 60000 - Operating Expenses</b>		<b>29,700.00</b>
61000 - Supplies		1,200.00
62000 - Travel		
62100 - Meetings/Conferences		3,500.00
62200 - Membership Dues		1,100.00
<b>Total 62000 - Travel</b>		<b>4,600.00</b>
<b>63000 - Printing/Postage</b>		<b>800.00</b>
<b>64000 - Legal/Accounting</b>		<b>4,500.00</b>
<b>66000 - Payroll Expenses</b>		<b>95,000.00</b>
<b>67000 - Equipment/Software</b>		<b>1,000.00</b>
81000 - Projects		
81200 - Art		1,500.00
81400 - Parking Study		2,500.00
81500 - Revitalization		15,000.00
81600 - Webcam		0.00
81700 - IEDC Projects		
81000 - Projects - Other		5,000.00
<b>Total 81000 - Projects</b>		<b>24,000.00</b>
82000 - Streetscape Program		
82100 - Planters		15,000.00
82200 - Park - 4th/Virginia		1,000.00
82300 - Trees		5,000.00
82600 - Maintenance		8,000.00
82700 - Holidays		12,000.00
82800 - Flags		5,000.00
<b>Total 82000 - Streetscape Program</b>		<b>46,000.00</b>
83000 - Marketing/Promotion Expenses		
83100 - Skywalk Map		1,200.00
83200 - Magazine		10,000.00
83000 - Marketing/Promotion Expenses - Other		30,000.00
<b>Total 83000 - Marketing/Promotion Expenses</b>		<b>41,200.00</b>
84000 - Events		
84100 - Events		10,000.00
84200 - Holidays		5,000.00
<b>Total 84000 - Events</b>		<b>15,000.00</b>
85000 - Sponsorships		
85100 - Gift Certificates		500.00
85000 - Sponsorships - Other		5,000.00
<b>Total 85000 - Sponsorships</b>		<b>5,500.00</b>
<b>Total Expense</b>		<b>268,500.00</b>

Spencer Main Street District, Spencer, Iowa: 2013-2014

<b>SPENCER MAIN STREET COMPANY</b>														
<b>BUDGET 2013-2014</b>														
INCOME														
	BUDGET 2013-14	#	#	#	July 2013	August 2013	September 2013	October 2013	#	#	###	#	#	Year to Date
SSMID	\$56,500.00			#										\$30,759.00
Friends of Main ST.	\$800.00													\$0.00
Government Grants	\$5,000.00				\$5,000.00									\$5,000.00
Interest Revenue	\$100.00	#	#		\$247.46	\$20.32	\$89.69	\$30.60						\$388.19
Annual Mtg	\$500.00	#												\$235.00
Clean-up Revenue														\$0.00
Christmas Lighting	\$500.00													\$0.00
Adopt a Planter	\$600.00			#	\$50.00									\$500.00
Misc.	\$200.00					\$40.00								\$40.00
SAABI Reimbursement														\$0.00
Ins. Reimb														\$0.00
<b>Sub Total:</b>	<b>\$64,200.00</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>\$5,297.46</b>	<b>\$60.32</b>	<b>\$89.69</b>	<b>\$30.60</b>	<b>#</b>	<b>#</b>	<b>###</b>	<b>#</b>	<b>#</b>	<b>\$36,922.19</b>
Promotion														
Wine Tasting	\$1,500.00													\$0.00
Golf														
Flagfest														\$0.00
Thanks With Franks	\$3,000.00			#	\$2,558.80									\$2,669.80
Mother's/Father's Day														
Main Street Market					\$2,600.00	\$1,000.00								\$3,600.00
Moonlight Madness	\$5,000.00													\$0.00
Crazy Days														\$0.00
<b>Sub Total:</b>	<b>\$9,500.00</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>\$5,158.80</b>	<b>\$1,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>#</b>	<b>#</b>	<b>###</b>	<b>#</b>	<b>#</b>	<b>\$6,269.80</b>
Pro. Expense	\$18,225.00	#	#	#	\$800.00	\$6,522.22	\$1,171.50	\$1,880.22	#	#	###	#	#	\$10,656.94
<b>Total:</b>	<b>\$73,700.00</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>\$10,456.26</b>	<b>\$1,060.32</b>	<b>\$89.69</b>	<b>\$30.60</b>	<b>#</b>	<b>#</b>	<b>###</b>	<b>#</b>	<b>#</b>	<b>\$43,191.99</b>

Spencer Main Street District, Spencer, Iowa: 2013-2014 (continued)

