



Date: August 9, 2011
To: University Heights Mayor & City Council
From: Kent Ralston; Assistant Transportation Planner
Re: Public Comment

Staff recently received the attached correspondence related to the One University Place Planned Unit Development and is providing it for your review. Please note that several of the items date back to June of this year.

Attachments

MEMORANDUM

TO: Steve Ballard

DATE: June 7, 2011

FROM: Pat Bauer

COPY: University Heights Councilors

RE: Development Agreement Should Expressly Recognize Conditions of Reversibility

Understandable Concerns About Conditions of Reversibility

The unusual circumstances involved in council consideration of each required step of Jeff Maxwell's proposed redevelopment of the Saint Andrew site give rise to entirely appropriate concerns about "conditions of reversibility." The rezoning request was submitted last summer as a council vacancy was being filled by an appointment that was overturned by the voters in last January's special election, and final action on the request occurred at the last council meeting before the special election in the face of a community survey reflecting a majority of respondents in agreement with opposition to the rezoning request expressed by numerous citizens at all prior meetings. While a provision of his contract with the church provided some debatable justification for the timing of approval of Mr. Maxwell's rezoning request, his publicly stated desire to secure council approval of his PUD Application by November 1 seemingly reflects little more than a concern that the outcome of the January special election may be matched by the results of the election of councilors that will occur this fall.

The extent to which land use decisions can be "locked in" is governed by legal principles that balance the reliance interests of property owners with the regulatory authority of elected officials. As the owners of surrounding homes have been dismayed to learn, the permissible uses of the Saint Andrew site could be "upzoned" over their objections by the vote of four councilors. If and when a change in councilors were to occur, however, the obvious issue is whether permissible uses of the Saint Andrew site could be "downzoned" over the objection of its owner.

The "reversibility" of land use decisions ordinarily may be limited when all required steps have occurred in a normal sequence where necessary approvals are followed closely in time by the commencement of substantial construction activities. From its outset, however, the process of considering Mr. Maxwell's project has involved the exceptional circumstances of approvals of required steps potentially quite far in advance of the possibility of the commencement of any substantial construction activities. In an appropriate reflection of this circumstance, until now explicit provisions have appropriately recognized the City's ability to exercise its governmental authority in light of changed circumstances that could include both the changed views of current councilors or the changed identities of subsequent councilors. The suggestion that such provisions are somehow unusual merely reflects the unusual situation created by preemptive approval of steps authorizing a highly controversial project where construction probably cannot be commenced before voters have been able to express their support for alternatives that may engender some broader degree of public support.

Prior Recognitions of Conditions of Reversibility

Conditions of reversibility were expressly recognized in Part III of Ordinance No. 180:

PART III. REVIEW OF ZONING CHANGE – AUTHORITY TO AMEND, MODIFY, OR REVERSE

If upon the sixth anniversary of the effective date of this Ordinance, the real estate in the Multiple-Family Commercial Zone is not already being used or developed as a Multiple-Family Commercial PUD or if there is neither (i) a documented plan of the then owner or owners of such real estate to use or develop such real estate for other permitted Multiple-Family Commercial Zone purposes within the subsequent three years, or (ii) a written agreement of any then owner of such real estate to sell it to others intending to develop or use such real estate within the subsequent three years for other permitted Multiple-Family Commercial Zone purposes, then the City Council (with any requested and permitted input from the Zoning Commission) shall review the City’s Comprehensive Plan then in effect and other relevant facts and circumstances at such time affecting such real estate to determine if the Multiple-Family Commercial Zone classification (a) remains appropriate, or (b) should be then modified in accordance with applicable state laws and City ordinances. **Nothing in this provision is intended nor should be construed as a limitation of any other responsibility or authority the Zoning Commission and/or City Council has under state law and City ordinances, including the authority, subject to state law and City ordinances, including but not limited to the authority to earlier or later conduct such a review and possible modification to the zoning classification.**

Ordinance No. 180, Part III (emphasis added).

