



To: Mayor and City Council
From: Dylan Mulfinger
Subject: 1 South Frederick Project
Date: 3/24/2025

The project cost \$760,000.

The city would provide \$150,000.

The funding comes from the downtown urban renewal area. The downtown urban renewal area is larger than the traditional downtown area. This area generates taxes which are captured through tax increment financing (TIF) and are used for the Oelwein Downtown Improvement Program. While the city tries to capture \$75,000 each year, the amount varies from year to year. With the city adding sidewalk improvement to the allowed usage of TIF funding, the amount captured will now go toward two projects. The city has \$166,016.29 in current TIF downtown dollars. \$75,000 of the current \$166,016.29 will be used for this year's downtown improvement projects.

This means the city council can allocate \$91,016.29 to the 1 South Frederick project. The city will have to use future downtown improvement program dollars to supplement the rest of the request. This would require \$25,000 in Fiscal Year 2026 and Fiscal Year 2027. This would lower the downtown program annual funding to \$50,000 in Fiscal Year 2026 and Fiscal Year 2027.

The city will receive the following from its investment:

- Saving a downtown building
- Five brand new apartments
- Three updated commercial spaces

The trouble is the current building is rated as good, so even a significant investment would only marginally increase the building's assessed value. The current assessed value is \$129,000. When I spoke with the county assessor's office, they believe the value may only increase to \$189,000. This would mean an additional \$900 annually in property taxes above their current city tax bill of roughly \$1,200. With the payment back of this incentive not being enough to garner the city providing financial support for the project, the city must look at their comprehensive plan.

Funding this renovation would align with the following goals in the city's comprehensive plan:

- Housing
 - Goal 2: Support a range of housing options to retain and continue to attract people at various life stages including young professionals, families, and the aging population.
 - Action Item 1a2: Advocate for state and federal funding programs to support affordable housing initiatives.



- Economic Development
 - Goal 1: Encourage diverse economic opportunities for business development and commerce to support job opportunities and amenities for Oelwein residents and the region.
 - Goal 2: Support strategic economic growth within the Downtown area and provide additional retailers, businesses, and services for the community.
 - Strategy 1a: Focus on revitalization and accessibility of Downtown Oelwein.
- Downtown
 - Strategy 1: Promote, encourage, and support housing opportunities and growth throughout the downtown area.
 - Action Item 1.1 Support the maintenance and expansion of housing downtown.

Should the city council support funding this project, staff will work with Matt Construction to apply for the catalyst grant. The grant is due April 17. The city will learn about the award in June of 2025.

If the city is not awarded, the city will discuss options with Matt Construction. Should Matt Construction not want to pursue the project, the city will work with the current owner on remediation or repair plans for the building. The current owner has previously discussed demolition as the remediation plan.