EXPENSES:	BUDGET 2013-14	#	#	July 2013	August 2013	September 2013	October 2013	#	#	###	#	#
Salary ***	\$19,462.96	#	#	\$1,622.40	\$1,622.40	\$1,622.40	\$1,622.40					\$11,356.80
Monthly fed. WH & F	\$4,193.04	#	#	\$349.38	\$349.38	\$349.38	\$349.38					\$2,445.66
State WH ***	\$1,344.00	#	#	\$336.00			\$336.00					\$1,008.00
Work Comp	\$430.00	#	#									\$500.00
Payroll taxes ***	\$1,913.04	#	#	\$159.37	\$159.37	\$159.37	\$159.37					\$1,115.59
Office Supplies	\$225.00											\$0.00
Postage	\$200.00											\$0.00
Travel	\$1,200.00											\$0.00
Telephone & Utilities	\$550.00	#	#	\$98.70	\$102.59	\$99.62	\$99.64					\$498.47
Copies	\$350.00				\$54.72	\$11.44	\$44.80					\$110.96
Health Ins.	\$6,000.00	#	#	\$549.70	\$549.70	\$510.10	\$510.10					\$3,768.70
Liability Ins.	\$1,500.00			\$495.45		\$709.00						\$1,204.45
Pro. & Legal exp.	\$575.00						\$595.00					\$595.00
Dues	\$300.00											\$0.00
Seminars/Trdng	\$200.00				\$460.45							\$460.45
Committee exp.	\$50.00						\$13.60					\$13.60
Salcs Tax	\$75.00						\$38.00					\$38.00
SSMID												\$0.00
Newsletter / Relay For Life												\$0.00
Annual Mtg.	\$350.00											\$0.00
Design Com.	\$3,000.00	#	#									\$959.60
B.I. Com.	\$1,000.00	#	#									\$63.34
Organization Com.	\$1,000.00	#	#									\$760.25
Promotion / General	\$9,500.00	#	#		\$1,076.04	\$706.26	\$237.50					\$6,774.51
Flagfest												\$0.00
TWF	\$3,500.00				\$3,646.22							\$3,646.22
Moonlight	\$1,650.00											\$0.00
Crazy Days	\$2,250.00	#	#			\$1,171.50						\$1,454.50
Wine Tasting	\$3,750.00						\$1,532.22					\$1,532.22
Grand Meander	\$1,750.00											\$0.00
M S Golf / Winter C D												\$0.00
Main Street Market	\$3,750.00			\$800.00	\$2,876.00		\$310.00					\$3,986.00
HO H & ginger	\$1,500.00											\$0.00
Saturday Promotion												\$0.00
Christmas Lights												\$0.00
Equipment												\$0.00
Buxton												\$0.00
Misc.	\$1,500.00	#	#	\$700.00								\$1,015.40
TOTAL:	\$73,088.04	#	#	\$5,111.00	\$10,896.87	\$5,339.07	\$5,848.01	#	#	###	#	\$43,307.72
INCOME OVER EXP	\$611.96	#	#	\$5,345.26	(\$9,836.55)	(\$5,249.38)	(\$5,817.41)	#	#	###	#	(\$115.73)

## APPENDIX B

### IOWA CODE

#### 386.1 DEFINITIONS.

As used in this chapter, unless the context requires otherwise:

1. *"Book"*, *"list"*, *"record"*, or *"schedule"* kept by a county auditor, assessor, treasurer, recorder, sheriff, or other county officer means the county system as defined in section 445.1.

2. *"Cost"* of any improvement or self-liquidating improvement includes construction contracts and the cost of engineering, architectural, technical, and legal services, preliminary reports, property valuations, estimates, plans, specifications, notices, acquisition of real and personal property, consequential damages or costs, easements, rights-of-way, supervision, inspection, testing, publications, printing and sale of bonds, interest during construction and for not more than six months thereafter, and provisions for contingencies.

3. *"District"* means a self-supported municipal improvement district which may be created and the property therein taxed in accordance with this chapter.

4. *"Improvement"* means any of the following:

a. All or any part of a city enterprise as defined in section 384.24, subsection 2.

b. Public improvements as defined in section 384.37, subsection 19.

c. Those structures, properties, facilities or actions, the acquisition, construction, improvement, installation, reconstruction, enlargement, repair, equipping, purchasing, or taking of which would constitute an essential corporate purpose or general corporate purpose as defined in section 384.24, subsections 3 and 4.

5. *"Property"* means real property as defined in section 4.1, subsection 13, and in section 427A.1, subsection 1, paragraph "h".

6. *"Property owner"* or *"owner"* means the owner of property, as shown by the transfer books in the office of the county auditor of the county in which the property is located.

7. *"Self-liquidating improvement"* means any facility or property proposed to be leased in whole or in part to any person or governmental body to further the corporate purposes of the city and:

a. To aid in the commercial development of the district.

b. To further the purposes of the districts; or

c. Not substantially reduce the city's property tax base.

8. The use of the conjunctive *"and"* includes the disjunctive *"or"* and the use of the disjunctive *"or"* includes the conjunctive *"and"*, unless the context clearly indicates otherwise.

9. All definitions in section 362.2 are incorporated by reference as a part of this chapter, except as provided in subsection 5.

#### 386.2 AUTHORIZATION.

A city which proposes to create a district, to provide for its existence and operation, to provide for improvements or self-liquidating improvements for the district, to authorize and issue bonds for the purposes of the district, and to levy the taxes authorized by this chapter must do so in accordance with the provisions of this chapter.