In a written legal report last September, City Attorney Ballard provided the following explanation of the purpose and effect of the emphasized sentence:

- The last sentence of the proposed ordinance clarifies that, at any point before the called-for review (in 6 years), the Council may reconsider the zoning, as provided by Iowa law.
 - If the Council adopts the proposed ordinance this year, the question remains whether a future Council (say, in January 2012) can change the zoning back to R-1 or to some other designation.
 - The answer is “it depends” – mostly, it depends upon whether a property owner has acquired a “vested right” in the Multiple-Family Commercial zoning.
 - To determine whether a vested right has been acquired, Iowa courts ask whether the property owner has made “substantial expenditures” in reliance on the zoning.
 - So the courts would look at what occurred from the time the Multiple-Family Commercial zoning was adopted until it was changed again.
 - Expenditures made before final adoption of the zoning do not count because they weren’t made in reliance on the zoning change...it hadn’t yet occurred.

- Some cases say that the expenditures must be in the form of actual construction – preparatory items like fees for things like engineers, architects, lawyers, and financing may not count.
- Iowa cases focus on expenditures by the property owner. There is no clear answer whether expenditures by one who is not an owner (for example, Mr. Maxwell) may acquire a vested right in a particular zoning classification.
 - Generally, based upon the current information available, I would say that if the Council adopts the proposed change now and wants to change the zoning back before closing on sale of the property, the Council probably is in a fairly strong position to do so. That conclusion will be impacted, of course, by other factors that may appear between now and then.
 - If closing on the property sale occurs, I think the Council’s ability to change the zoning back will be less clear. Presumably, if a further change were to occur, the purchaser of the property would at least challenge a change.
- If a future Council desired to change zoning and a court concluded the property owner did have a vested right, then the City would be required to pay just compensation for the property rights “taken” from the owner. Presumably that would be measured as the difference in property value with the Multiple-Family Commercial zoning and the value of the same property with the proposed change in zoning.
- I would not advise the Council to change the zoning as proposed now with the notion that it could always be changed back. That notion may not be accurate, and the City might at a minimum have a substantial tangle on its hands to make a further change.

September 2010 UH City Attorney’s Legal Report.

This past March, City Attorney Ballard indicated that such conditions of reversibility probably would not be substantially altered by council approval of Mr. Maxwell’s PUD Application:

Pat Bauer: I asked Steve a question by e-mail earlier last week and I don't know if Steve is prepared to respond to it now, but my question is, is last fall – in September – Steve advised the council that based on current information, if the council adopts the proposed change now and wants to change the zoning back before closing on the sale of the property – before the church decides to sell – the council probably is in a fairly strong position to do so. But he then said that that could change and the question I posed in the e-mail is would the approval a PUD and a TIF change that, would that make it more locked in and more irreversible

Steve Ballard: I did look at that issue and that question and my answer is a qualified no, I don't think it changes. Iowa case law is clear in a couple of respects in my mind, and I've said this before and it bears mentioning again. The first is that it's all focused on the property owner in terms of having a vested interest which would then preclude possibly a city council from reversing course or changing a zoning designation. The focus is on the property owner, so as I said – I can't remember if it was in that particular report, but I think I've said a couple

of times – to me a real big factor as the council looks at whether it might be able to change back or change again the zoning ordinance is whether a property owner has some sort of vested interest. None of the case law talks about anybody except an owner. So that's significant to me because at present Saint Andrew Presbyterian Church – or whatever their entity is – owns that property.

The second factor that the case law talks a lot about and significant to me in this situation is the expenditure of funds building. It's all focused on building. There is specific case authority that talks about spending on things like getting a financing package together or your architect or your engineers – all of them things which can be substantial and I think were in that case – but the court said that that doesn't count – those are all preliminary to putting a spade in the ground and actually building something. Now you and I, Jerry and some others, know well that the court's going to decide the case that's in front of it, so I don't know if a court presented with the issue of well we've spent spend a lot of money on these other things and didn't put a spade in the ground, does that count? But all of the cases focus on building, construction and reliance in that fashion.

