

A black archway with the words "PRAIRIE FOREST TRAIL" in white, serif, all-caps font. The archway is set against a blue sky with light clouds. In the background, there are bare trees and a grassy field. In the foreground, there is a wooden fence and a yellow metal gate.

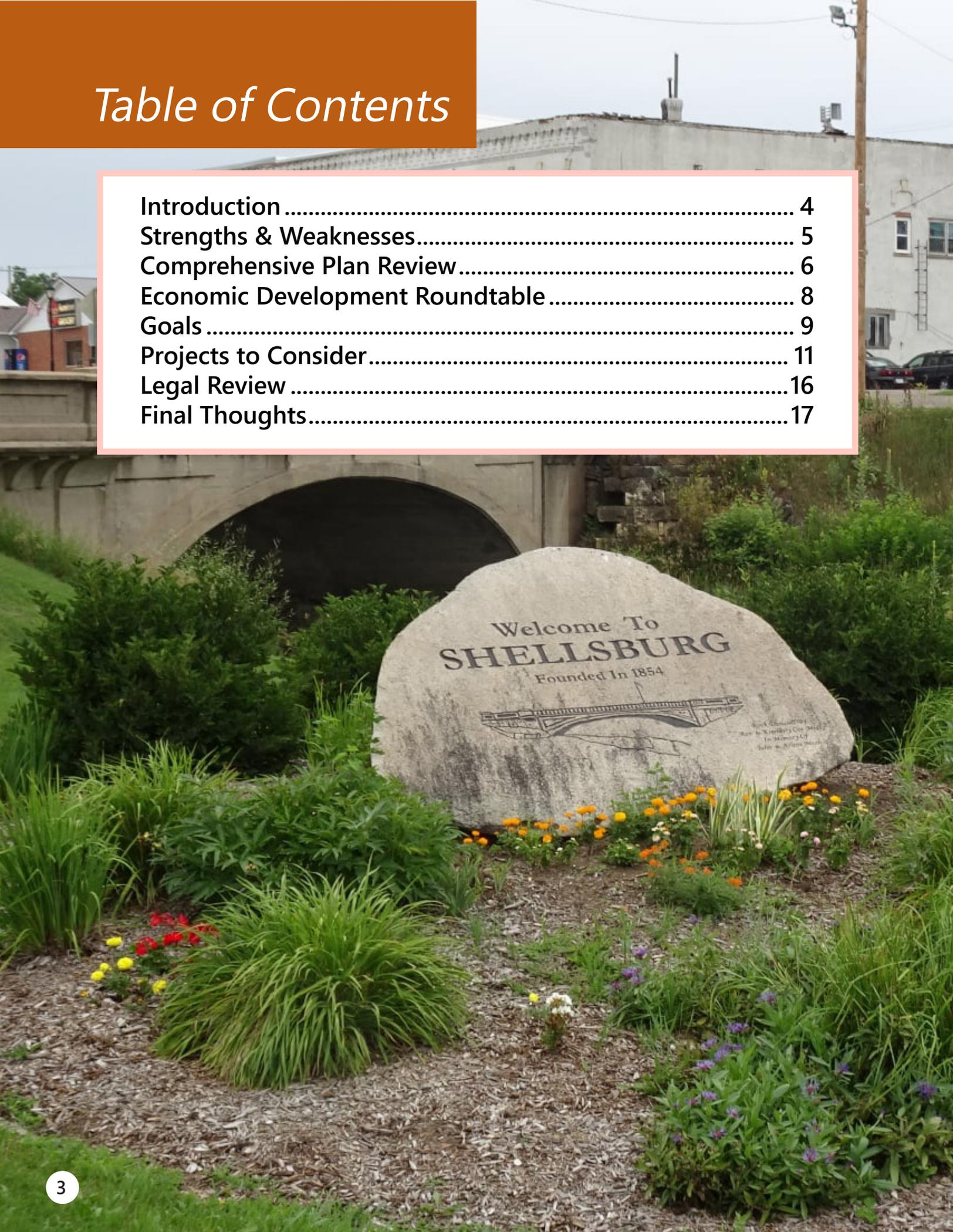
PRAIRIE FOREST TRAIL

City of Shellsburg

Economic Development Report

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Introduction

In May 2021, East Central Iowa Council of Governments (ECICOG) staff Adam Bentley and Tracey Achenbach visited the Shellsburg Area Community Group (SACG) to discuss matters related to Urban Renewal Areas (URA) and Tax Increment Financing (TIF). After the presentation about economic development tools and ways ECICOG could assist Shellsburg's economic development matters, members of SACG contracted with ECICOG to:

- ✓ *Conduct a review of Shellsburg's economic development policies*
- ✓ *Discuss economic development with Shellsburg community members*
- ✓ *Conduct a legal review of Shellsburg's current economic development ordinances and plans*
- ✓ *Provide legal and policy change recommendations*

On October 6 2021, ECICOG staff hosted an economic development roundtable in Shellsburg. This report contains the feedback from that roundtable as well as items to consider in the future.

The City of Shellsburg's comprehensive plan was updated and approved in 2018. The

comprehensive plan serves as the primary planning document for the City, providing a good base from which to measure progress. The plan covers a wide range of topics for city growth, with data informed by input from key stakeholders, policymakers, and community members.

Strengths & Weaknesses

Shellsburg's 2018 comprehensive plan update included an economic development section (pages 30-34). It highlights Shellsburg's relative strengths, weaknesses, and goals. These are summarized below.

Strengths

- Proximity to major urban areas including Cedar Rapids
- Proximity to highways including Highway 100 bypass
- Amenities including schools and recreation opportunities

Weaknesses

- Lack of developable land
- Limited water and sewer infrastructure
- Lack of community identity
- Lack of parking near downtown
- Limited funding available
- Driving challenges for parents working in Cedar Rapids with children in Vinton

The Economic Development Roundtable participants also identified Shellsburg's strengths and weaknesses.

Strengths

- Recent business growth in the downtown area
- The cost-of-living benefits of living in a smaller community
- Quality of life benefits of living in a smaller community

Weaknesses

- Elements of housing that continue to be a challenge include:
 - Attracting developers
 - High development costs
 - Nuisance challenges with certain properties
- Limited-service related businesses
- Perception of the community to the region and elsewhere
- Public infrastructure upkeep
- Limited business retention activities
- Workforce challenges related to childcare



Comprehensive Plan Review

Goals

Preserve and enhance the downtown district

Promote small business on Pearl Street
Continue with Pearl Street improvements
Address parking issues on Pearl Street
Promote small business outside of the downtown that don't compete with downtown business
Maintain small town atmosphere

Promote Shellsburg to the region

Establish a brand for marketing Shellsburg
Establish an economic development website
Work with the Benton County Economic Development Group and Metro Alliance
Work with ECICOG on the region's Comprehensive Regional Development Strategy

Foster a growing & diverse business environment

Encourage local benefactors to invest in the community
Provide space and infrastructure for business location and expansion
Explore the creation of a Self-Supported Municipal Improvement District (SSMID)
Offer appropriate incentives to such as grants or tax rebates
Update public infrastructure
Work with area economic development groups to market Shellsburg economic development opportunities
Better utilize of City's website for branding and marketing of Shellsburg's economic development opportunities
Utilize future land use map to plan for appropriate economic development growth areas as well as protect future residential growth areas

Empower a local economic development group

Provide funding
Engage resident pool to support economic development
Establish duties and responsibilities for the group
Utilize the group for business development within the community

Generate a strategic plan for business development

Apply for state, federal, and Metropolitan Planning Organization (MPO) grants
Utilize local economic development group to develop a plan

Goal timelines have varied due to resource availability and changing community priorities. New circumstances like the COVID-19 pandemic bring unfamiliar challenges and create new opportunities. As the comprehensive plan is a long-term guide, the goals are fluid and able to accommodate community and regional environments. Below are the goals related to traditional economic development in the comprehensive plan and their timelines.