#### 386.3 ESTABLISHMENT OF DISTRICT.

1. Districts may be created by action of the council in accordance with the provisions of this chapter. A district shall:

a. Be comprised of contiguous property wholly within the boundaries of the city. A self-supported municipal improvement district shall be comprised only of property in districts which are zoned for commercial or industrial uses and properties within a duly designated historic district.

b. Be given a descriptive name containing the words *"self-supported municipal improvement district"*.

c. Be comprised of property related in some manner, including

but not limited to present or potential use, physical location, condition, relationship to an area, or relationship to present or potential commercial or other activity in an area, so as to be benefited in any manner, including but not limited to a benefit from present or potential use or enjoyment of the property, by the condition, development or maintenance of the district or of any improvement or self-liquidating improvement of the district, or be comprised of property the owners of which have a present or potential benefit from the condition, development or maintenance of the district or of any improvement or self-liquidating improvement of the district.

2. The council shall initiate proceedings for establishing a district upon the filing with its clerk of a petition containing:

*a.* The signatures of at least twenty-five percent of all owners of property within the proposed district. These signatures must together represent ownership of property with an assessed value of twenty-five percent or more of the assessed value of all of the property in the proposed district.

*b.* A description of the boundaries of the proposed district or a consolidated description of the property within the proposed district.

*c.* The name of the proposed district.

*d.* A statement of the maximum rate of tax that may be imposed upon property within the district. The maximum rate of tax may be stated in terms of separate maximum rates for the debt service tax, the capital improvement fund tax, and the operation tax, or in terms of a maximum combined rate for all three.

*e.* The purpose of the establishment of the district, which may be stated generally, or in terms of the relationship of the property within the district or the interests of the owners of property within the district, or in terms of the improvements or self-liquidating improvements proposed to be developed for the purposes of the district, either specific improvements, self-liquidating improvements, or general categories of improvements, or any combination of the foregoing.

*f.* A statement that taxes levied for the self-supported

improvement district operation fund shall be used for the purpose of paying maintenance expenses of improvements or self-liquidating improvements for a specified length of time, along with any options to renew, if the taxes are to be used for this maintenance purpose.

3. The council shall notify the city planning commission upon the receipt of a petition. It shall be the duty of the city planning commission to make recommendations to the council in regard to the proposed district. The city planning commission shall, with due diligence, prepare an evaluative report for the council on the merit and feasibility of the project. The council shall not hold its public hearings or take further action on the establishment of the district until it has received the report of the city planning commission. In addition to its report, the commission may, from time to time, recommend to the council amendments and changes relating to the project.

If no city planning commission exists, the council shall notify the metropolitan or regional planning commission upon receipt of a petition, and such commission shall have the same duties as the city planning commission set forth in this subsection. If no planning commission exists, the council shall notify the zoning commission upon receipt of a petition, and such commission shall have the same duties as the city planning commission set forth in this subsection. If no planning or zoning commission exists, the council shall call a hearing on the establishment of a district upon receipt of a petition.

4. Upon the receipt of the commission's final report the council shall set a time and place for a meeting at which the council proposes to take action for the establishment of the district, and shall publish notice of the meeting as provided in section 362.3, and the clerk shall send a copy of the notice by certified mail not less than fifteen days before the meeting to each owner of property within the proposed district at the owner's address as shown by the records of the county auditor. If a property is shown to be in the name of more than one owner at the same mailing address, a single notice may be mailed addressed to all owners at that address. Failure to receive a mailed notice is not grounds for objection to the council's taking



any action authorized in this chapter.

5. In addition to the time and place of the meeting for hearing on the petition, the notice must state:

*a.* That a petition has been filed with the council asking that a district be established.

*b.* The name of the district.

*c.* The purpose of the district.

*d.* The property proposed to be included in the district.

*e.* The maximum rate of tax which may be imposed upon the property in the district.

6. At the time and place set in the notice the council shall hear all owners of property in the proposed district or residents of the city desiring to express their views. The council must wait at least thirty days after the public hearing has been held before it may adopt an ordinance establishing a district which must be comprised of all the property which the council finds has the relationship or whose owners have the interest described in subsection 1, paragraph "c". Property included in the proposed district need not be included in the established district. However, no property may be included in the district that was not included in the proposed district until the council has held another hearing after it has published and mailed the same notice as required in subsections 4 and 5 of this section on the original petition to the owners of the additional property, or has caused a notice of the inclusion of the property to be personally served upon each owner of the additional property, or has received a written waiver of notice from each owner of the additional property.

7. Adoption of the ordinance establishing a district requires the affirmative vote of three-fourths of all of the members of the council, or in cities having but three members of the council, the affirmative vote of two members. However if a remonstrance has been filed with the clerk signed by at least twenty-five percent of all owners of property within the proposed district representing ownership of property with an assessed value of twenty-five percent or more of the assessed value of all of the property in the proposed district, the adoption of the ordinance requires a unanimous vote of

the council.

8. The clerk shall cause a copy of the ordinance to be filed in the office of the county recorder of each county in which any property within the district is located.