Now having said all of that, I guess my qualification is to say that if a court is going to be impressed, so to speak – moved, persuaded by the notion that an applicant or an owner has spent – has committed resources – spent money to get ready to build, my sense is that the court's going to be more persuaded and impressed if it's more money and to the extent that the council moves down the path of adopting a PUD or a TIF and that results in expenditures of funds, I can see a court taking a look at that. But nothing in case authority or the statute that I've seen leads me to say that if you adopt a PUD then a developer or owner is going to be able to claim more of a vested right. The other thing I would say about that is that all of the discussion and focus in the cases concerns the zoning change, not designation as an urban renewal district or a PUD consideration. It's the zoning that's the focus. I don't think it will change, but it could.

Transcription from Videorecording of March 8, 2011 University Heights City Council Meeting.

The Development Agreement Should Expressly Recognize Conditions of Reversibility

As shown in the prior section, including an explicit recognition of conditions of reversibility in the Development Agreement will merely confirm an understanding that has prevailed since the beginning of this process. Indeed, any effort towards a contrary effect (e.g., use of language that might support contentions that the Development Agreement itself somehow affords an additional obstacle to any subsequent lawful exercise of the City's authority to enact zoning changes) would constitute a direct repudiation of a fundamental supposition of all significant steps taken to date.

While it certainly would not excuse the political bad faith inherent in any effort in that direction, an attempt to contractually constrain conditions of reversibility also would probably be legally ineffective. See Marco Development Corp. v. City of Cedar Falls, 473 N.W.2d 41 (Iowa 1991). The facts of the case seem not all that different from those that might happen here:

... Marco Development Corporation and the City of Cedar Falls signed an "Agreement for Site Plan Approval" which ... obligated the City to widen a street adjacent to Marco's

proposed Thunder Ridge Mall. After the execution of the contract, the City elected a new mayor. The City's participation in the Thunder Ridge Mall project, which had been an issue in the mayoral campaign, was terminated. Marco sued the City for breach of contract

...

... [T]he City's proposed involvement in the mall was controversial from the beginning. The City counsel [sic] approved, and the mayor signed, the agreement over the objections of the City staff and the local planning and zoning commission. The mall project became a political issue, and the mayor who signed the agreement was defeated by a candidate who openly opposed the City's involvement in the project.

The Iowa Supreme Court held that the purported contract was “ultra vires” (i.e., beyond the scope of power authorized by law) and thus void as an impermissible restriction on the city’s governmental powers:

A city may not contract for the performance of its governmental, as opposed to its proprietary, functions.

A municipal corporation may, by contract, curtail its right to exercise functions of a business or proprietary nature, but, in the absence of express authority from the legislature, such a corporation cannot surrender or contract away its governmental functions and powers, and any attempt to barter or surrender them is invalid. Accordingly, a municipal corporation cannot, by contract, ordinance, or other means, surrender or curtail its legislative powers and duties, its police power, or its administrative authority.

62 C.J.S. Municipal Corporations § 139, at 281-82 (1949).

...

One who contracts with a city is bound at his peril to know the authority of the officers with whom he deals, and a contract unlawful for lack of authority, although entered in good faith, creates no liability on the part of the city

...

In this case, the City was not involved in an entrepreneurial activity or joint enterprise which might arguably be a proprietary, or even a hybrid, function. Its proposed street widening was clearly a legislative function ... and the City was not free to bind itself by contract in the exercise of its legislative functions.

In rejecting Marco Development’s argument that the contract was authorized by the city’s constitutional municipal “home rule” powers, the Iowa Supreme Court invoked a fundamental principle that constitutes an inherent limitation upon the prospective effects of legislative actions:

The City responds that the home rule amendment may not be applied so broadly; authority to bind successive legislative bodies could not be granted by the legislature, which itself is prohibited from doing so. See *Board of Educ. v. Bremen Township Rural Indep. School Dist.*, 260 Iowa 400, 408, 148 N.W.2d 419, 424 (1967) (“No citation of authority is needed for the proposition that one legislature cannot bind future legislatures upon ... policy matters.... The same rule applies to boards or other groups properly delegated legislative authority.”).