Four goals had deadlines in 2020:

Establish a brand for marketing Shellsburg

Create local economic development group

Establish economic development website for Shellsburg

Adopt a Strategic Economic Development Plan

One goal's deadline was in 2025:

Address parking issues in the Central Business District

The rest of the goals are ongoing:

Work with the Benton Development Group and the Cedar Rapids Metro Economic Alliance

Market Shellsburg and available business opportunities to the region

Extend infrastructure systems into appropriate economic development growth areas

Link new development to the existing community and economic development growth areas through planned street, sidewalk, and trail extensions

Offer appropriate incentives for businesses (i.e. tax rebates, small grants)

Preserve and enhance the downtown district



photo courtesy of KCRG

On October 6 2021, ECICOG staff facilitated

Economic Development Roundtable

an economic development roundtable with the Shellsburg community, including members of SACG and the City Council. After a presentation on the project and timeline, participants discussed recent economic development issues. Comments highlight the multitude of major changes in the regional and local economic ecosystem since the City's comprehensive plan update. Some of these issues have always been present, but have been recently exacerbated by the pandemic and derecho.

Participants widely recognized that Shellsburg's economic development is often tied to community development. The community's "quality of life" must be appealing to both current and future residents. Below are topics discussed at the roundtable.

Housing

Participants voted housing as most important for economic growth in the community. Limited housing throughout the region was noted, but in Shellsburg the issue has been exacerbated by the pandemic. They noted the following housing variables specific to Shellsburg:

- Nuisances continue to detract from the "look" and perception of the community.
- Shellsburg has historically struggled with attracting developers, and they continue to seek opportunities elsewhere.
- Costs for land, material, and support infrastructure continue to rise.
- Development closer to or within the community is desired in order to take advantage of existing infrastructure and lower costs.

It was noted that housing costs are outside of the control of the community, being impacted by national and regional trends. Further, cost has been a limiting factor in land availability for development. Participants discussed the potential of using financial tools such as TIF, abatement, and exemptions to incentivize development, home improvement, and new home construction. The City's comprehensive plan calls to plan for 555 housing units by 2030 and indicates the desire to address nuisance issues.



Perception of the Community

The perception of the community within the broader region continues to be a challenge, tied in some respects to issues in the comprehensive plan. The following items were noted:

- The “look” of the community was considered a challenge. Nuisance properties and community gateways (the first thing one sees as they enter the community) were areas of concern.
- Shellsburg was stated to lack a community identity and cohesive message to the broader region or market. It was understood that without that message, the perception became dominated by the City’s challenges. This issue is particularly salient for communities surrounding employment centers as they see new opportunities caused by post-pandemic migration patterns and costs in the urban core. Participants indicated that Shellsburg could highlight the following:
 - Only 18-hole golf course in the county
 - Competitive recreational opportunities
 - Competitive cost of living opportunities
 - Small-town atmosphere with access to amenities
- There was some minimal discussion of “shady activities” being a concern to residents.

Public Infrastructure

As noted previously, community development is seen as a component of economic development. This includes the quality of roads, sidewalks, and trails. Roadway conditions, the absence of sidewalks, and trail connections and extensions were noted as challenges. The table below shows improvements and timelines noted in the comprehensive plan as it relates to public infrastructure improvements.

The roundtable did not offer specific priorities given for infrastructure improvements. Prioritization may be a useful exercise for the community as it works through its list of infrastructure projects.

Goal	Timeline
Implement city’s sidewalk and trail system plan	2030
Plan for recommended water and sewer system improvements	2030
Address parking issues in the Central Business District	2025
Consider regional detention basins for stormwater management	Ongoing
Promote walkability with expanded trail and sidewalk opportunities	Ongoing
Focus on the creation of several small, neighborhood park areas, where appropriate as subdivisions are proposed	Ongoing
Develop 8 acres of new park space within the community	2030
Extend future streets noted in the Comp Plan	2030

Business Growth & Retention

Growing the business sector and retaining current business was highlighted. The pandemic and derecho have created challenges unseen in the region for over a century. There were three broad areas noted related to business growth and retention.

- Targeted service sector business growth was noted as desirable. Service-related business growth (food, financial, recreational, etc.) would benefit Shellsburg by keeping residents in town instead of traveling to another community. Building capacity in the service sector could also increase demand for living in the community.
- For attracting and retaining downtown business, creating a dynamic main street and subsequent event schedule were seen as critical components. This would also create demand for continued growth in shopping, working, and spending time downtown.
- For workforce support, there was a focus on childcare opportunities. Shellsburg's challenges include the number of childcare businesses and costs to families. This was also noted as being an issue throughout the region.