9. At any time prior to adoption of an ordinance establishing a district, the entire matter of establishing such district shall be withdrawn from council consideration if a petition objecting to establishing such district is filed with its clerk containing the signatures of at least forty percent of all owners of property within the proposed district or signatures which together represent ownership of property with an assessed value of forty percent or more of the assessed value of all property within the proposed district.

10. The adoption of an ordinance establishing a district is a legislative determination that the property within the district has the relationship or its owners have the interest required under subsection 1, paragraph "c" and includes all of the property within the area which has that relationship or the owners of which have that interest in the district.

11. Any resident or property owner of the city may appeal the action and the decisions of the council, including the creation of the district and the levying of the proposed taxes for the district, to the district court of the county in which any part of the district is located, within thirty days after the date upon which the ordinance creating the district becomes effective, but the action and decision of the council are final and conclusive unless the court finds that the council exceeded its authority. No action may be brought questioning the regularity of the proceedings pertaining to the establishment of a district or the validity of the district, or the propriety of the inclusion or exclusion of any property within or from the district, or the ability of the city to levy taxes in accordance with the ordinance establishing the district, after thirty days from the date on which the ordinance creating the district becomes effective.

12. The procedural steps for the petitioning and creation of the district may be combined with the procedural steps for the authorization of any improvement or self-liquidating improvement, or

the procedural steps for the authorization of any tax, or any combination thereof.

13. The rate of debt service tax referred to in the petition and the ordinance creating the district shall only restrict the amount of bonds which may be issued, and shall not limit the ability of the city to levy as necessary in subsequent years to pay interest and amortize the principal of that amount of bonds.

14. The ordinance creating the district may provide for the division of all of the property within the district into two or more zones based upon a reasonable difference in the relationship of the property or the interest of its owners, whether the difference is qualitative or quantitative. The ordinance creating the district and establishing the different zones may establish a different maximum rate of tax for each zone, or may provide that the rate of tax for a zone shall be a certain set percentage of the tax levied in the zone which is subject to the highest rate of tax.

#### **386.4 AMENDMENTS TO DISTRICT.**

1. The ordinance creating the district may be amended and property may be added to the district and the maximum rate of taxes referred to in the ordinance may be increased at any time in the same manner and by the same procedure as for the establishment of a district. All property added to a district shall be subject to all taxes currently and thereafter levied including debt service levies for bonds previously or thereafter issued.

2. Action by the council amending the ordinance creating the district, including adding any eligible property or deleting any property within the district or changing any maximum rate of taxes, shall be by ordinance adopted by an affirmative vote of three-fourths of all of the members of the council, or in cities having but three members of the council, the affirmative vote of two members. However, if a remonstrance has been filed with the clerk signed by at least twenty-five percent of all owners of property within the district and all property proposed to be included representing ownership of property with an assessed value of twenty-five percent or more of the assessed value of all the property in the district and all property

proposed to be included, the amending ordinance must be adopted by unanimous vote of the council.

3. The clerk shall cause a copy of the amending ordinance to be filed in the office of the county recorder of each county in which any property within the district as amended is located.

4. At any time prior to council amendment of the ordinance creating the district, the entire matter of amending such ordinance shall be withdrawn from council consideration if a petition objecting to amending such ordinance is filed with its clerk containing either the signatures of at least forty percent of all owners of property within the district and all property proposed to be included or signatures which together represent ownership of property with an assessed value of forty percent or more of the assessed value of all property within the district and all property proposed to be included.

5. Any resident or property owner of the city may appeal the action or decisions of the council amending the ordinance creating the district, to the district court of the county in which any part of the district, as amended, is located, within fifteen days after the date upon which the ordinance amending the ordinance creating the district becomes effective, but the action and decision of the council are final and conclusive unless the court finds that the council exceeded its authority. No action may be brought questioning the regularity of the proceedings pertaining to the amended ordinance or the validity of the district as amended, or the propriety of the inclusion or exclusion of any property within or from the amended district, or the ability of the city to levy taxes in accordance with the ordinance establishing the district, as amended, after thirty days from the date upon which the amending ordinance becomes effective.

6. All other provisions in section 386.3 shall apply to an amended district and to the ordinance amending the ordinance creating the district with the same effect as they apply to the original district and the ordinance creating the original district.



### **386.5 DISSOLUTION.**

A district may be dissolved and terminated by action of the council rescinding the ordinance creating the district, and any subsequent ordinances amending the district, by an affirmative vote of three-fourths of all members of the council, or in cities having but three members of the council, the affirmative vote of two members. However, if a remonstrance has been filed with the clerk signed by at least twenty-five percent of all owners of property within the district representing ownership of property with an assessed value of twenty-five percent or more of the assessed value of all the property in the district, the rescission of the ordinance creating the district, and any subsequent ordinances amending the district, requires a unanimous vote of the council.

At any time prior to action of the council rescinding the ordinance creating the district, and any subsequent ordinances amending the district, the entire matter of dissolving a district shall be withdrawn from council consideration if a petition is filed with its clerk containing the signatures of at least forty percent of all owners of property within the district or signatures which together represent ownership of property with an assessed value of forty percent or more of the assessed value of all property within the district.