We believe that the same limitation must be recognized as to the legislature's authority to grant to a city, through home rule, the power to contract for the exercise of its governmental or legislative authority. Even if the legislature were capable of doing so, which we doubt, we do not believe it did so here. The home rule amendment conveys power for home rule "not inconsistent with the laws of the general assembly." Allowing a city to contract away its governmental authority, we believe, would cross that line.

We conclude that the district court properly found the contract to be ultra vires and void

Although it might be legally ineffective, including any potentially unlawful contractual "lock in" provisions in the Development Agreement could significantly increase costs the City might have to incur down the line to vindicate an appropriate zoning authority subsequently exercised by later councilors. While some of those costs might be attributable to the resulting need for adjudication of the unenforceability of an unlawful lock-in provision, the absence of an express recognition of conditions of reversibility could easily give rise to a number of other complicated legal issues necessitating expenditures of both money and time easily saved by the inclusion of contractual provisions which affirmatively restate the reach and scope of the City's regulatory authority. See City of City Rapids v. McConnell-Stevely-Anderson Architects and Planners, P.C., 423 N.W.2d 17 (Iowa 1988) (property owner estopped from challenging validity of restrictions contained in zoning change ordinance it had requested and accepted in writing).

Conclusion

The impulse to insulate controversial land use decisions from subsequent reversal may be understandable, but Iowa law clearly limits the ability of current councilors to form contracts that impermissibly restrict the zoning authority properly exercised by later councilors. As previously noted, the possibility of lawful subsequent reversal is considerably greater in this instance because of the conjunction of required approvals being sought well in advance of likelihood of actual construction and insistence on pressing forward with project dimensions that are not broadly supported by the residents of our community. Absent a change in one of these circumstances, express recognition of conditions of reversibility in the Development Agreement would seem both legally and politically prudent.

QUESTIONS & CONCERNS ABOUT MAXWELL TIF PROPOSAL

	MAXWELL TIF PROPOSAL	QUESTIONS/CONCERNS
1	<p>“From the start of this project it has been consistently represented to the Mayor and the Council that TIF support is material to the feasibility of the project.” <i>[first page]</i></p>	<p>“Material” is an imprecise word choice capable of indicating that TIF support is not “essential” or “necessary” (i.e., the project will go forward even if the TIF application is either (i) not approved or (ii) approved only in an amount less than is being sought).</p> <p>While Kevin Monson stated at the June City Council meeting that “[w]ithout the TIF, the project does not proceed,” it still needs to be determined whether the developer’s position is (i) TIF support in the requested amount is necessary for the project to proceed in accordance with the provisions of the current PUD application or (ii) that any reduction in or denial of TIF financing will necessitate some sort of “stripped-down” project involving material departures from (and thus requiring significant changes in) the current PUD application.</p>
2	<p>“TIF assistance to help defray the developer’s project costs will be through reimbursement from the City of incremental tax revenue collected from the project (tax rebate).” <i>[component 2]</i></p>	<p>Apart from the TIF payments themselves, will the City be responsible for any costs incidental to the development or is Maxwell going to handle all elements the project may require (e.g., street reconstruction, storm sewers, sidewalks, etc.)?</p> <p>At the June City Council meeting the developer seemed to indicate that the City would not be responsible for any costs, but that circumstance will have to be both carefully documented and supported by an effective enforcement mechanism (e.g., offset of any costs to City against amounts payable to the developer).</p>