Responding to Workforce Changes & Attracting Families

The workforce changes accelerated by the pandemic are hard to overstate. The group broadly recognized that most communities are reacting to these changes rather than proactively trying to benefit from them. There was significant discussion on the potential for Shellsburg to attract workers migrating to lower-cost areas on the front line of the workforce changes. The conversation included the following factors:

- Work from home and virtual workplace settings allow employees to spend more time away from an office setting. These types of positions are typically office-based and can work from anywhere. They may want to live in a community with lower costs and access to amenities, that can support quality-of-life interests. Broadband access was noted as necessary to ensure the community remains competitive.
- Participants also discussed millennials. There was an understanding that the generational transition is occurring in communities and workplaces everywhere. Participants noted the importance of attracting that group of people.

Roundtable Conclusion

The participants are thanked for their time and input.

Upon review, the issues noted at the roundtable are often consistent with the comprehensive plan's priorities, which is logical due to the update being only three years ago. Some issues are being addressed, and some significant progress has been made. Many of the issues discussed at the roundtable but not included in the comprehensive plan have been elevated due to the derecho and pandemic.

The intersection points between the roundtable and comprehensive plan should be considered for moving forward and are the basis for the next section.

Projects to Consider

The City's comprehensive plan and roundtable input shed light on several critical projects with the potential to advance

the community's economic agenda in a timely fashion. Economic development changes in and around the community are also considered as a guide for potential changes to the community. The balance of resources is important to note, as it impacts which development components the community has control over. For example, solving the housing crisis in its entirety is not possible for the City of Shellsburg. However, determining and addressing smaller variables that contribute to housing challenges will move the needle forward in improving Shellsburg.

Branding Opportunities

Property Improvement & Nuisance Enforcement

Childcare Study

Downtown Vitality

Branding Opportunities

A consistent message between the comprehensive plan and the roundtable was the lack of a "brand" between

the community and region. Below are the branding and marketing notes from the comprehensive plan. It is important to note that marketing efforts are ongoing with the assistance of the Benton Development Group (BDG) and Cedar Rapids Metro Economic Alliance, which supports the City of Shellsburg in regional marketing and beyond. These relationships allow the community to leverage BDG and the Alliance's assets, such as advertisement and technical services.

Branding is a process within itself. It often includes a discovery stage to determine the community's offerings, strengths, and aspirations. Benefits of branding include:

- Helps the community stand out
- Creates a new identity to improve perceptions
- Standardizes physical and digital marketing
- Provides a framework to market your community to residents and businesses

Branding topics are diverse, typically including history, parks, quality of life, main street, or other community features. Developing consistency between the brand, economic development website, and within the community will allow the community more control over its perception. The city could consider initiating a committee to pursue this project.

Cities across the region have developed brands to express themselves and create a message for the market.



Property Improvement & Nuisance Enforcement

Housing continues to

be a challenge in Shellsburg, often dictated by larger influencing factors that affect the entire region. Policy changes at the local level can still influence behavior, and may attract new residents and retain current residents. Housing quality and nuisance issues were identified as a quality-of-life matter by the roundtable and can be addressed by both incentives and enforcement.

One area to consider is a home improvement abatement program. If homeowners improve the exterior of their properties, a tax abatement or exception is given on the increased value of the property. These programs aim to:

- Reduce the presence of deteriorated or deteriorating residential structures (single-family and multi-family, owner-occupied and rental) to improve aesthetics and quality of life.
- Encourage the revitalization, renovation, and remodeling of dilapidated residential properties.
- Encourage the demolition of structures that pose a health and safety threat. This also promotes the subsequent new construction (reinvestment) of comparable replacement housing.

Case Study

In 2012, The City of Cedar Falls passed the College Hill Urban Revitalization Plan (see Attachment 1) to address dilapidated buildings in the College Hill neighborhood. The plan aims to address challenges posed to the housing stock in the area by abating or exempting taxes on neighborhood properties. Below are the plan parameters:

- Improvements are eligible on residential or certain commercial properties in the district.
- Improvements must increase the actual value of the property by a minimum of 10%, as measured by the assessor.
- If no structure is located on the property prior to the improvements, any improvements qualify.
- Some restrictions exist based on other incentives a property might be receiving.