### **386.6 IMPROVEMENTS.**

When a city proposes to construct an improvement the cost of which is to be paid or financed under the provisions of this chapter, it must do so in accordance with the provisions of this section, as follows:

1. The council shall initiate proceedings for a proposed improvement upon receipt of a petition signed by at least twenty-five percent of all owners of property within the district representing ownership of property with an assessed value of twenty-five percent or more of the assessed value of all the property in the district.

2. Upon the receipt of such a petition the council shall notify the city planning commission, if one exists, the metropolitan or regional planning commission, if one exists, or the zoning

commission, if one exists, in the order set forth in section 386.3, subsection 3. Upon notification by the council, the commission shall prepare an evaluative report for the council on the merit and feasibility of the improvement and carry out all other duties as set forth in section 386.3, subsection 3. If no planning or zoning commission exists, the council shall call a hearing on a proposed improvement upon receipt of a petition.

3. Upon the receipt of the commission's report the council shall set a time and place of meeting at which the council proposes to take action on the proposed improvement and shall publish and mail notice as provided in section 386.3, subsections 4 and 5.

4. The notice must include a statement that an improvement has been proposed, the nature of the improvement, the source of payment of the cost of the improvement, and the time and place of hearing.

5. At the time and place set in the notice the council shall hear all owners of property in the district or residents of the city desiring to express their views. The council must wait at least thirty days after the public hearing has been held before it may take action to order construction of the improvement. The provisions of section 386.3, subsections 7 and 9 relating to the adoption of the ordinance establishing a district, the requisite vote therefor, the remonstrance thereto and the withdrawal of the entire matter from council consideration apply to the adoption of the resolution ordering the construction of the improvement.

6. If the council orders the construction of the improvement, it shall proceed to let contracts therefor in accordance with chapter 26.

7. The adoption of a resolution ordering the construction of an improvement is a legislative determination that the proposed improvement is in furtherance of the purposes of the district and that all property in the district will be affected by the construction of the improvement, or that all owners of property in the district have an interest in the construction of the improvement.

8. Any resident or property owner of the city may appeal the action or decisions of the council ordering the construction of the

improvement to the district court of the county in which any part of the district is located within thirty days after the adoption of the resolution ordering construction of the improvement, but the action and decisions of the council are final and conclusive unless the court finds that the council exceeded its authority. No action may be brought questioning the regularity of the proceedings pertaining to the ordering of the construction of an improvement, or the right of the city to apply moneys in the capital improvement fund referred to in this chapter to the payment of the costs of the improvement, or the right of the city to issue bonds referred to in this chapter for the payment of the costs of the improvement, or the right of the city to levy taxes which with any other taxes authorized by this chapter do not exceed the maximum rate of tax that may be imposed upon property within the district for the payment of principal and interest on bonds issued to pay the costs of the improvement, after thirty days from the date of adoption of the resolution ordering construction of the improvement.

9. The procedural steps contained in this section may be combined with the procedural steps for the petitioning and creation of the district or the procedural steps for the authorization of any tax or any combination thereof.

### **386.7 SELF-LIQUIDATING IMPROVEMENTS.**

When a city proposes to construct a self-liquidating improvement, the cost of which is to be paid or financed under the provisions of this chapter, it must do so in accordance with the provisions of this section as follows:

1. Section 386.6, subsections 1 to 5 are applicable to a self-liquidating improvement to the same extent as they are applicable to an improvement and the proceedings initiating a self-liquidating improvement shall be governed thereby.

2. Before the council may order the construction of a self-liquidating improvement, and after hearing thereon, it must find that the self-liquidating improvement and the leasing of a part or the whole of it to any person or governmental body will further the corporate purposes of the city and will:

- a.* Aid in the commercial development of the district.
- b.* Further the interests of the district; or
- c.* Not substantially reduce the city's property tax base.

3. If the council orders the construction of the self-liquidating improvement, contracts for it shall be let in accordance with chapter 26.

4. The adoption of a resolution ordering the construction of a self-liquidating improvement is a legislative determination that the proposed self-liquidating improvement and the leasing of a part or the whole of it to any person or governmental body will further the corporate purposes of the city and will:

- a.* Aid in the commercial development of the district.
- b.* Further the interests of the district; or
- c.* Not substantially reduce the city's property tax base.

5. A city may lease any or all of a self-liquidating improvement to any person or governmental body.

6. A city may issue revenue bonds payable from the income and receipts derived from the self-liquidated improvement. Chapter 384, division V applies to revenue bonds for self-liquidating improvements and the term "*city enterprise*" as used in that division shall be deemed to include self-liquidating improvements authorized by this chapter.

7. Any resident or property owner of the city may appeal a decision of the council to order the construction of a self-liquidating improvement or to lease any or all of a self-liquidating improvement to the district court of the county in which any part of the district is located, within thirty days after the adoption of the resolution ordering the self-liquidating improvement, but the action of the council is final and conclusive unless the court finds that the council exceeded its authority.