	MAXWELL TIF PROPOSAL	QUESTIONS/CONCERNS
3	<p>“The maximum reimbursement requested over the life of the TIF agreement is \$8,000,000. (\$8,500,000 if including the Additional Proposal set out below in Section 11.)”</p> <p><i>[component 3]</i></p>	<p>What is the basis on which these numbers were formulated? Will detailed calculations be provided to demonstrate financial necessity or is this simply an amount Maxwell would like to receive (or has some reason to believe councilors will approve)?</p> <p><i>(Comment: the developer previously has used “high/low” bargaining tactics (e.g., nine stories dropped to six) as “proof” of his “responsiveness” to citizen concerns and his willingness to “compromise”.)</i></p> <p>How many years will likely be required to pay these amounts under each of the two possibilities being proposed (see below, item 8 (80% of incremental taxes) & 9 (100% of incremental taxes)? Also, the net present value of incremental taxes received by the city under each possibility should be compared to the incremental taxes the city would receive under an R-1 Residential development that did not entail any TIF financing.</p>

	MAXWELL TIF PROPOSAL	QUESTIONS/CONCERNS
4	<p>“The incremental taxes collected from the remaining residential condominium units located within the north building will be designated to fund (i) the remainder of the TIF commitment for reimbursement of some of the developers costs associated with the residential portion of the project plus (ii) the low and moderate income housing set aside fund as required by Iowa statute.” [component 4]</p>	<p>Component 6 states the LMI set aside “is in addition to the requested reimbursement to the Developer, but each is funded proportionately as the incremental taxes are distributed.” The amount of LMI indicated at the June City Council meeting (\$800K) needs to be incorporated into both (1) the “true total cost” of TIF (i.e., \$8.5M + \$800K = \$9.3M) and (2) the number of years likely required to fund such total amount.</p> <p>Also probably should confirm that “some of the developer’s costs associated with the residential portion of the project” being reimbursed by TIF payments will be permissible costs for “public improvements related to housing and residential development”.</p>
5	<p>“The on-site development activity will commence after the developer of the One University Place project acquires possession and ownership of the St. Andrew Church portion of the property.” [component 7]</p>	<p>Does “possession and ownership” mean once the church has completed a move out to Camp Cardinal Road, or is something earlier possible (i.e., developer acquires ownership before then, but leases possession to church until then)?</p>
6	<p>“It is proposed that the base property taxes for measuring incremental increases for all parcels included in the project be based on the assessed values and actual uses of the respective properties immediately preceding the date of transfer of possession and ownership of the St. Andrew property to the developer.” [component 7]</p>	<p>Does this mean the “base” is zero for the parcels presently owned by the church (versus the assessed value of those parcels in their present use upon ownership passing to a taxable entity (essentially the reverse of what occurred upon the University’s purchase of the Athletic Club))?</p>

	MAXWELL TIF PROPOSAL	QUESTIONS/CONCERNS
7	<p>“The schedule of tax increment rebates/reimbursements for each building would begin with <u>the first fiscal year taxes are payable based on the full assessment of the substantially completed building.</u>” [component 7]</p>	<p>Exactly how long after "substantial completion" of a building would taxes be so payable?</p>
8	<p>“It is requested the TIF agreement provide that <u>80% of the incremental property taxes</u> collected from the portion of the project allocable to commercial costs be reimbursed to the developer for the statutory period of twenty (20) years, subject to soon reaching the reimbursement cap for such commercial costs.” [component 8]</p>	<p>Slides shown at the June City Council meeting indicate that the remaining 20% of incremental taxes would be allocated between all taxing authorities (e.g., school district and county).</p> <p>It should be confirmed that this provision places upon the developer the entire risk of non-payment if 80% of the incremental taxes over the course of the statutory period is not sufficient to reimburse the portion of the project allocable to commercial costs.</p>
9	<p>“The 80% allocation to developer reimbursements is based upon a <u>favorable resolution of the debt limit issue</u> addressed in the Debt Ceiling section below. Otherwise, if that issue is not satisfactorily resolved, then the request will be for <u>100% of the incremental tax to be applied</u> until the reimbursements have been fully satisfied or the reimbursement time frames have sooner expired.” [comment 8]</p>	<p>In the event of a “favorable resolution” of the debt limit issue, how will the limitation of the City’s available borrowing authority compare to the “exhaustion of 75% of debt limit” the other possibility involves (see item 15).</p> <p>To the extent the City is foreclosed from other use of its borrowing authority, at what point in time will such effect occur (i.e., from the time of the adoption of the TIF ordinance (like a gas station/hotel “hold” on a credit or debit card) v. if and when building is completed/reimbursement commences)?</p>