Nuisance enforcement is another tool to assist with property improvement, as its importance extends beyond individual properties. If nuisance issues, like deferred property maintenance, are left unaddressed, they can lead to a cycle of disinvestment. Fortunately, this cycle also works in reverse. The rehabilitation of a few properties can encourage neighbors and provide confidence in their investments of similar homes.

The main ways communities can proactively address this issue are the “stick” approach (nuisance abatement), the “carrot” approach (rehabilitation incentives), or a combination of the two. More active code enforcement or nuisance abatement may result in vocal opposition, but the silent majority is often supportive of these measures to help their community present well.

The Cities of Central City and Springville have contracted with ECICOG to assist with nuisance enforcement. An example Nuisance Ordinance has been provided as an attachment to this report.

Housing Disinvestment Cycle

Deferred home maintenance results in degraded home condition



Reduced home value



Blight impacts neighboring properties



Neighbors have less incentive to invest in or maintain their properties



More degraded houses / blight

Downtown Vitality

The downtown area of Shellsburg was noted both in the comprehensive plan and at the stakeholder gathering. ECICOG staff visited Shellsburg and conducted an assessment for the downtown area and noted the use of the downtown as being well utilized. New business was opening and the demand for being downtown is noted.

Downtown Façade and Building Improvements

Structural challenges exist for some of the downtown properties. Key buildings, including the People Savings Bank, have been modified with a variety of building materials. Other buildings in the downtown area would benefit from improvements made to the exterior of the properties in the downtown area. Assisting building owners and incentivizing the improvement of those properties have increase property value and encourage private investment. Downtown façade improvement programs can create opportunities for investment.

Downtown Living Spaces

Properties in the downtown area with commercial on the bottom and residential on the second story may be an opportunity for housing grants from either the State or region. In addition to the grant opportunities listed on page 14, funding is available through the Linn County Housing Trust Fund. These grants may require the use of the downtown plan to be competitive, but can truly transform small community downtowns.

Bear Creek Waterfront Asset

A downtown adjacent to a waterfront provides exceptional opportunities for community beautification, downtown events, and recreational opportunities. By focusing and planning on activating as much riverfront as possible—for events, trails, and recreation, the community and economic benefits can be impactful. Connecting green space and downtown events creates opportunities for citizens and guests to experience the community and ultimately drive demand for being in the downtown and in the community.



Self-Supported Municipal Improvement District (SSMID)

The city's comprehensive plan calls for the exploration of a SSMID in the downtown area as a means to finance potential initiatives in the downtown area. This effort can be challenging for smaller communities as limited funds are raised from limited commercial properties. However, financing models inclusive of TIF investment, SSMID, and public funds can all be used to support downtown events and operations. Exploring this potential may be worthwhile considering the desire to promote the downtown as both an economic driver and community asset.

Potential Grants / Funding Sources

CDBG Upper Story Housing

The Iowa Economic Development Association (IEDA) Housing Rehabilitation program assists communities with preserving existing housing stock and creating new housing opportunities. The Upper story housing conversion program funds the conversion of existing downtown building space into new residential units. The maximum award under this program is \$500,000.

Community Catalyst Building Remediation Program

The Community Catalyst Building Remediation Program through the IEDA assists communities with the redevelopment or rehabilitation of buildings to stimulate economic growth or reinvestment in the community. The maximum award is \$100,000.

CDBG Downtown Revitalization

Community leaders can use IEDA's downtown revitalization program to rehabilitate blighted downtown buildings. The project must meet the US Department of Housing and Urban Development's Slum and Blight National Objective. The goal is to provide economic development opportunities for people, especially those of low-to-moderate income.

Rural Innovation Grant

The Rural Innovation Grant program supports creative, non-traditional ideas about rural communities' challenges with community investment, growth and connection. Iowa businesses, colleges, universities, city and county governments, and private 501(c)3 nonprofit agencies and foundations are eligible. Maximum grant amount is \$20,000 with a 1:1/2 cash match requirement.

Downtown Housing Grant

The Downtown Housing Grant supports local downtown revitalization for communities under 30,000. This funding will go towards building rehabilitation projects to increase local upper floor housing options. Communities under 30,000 are eligible for up to \$300,000 toward projects creating or improving under 10 housing units or 10 plus units for up to \$600,000. The City must be the applicant.



Childcare Study

Grant financing is minimally addressed in the comprehensive plan, as it is often challenging for rural communities to pursue such opportunities.