8. No action may be brought questioning the regularity of the proceedings pertaining to the ordering of the construction of a self-liquidating improvement after thirty days from the date of adoption of the resolution ordering construction of the self-liquidating improvement. No action may be brought questioning the regularity of the proceedings pertaining to the leasing of any or

all of a self-liquidating improvement after thirty days from the date of the adoption of a resolution approving the proposed lease. In addition to the limitation contained in section 384.92, no action may be brought which questions the legality of revenue bonds or the power of the city to issue revenue bonds or the effectiveness of any proceedings relating to the authorization and issuance of revenue bonds relating to a self-liquidating improvement after thirty days from the time the bonds are ordered issued by the city.

9. The procedural steps contained in this section may be combined with the procedural steps for the petitioning and creation of the district.

### **386.8 OPERATION TAX.**

A city may establish a self-supported improvement district operation fund, and may certify taxes not to exceed the rate limitation as established in the ordinance creating the district, or any amendment thereto, each year to be levied for the fund against all of the property in the district, for the purpose of paying the administrative expenses of the district, which may include but are not limited to administrative personnel salaries, a separate administrative office, planning costs including consultation fees, engineering fees, architectural fees, and legal fees and all other expenses reasonably associated with the administration of the district and the fulfilling of the purposes of the district. The taxes levied for this fund may also be used for the purpose of paying maintenance expenses of improvements or self-liquidating improvements for a specified length of time with one or more options to renew if such is clearly stated in the petition which requests the council to authorize construction of the improvement or self-liquidating improvement, whether or not such petition is combined with the petition requesting creation of a district. Parcels of property which are assessed as residential property for property tax purposes are exempt from the tax levied under this section except residential properties within a duly designated historic district. A tax levied under this section is not subject to the levy limitation in section 384.1.

### **386.9 CAPITAL IMPROVEMENT TAX.**

A city may establish a capital improvement fund for a district and may certify taxes, not to exceed the rate established by the ordinance creating the district, or any subsequent amendment thereto, each year to be levied for the fund against all of the property in the district, for the purpose of accumulating moneys for the financing or payment of a part or all of the costs of any improvement or self-liquidating improvement. However, parcels of property which are assessed as residential property for property tax purposes are exempt from the tax levied under this section except residential properties within a duly designated historic district. A tax levied under this section is not subject to the levy limitations in section 384.1 or 384.7.

### **386.10 DEBT SERVICE TAX.**

A city shall establish a self-supported municipal improvement district debt service fund whenever any self-supported municipal improvement district bonds are issued and outstanding, other than revenue bonds, and shall certify taxes to be levied against all of the property in the district for the debt service fund in the amount necessary to pay interest as it becomes due and the amount necessary to pay, or to create a sinking fund to pay, the principal at maturity of all self-supported municipal improvement district bonds as authorized in section 386.11, issued by the city. However, parcels of property which are assessed as residential property for property tax purposes at the time of the issuance of the bonds are exempt from the tax levied under this section until the parcels are no longer assessed as residential property or until the residential properties are designated as a part of an historic district.

### **386.11 SELF-SUPPORTED MUNICIPAL IMPROVEMENT DISTRICT**

#### **BONDS.**

1. A city may issue and sell self-supported municipal improvement district bonds at public or private sale payable from taxes which must be levied in accordance with chapter 76. The bonds are payable from the levy of unlimited ad valorem taxes on all the taxable property within the district through the district debt service fund authorized by section 386.10. When self-supported municipal improvement district bonds are issued and taxes are levied in accordance with chapter 76, the taxes shall continue to be levied, until the bonds and interest thereon are paid in full, against all of the taxable property that was included in the district at the time of the issuance of the bonds, regardless of any subsequent removal of any property from the district or the dissolution of the district.

2. The proceeds of the sale of the bonds may be used to pay any or all of the costs of any improvement, or be used to pay any legal indebtedness incurred for the cost of any improvement including bonds or warrants previously issued to pay the costs of an improvement, or bonds may be exchanged for the evidences of such legal indebtedness.

3. Before the council may institute proceedings for the issuance of bonds, it shall proceed in the same manner as is required for the institution of proceedings for the issuance of bonds for an essential corporate purpose as provided in section 384.25, subsection 2 and all of the provisions of that subsection apply to bonds issued pursuant to this section.

4. A city may issue bonds authorized by this section pursuant to a resolution adopted at a regular or special meeting by an affirmative vote of a majority of the total members to which the council is entitled. The proceeds of a single bond issue may be used for various improvements.

5. The provisions of sections 384.29, 384.30, and 384.31 apply to bonds issued pursuant to this section, except that the bonds shall be designated "municipal improvement district bonds".

6. No action may be brought which questions the legality of bonds

issued pursuant to this section or the power of a city to issue the bonds or the effectiveness of any proceedings relating to the authorization and issuance of the bonds after thirty days from the time the bonds are ordered issued by the city.