	MAXWELL TIF PROPOSAL	QUESTIONS/CONCERNS
10	<p>“The developer requests, to the extent permitted by Iowa law, that the City agree for each building of the project to abate real estate taxes on all units within such building <u>during the two year period commencing with the start of its construction.</u>”</p> <p><i>[component 10]</i></p>	<p>How much does this extend/otherwise affect (i) the total amount of foregone taxes and (ii) the length of the period of time in which the City will not be receiving the full amount of all incremental taxes?</p>
11	<p>“As an additional proposal, the developer would agree to offer a subsidized rental arrangement for a prospective commercial tenant agreeing to operate a neighborhood market/deli in the commercial space within the project. If the City desires such a commitment, <u>developer will use its best efforts to secure an appropriate tenant, and to the extent developer is successful in securing such a tenant the amount of the reimbursement to the developer under the TIF agreement would be increased from \$8,000,000 to \$8,500,000</u>, with all other terms remaining the same. The subsidized rental arrangement would directly allocate the benefit of the additional \$500,000 reimbursement towards the preferred Tenant's occupancy by offsetting the expense of fixturing, rental and/or other occupancy costs.”</p> <p><i>[comment 11]</i></p>	<p>For how long of a period would the operation of a neighborhood market/deli be assured, and would there be a provision for a "claw back" of some portion of this \$500,000 if the tenant were to cease operations before then (as happened with the original operator of a grocery store in Plaza Towers)?</p>

	MAXWELL TIF PROPOSAL	QUESTIONS/CONCERNS
12	<p>“A commitment of the City to implementing the proposed TIF plan will permit the developer to convey to the City 4,000 sq. ft. of project commercial space constructed to a “white envelope” level of finish. The use of this City space will be restricted to municipal offices and/or other municipal use, which could include City offices, Council chambers, one or more community meeting rooms, or other possible City managed public/community uses that are reasonably compatible with the commercial uses permitted in the approved PUD Plan for the project. The property would be deeded to the City subject to a reversionary interest should the City ever stop using the property for municipal purposes. The City, whether a tenant or owner, would need to abide by the condominium declaration and bear the costs of occupying the space including, but not limited to, fixturing, condominium assessments, utilities, repairs, maintenance, replacements, and insurance.”</p> <p style="text-align: right;"><i>[comment 12]</i></p>	<p>What would be the fair market value of the space conveyed to the city?</p> <p>What would it cost the City to (i) "build out" and (ii) operate such space (and how would such costs be paid) ?</p> <p>If ownership of the space were to revert to the developer, would the City receive any proportional rebate of its fair market value?</p>
13	<p>“The developer understands that the City’s commitment to provide TIF reimbursement to the developer will be subject to the City’s allowable debt ceiling, which because of the City’s small tax base is currently less than the reimbursement requested.”</p> <p style="text-align: right;"><i>[comment 13]</i></p>	<p>At the June City Council meeting it was stated that the TIF increment would increase the City’s allowable debt ceiling at the outset of the reimbursement period. Would this increase in debt limit be reserved for the City or instead be incorporated into the amounts pledged to the developer?</p>
14	<p>“The developer requests that the City inquire with Johnson County as to a willingness to enter into a joint TIF agreement whereby the City could utilize a portion of the County’s allowable debt ceiling to fully commit the requested reimbursement to the Developer.”</p> <p style="text-align: right;"><i>[comment 13]</i></p>	<p>Given the critical views some supervisors have expressed about TIF financing, is a joint TIF agreement with Johnson County a realistic possibility?</p>