Smaller communities do not have the staff expertise or time to remain updated with the offerings provided by federal and state agencies. Organizations like ECICOG and the BDG have provided support in the past, and can continue to do so when opportunities arise.

One area of note in the economic development roundtable was the limited childcare options in the community. This is a factor impacting the entire region. The State of Iowa has identified it as an immediate concern, and is offering a Rural Child Care Market Study Grant to identify childcare gaps in a community or county. The study provides an analysis of childcare needs, supply, and gap. Parameters of the State's program are indicated below:

- Applicants must demonstrate the capacity for grants administration
- Applicants must identify and describe other sources of funding for proposed activities
- Applicants must provide a \$5,000 cash match
- Applicants must contract with First Children's Finance for the study and strategic goal formation
- A Child Care Steering Committee must be formed
- Eligible partners include city/county governments, non-profits, and public/private schools
- The funding period is January 2022 through June 2023.

Grants / Funding

Rural Childcare Market Study Program

The IEDA Rural Child Care Market Study Grant program seeks to provide rural communities with the means to determine specific childcare needs and solutions in their area. In partnership with First Children's Finance, funding from the program will empower communities to assess their current child care market environment and develop strategies. The study must take place in and benefit an Iowan community of 20,000 or fewer and not contiguous to a city of 40,000 or greater.



The City posed questions relating to the City's Tax Increment Financing and Urban Renewal Area. These legal questions were answered by attorney Kevin Olson, included as an attachment to this report. Below are some of the questions and answers.

Is our current Urban Renewal ordinance (Chapter 9) outdated by not containing the 2016 amendment and would ECICOG be able to provide recommended revisions?

Legal Counsel indicates Chapter 9 is current.

Is there anything else in Chapter 9 that should be updated?

Legal Counsel does not believe any updates are required at this time.

Do we have our Urban Renewal area, TIF districts, Urban Renewal plan and TIF plan properly established and documented?

Legal Counsel indicates all are properly established and current.

Is our current TIF based upon economic development or "slum and blight" and does it need to be renewed?

Legal Counsel notes that because the Urban Renewal and Tax Increment Finance Districts were established prior to 1995, no sunset provisions exist to terminate them. They exist in perpetuity until there is no debt to pay within the Urban Renewal Area.

It looks like a large share of the community is included in our current urban renewal area and should this be modified to increase revenue going to our general fund?

By modifying current TIF ordinances, the City may impact the payoff parameters needed to pay debt on the projects currently being expended. The Urban Renewal Area could be modified via an amendment to include new potential projects like the property improvement recommendation noted above. Use of abatements/exemptions require amendments to the Urban Renewal Area.

Are there other recommendations to the city regarding these aspects of city finance and preparedness for development opportunities?

It is often the case that urban renewal changes occur due to an imminent potential development or in response to goals set within the Comprehensive Plan. At this point ECICOG does not have any recommended actions other than the stated recommendations within the report.

Final Thoughts

Keep Iowa Beautiful-Hometown Pride Program

The Hometown Pride program assigns a community coach to assist community groups and the local government with advising on local projects and initiatives. This program has had success throughout the state, and is very affordable for smaller communities. As Shellsburg looks towards keeping momentum going for both economic and community development, this program may provide a pathway for additional assistance. Basic information about the Hometown Pride Program is attached to this report.

American Rescue Plan Act (ARPA)

Early guidance from the US Department of Treasury had indicated specific uses for these funds. However, in January 2022, the treasury's final ruling on the funds' use broadened considerably - the funds can now be used for general government services. This means all services typically provided by a city or town, such as roads, trails, or branding, would now be eligible expenses for ARPA funds. The Final Rule Overview is attached to this report.

City Council Goal Setting / Capital Improvement Plan

The Comprehensive Plan addresses goals for an extended period but as council changes and community priorities change, it can be useful for the city council to prioritize more immediate initiatives and expenses in an organized way. Goal setting helps the city council do this by developing an inventory of goals and prioritizing their completion within a two-year time frame. Capital improvement plans prioritize significant public investments by the city council with a time horizon of five years. Completing this process can help prioritize goals and creates a process and timeline that can operationalize the desires of the council. The City of Alburnett worked with ECICOG on a City Goals & CIP document, which is attached to this report.