### **386.12 PAYMENT FOR IMPROVEMENTS.**

The costs of improvements may be paid from any of the following sources or a combination thereof:

1. The capital improvement fund referred to in section 386.9.

2. The proceeds of bonds referred to in section 386.11.

3. Any other funds of the city which are legally available to pay all or a portion of the cost of an improvement. The fact that an improvement is initiated under the provisions of this chapter, or any of the costs of an improvement or any part of an improvement are being paid under the provisions of this chapter, shall not preclude the city from paying any costs of an improvement from any fund from which it might otherwise have been able to pay such costs. In addition, and not in limitation of the foregoing, any improvement which constitutes an essential corporate purpose or a general corporate purpose as defined in section 384.24, subsections 3 and 4, may be financed in whole or in part with the proceeds of the issuance of general obligation bonds of the city pursuant to the provisions of chapter 384, division III.

4. Payment for the costs of an improvement may also be made in warrants drawn on any fund from which payment for the improvement may be made. If such funds are depleted, anticipatory warrants may be issued bearing a rate of interest not exceeding that permitted by chapter 74A, which do not constitute a violation of section 384.10, even if the collection of taxes or income from the sale of bonds applicable to the improvement is after the end of the fiscal year in which the warrants are issued. If the city arranges for the private sale of anticipatory warrants, they may be sold and the proceeds used to pay the costs of the improvement. Such warrants may be used to pay other persons furnishing services constituting a part of the cost of the improvement.

### **386.13 PARKING FEE ABATEMENTS.**

A city may apply moneys in the operation fund of the district to prepay parking fees at any city parking facility located in or used in conjunction with the district but only after notice and hearing as required by section 386.6. The authority to prepay such fees shall exist only for the period of time set out in the notice to owners and in the resolution of the council authorizing the application of funds for that purpose. Upon the application of sufficient amounts of prepaid fees, the city need not charge individual users of the parking facility. Before adopting a resolution authorizing the application of funds for such purpose, the council must find that the application will further the purposes of the district, including but not limited to increasing the commercial activity in the district.

### **386.14 INDEPENDENT PROVISIONS.**

The provisions of this chapter with respect to notice, hearing and appeal for the construction of improvements and self-liquidating improvements and the issuance and sale of bonds are in lieu of the provisions contained in chapters 73A and 75, or any other law, unless specifically referred to and made applicable by this chapter.



## APPENDIX C

### SAMPLE INFORMATIONAL HANDOUT

#### Czech Village/New Bohemia SSMID

Dear Neighbor:

We represent a growing coalition of business and property owners who support the formation of the Czech Village/New Bohemia Self-Supported Municipal Improvement District (SSMID). This document provides an introduction to how a SSMID would affect your property and the many benefits of this economic development opportunity. Please join us in supporting this exciting initiative.

The Czech Village/New Bohemia SSMID will improve the neighborhood and the Cedar Rapids community in a variety of ways:

- ❖ Economic development
- ❖ Communications and Advocacy
- ❖ Capital Improvements
- ❖ Enhanced Maintenance
- ❖ Parking/Transportation Management

Sincerely,

Mel Andringa  
Legion Arts

Lijun Chadima  
Property Owner

Gail Naughton  
NCSML

Jim Piersall  
Property Owner

Dale Todd  
Hatch  
Development

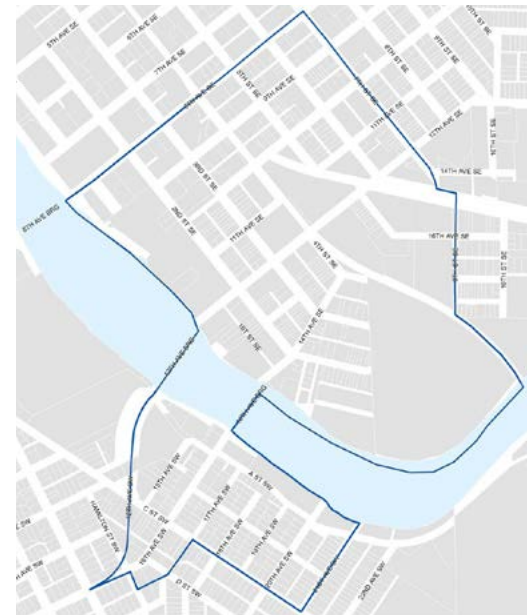
Don Barrigar  
Property Owner

Heather Hull  
Property Owner

Mary Ann Peters  
New Bo Books

Bob Schaffer  
Property Owner

Kristie Wetjen  
NewBo City  
Market



**For more information, please contact:**  
Jennifer Pruden, Executive Director  
Czech Village/New Bohemia Main Street District  
319.432.9785 | crmainstreet@gmail.com

## Czech Village/New Bohemia SSMID

### What is a Self-Supported Municipal Improvement District (SSMID)?

- A financing mechanism used to fund district-specific improvements and services to supplement, not replace, existing municipal services.
- A designated district is a self-imposed and self-governing contiguous area of property within a city that is able to levy taxes on commercial and industrial properties within the district bounds.
- Non-commercial, non-industrial properties are exempt from paying the assessment. Non-profits in the proposed district have agreed to contribute a \$300 annual membership fee to the SSMID. In addition, exempt properties may make a voluntary contribution to the SSMID funds.