	MAXWELL TIF PROPOSAL	QUESTIONS/CONCERNS
15	<p>“If the County does not participate in a joint arrangement with the City, the developer’s request is modified as follows: “(i) The developer requests that the City initially commit an amount equal to <u>75% of its allowable debt ceiling</u>, and that on an annual basis thereafter the City reaffirm its obligation under the TIF plan to an amount equal to 75% of the City’s then allowable debt ceiling, until such time as the full reimbursement commitment (\$8,000,000 or \$8,500,000) has been paid or the reimbursement time frames have sooner expired. “(ii) Rather than reimbursing the developer 80% of the incremental property taxes collected from the project, <u>the reimbursement would be 100% of the incremental taxes</u> collected until the reaching the maximum reimbursement cap.”</p> <p style="text-align: right;"><i>[comment 13]</i></p>	<p>How much of its borrowing capacity would the City retain in the event of a joint arrangement with the County?</p> <p>Once again, would the City’s foreclosure from other use of its borrowing authority be effective from the time of the adoption of the TIF ordinance (like a gas station/hotel "hold" on a credit or debit card) or only if and when building is completed and/or reimbursement commences?</p>

MEMORANDUM

TO: University Heights City Councilors

DATE: July 13, 2011

FROM: Pat Bauer

RE: Supplement to July 10 Memorandum on Financial Issues Presented by OUP TIF Request

Attached are copies of the three pages I delivered to at last night's council meeting.

As explained then, they correct and augment points qualifying the claim about the "success" of Plaza Towers based on early repayment of TIF bonds set forth on page 6 (Part IV) of my earlier memorandum of July 10, 2011 ("Financial Issues Presented by OUP TIF Request").

The first page simply provides further detail of the "exceedingly cautious" nature of the originally specified bond repayment schedule. In graphical and financial form, however, the second and third pages show that the funds segregated for use in retiring the Plaza Tower TIF bonds when they eventually become callable were derived from a TIF increment on a large portion of Iowa City's central business district extending far beyond both Plaza Towers' physical footprint (approximated by red rectangle on second sheet) and its fiscal impact (overall taxable increment almost four times greater than Plaza Towers' current taxable value).

As always, please get back to me if you have questions about either the accuracy or the implications of this information.

\$7,305,000 General Obligation Bonds, Taxable Series 2004

City of Iowa City, Iowa
Final Based on Bid From RBC Dain Rauscher
Moody's "Aaa"

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	FISCAL TOTAL
3/09/2004	-	-	-	-	-
12/01/2004	-	-	265,764.38	265,764.38	-
6/01/2005	-	-	177,176.25	177,176.25	442,940.63
12/01/2005	-	-	177,176.25	177,176.25	-
6/01/2006	-	-	177,176.25	177,176.25	354,352.50
12/01/2006	-	-	177,176.25	177,176.25	-
6/01/2007	-	-	177,176.25	177,176.25	354,352.50
12/01/2007	-	-	177,176.25	177,176.25	-
6/01/2008	315,000.00	4.000%	177,176.25	492,176.25	669,352.50
12/01/2008	-	-	170,876.25	170,876.25	-
6/01/2009	330,000.00	4.000%	170,876.25	500,876.25	671,752.50
12/01/2009	-	-	164,276.25	164,276.25	-
6/01/2010	340,000.00	4.000%	164,276.25	504,276.25	668,552.50
12/01/2010	-	-	157,476.25	157,476.25	-
6/01/2011	355,000.00	4.500%	157,476.25	512,476.25	669,952.50
12/01/2011	-	-	149,488.75	149,488.75	-
6/01/2012	370,000.00	4.750%	149,488.75	519,488.75	668,977.50
12/01/2012	-	-	140,701.25	140,701.25	-
6/01/2013	385,000.00	4.750%	140,701.25	525,701.25	666,402.50
12/01/2013	-	-	131,557.50	131,557.50	-
6/01/2014	405,000.00	4.750%	131,557.50	536,557.50	668,115.00
12/01/2014	-	-	121,938.75	121,938.75	-
6/01/2015	425,000.00	4.750%	121,938.75	546,938.75	668,877.50
12/01/2015	-	-	111,845.00	111,845.00	-
6/01/2016	450,000.00	4.800%	111,845.00	561,845.00	673,690.00
12/01/2016	-	-	101,045.00	101,045.00	-
6/01/2017	475,000.00	4.875%	101,045.00	576,045.00	677,090.00
12/01/2017	-	-	89,466.88	89,466.88	-
6/01/2018	500,000.00	4.900%	89,466.88	589,466.88	678,933.76
12/01/2018	-	-	77,216.88	77,216.88	-
6/01/2019	525,000.00	5.000%	77,216.88	602,216.88	679,433.76
12/01/2019	-	-	64,091.88	64,091.88	-
6/01/2020	555,000.00	5.125%	64,091.88	619,091.88	683,183.76
12/01/2020	-	-	49,870.00	49,870.00	-
6/01/2021	590,000.00	5.250%	49,870.00	639,870.00	689,740.00
12/01/2021	-	-	34,382.50	34,382.50	-
6/01/2022	625,000.00	5.300%	34,382.50	659,382.50	693,765.00
12/01/2022	-	-	17,820.00	17,820.00	-
6/01/2023	660,000.00	5.400%	17,820.00	677,820.00	695,640.00
Total	7,305,000.00	-	4,670,104.41	11,975,104.41	-