### I already pay Taxes! Why support a SSMID?

- We all pay city taxes that are used for priorities over the entire city, not just in the Main Street District.
- Legally, funds raised by a SSMID must be used in the same area that is assessed; in this case, SSMID funds can be used only for improvements and services that benefit the defined Czech Village/New Bohemia SSMID boundaries, supplementing existing city services.

### How much is the SSMID levy rate?

- The Czech Village/New Bohemia SSMID Steering Committee has **proposed** an assessment rate of \$3 per \$1,000 assessed value. We estimate that this would generate approximately \$50,000 per year.
- The maximum SSMID tax levy rate is determined as part of the petition and ordinance process. The city council will decide the SSMID levy on an annual basis as part of their budgeting process, but the levy rate is capped at the rate determined in the petition and ordinance process

### What is the SSMID levy term?

- The Czech Village/New Bohemia SSMID Steering Committee has **proposed** a levy term of 7 years.

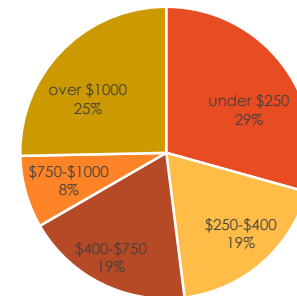
### How will this affect my bottom line?

- Commercial property tax rates are a little over \$38 per \$1,000 assessed value. The **proposed** SSMID levy rate of \$3 per \$1,000 assessed value would increase commercial property taxes by 7.8%.
- The average annual levy for district properties would be \$699, which equates to roughly \$58 per month.

The table below gives an example of **estimated** SSMID taxes, if the district is implemented with a levy rate of \$3, which would produce a total of approximately \$50,000 per year.

If your commercial property value is:	Your current property tax bill is:	Your SSMID tax bill would be:	Your total tax bill would be:
\$50,000	\$1,913	\$150	\$2,063
\$100,000	\$3,827	\$300	\$4,127
\$150,000	\$5,740	\$450	\$6,190
\$250,000	\$9,567	\$750	\$10,317
\$500,000	\$19,134	\$1,500	\$20,634

Breakdown of Annual SSMID Payments by Property Owner Cost  
SSMID Rate at \$3 per \$1,000 Assessed Value





## APPENDIX D

### QUESTIONS FOR INFORMATIONAL INTERVIEWS

#### Overview of Process

- Why was your community interested in a SSMID?
- Were other economic development tools considered?
- What factors influenced the timing of decision to pursue a SSMID/petition?
- How long was the SSMID process from planning to petition to vote? (What would be a reasonable, feasible timeline?)
- How did you decide on levy rate and levy term?
- What would you change about the SSMID creation process?

#### Overview of Governance

- Were particular types of people (various categories of business owner, representatives of certain entities) chosen for the board?
- How were the board members chosen?
- 501(c)3 or 501(c)6?

#### Marketing

- How did you get out the word about the value that the SSMID would create for property owners?

- What kinds of details were included in marketing information? (ex. Job descriptions, recommendations for specific uses of funds, disclose how committee/board would be chosen)
- Was a projected budget created and available for property owners to see?

#### SSMID

- How are SSMID funds used?
- Anything you would change about the way the SSMID currently operates?

## ENDNOTES

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- 2 The Greater Baltimore Committee, 2013
- 3 Hoyt, 2004
- 4 Yang, 2010
- 5 Hoyt, 2004
- 6 Yang, 2010
- 7 Jacobs, 1961
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- 12 Morçöl, 2008
- 13 City of Chicago, 2013
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- 20 Heimann, 2007
- 21 Hoyt, 2005
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- 26 Billings et al., 2009
- 27 Briffault, 1999
- 28 Billings et al., 2009
- 29 Iowa Code 386.3, 386.7, 386.9
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- 44 City of Philadelphia, 2012
- 45 Council on Foundations, 2010
- 46 Reenstra-Bryant, 2010
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72 Smith S. R., 2010  
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74 Cedar Falls Community Main Street n.d.  
75 Cedar Falls Community Main Street n.d.  
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77 City of Des Moines 2012  
78 Operation Downtown, 2013  
79 Operation Downtown, 2013  
80 Iowa City SSMID Petition, 2011  
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83 Iowa City Downtown District 2013  
84 Iowa City Downtown District 2013  
85 Iowa City Downtown District 2013  
86 Iowa City Downtown District 2013  
87 Knoblach 2004  
88 Cote 2013  
89 Downtown Partners 2013  
90 Zerschling 2013  
91 Downtown Partners 2013  
92 Gifford 2003  
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94 Spencer Main Street 2013  
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96 Main Street Iowa, 2012  
97 Renz D. , 2010, LaGro Jr., 2008  
98 Fischer, 1996  
99 United States Internal Revenue Service, 2014  
100 Tax Division of the American Institute of Certified Public Accountants, 2007  
101 Morçöl, Hoyt, Meek, and Zimmermann, 2008  
102 Iowa Code, 386  
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