YIELD STATISTICS

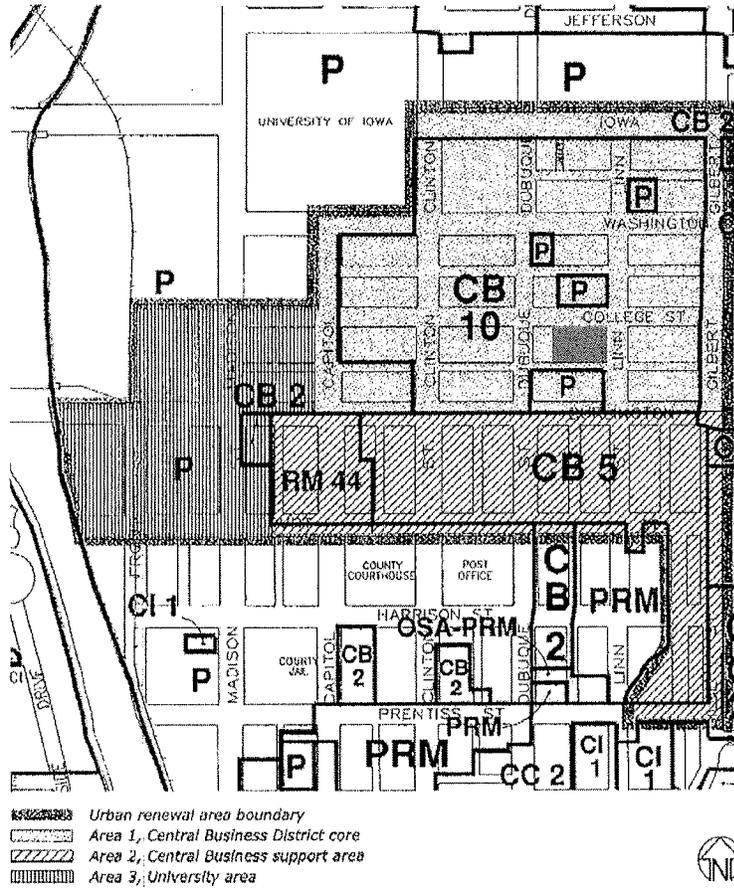
Accrued Interest from 03/01/2004 to 03/09/2004.....	7,874.50
Bond Year Dollars.....	\$93,561.25
Average Life.....	12.808 Years
Average Coupon.....	4.9914942%
Net Interest Cost (NIC).....	5.0539560%
True Interest Cost (TIC).....	5.0469531%
Bond Yield for Arbitrage Purposes.....	4.9688176%
All Inclusive Cost (AIC).....	5.1380883%
IRS FORM 8038	
Net Interest Cost.....	5.0193325%
Weighted Average Maturity.....	12.744 Years

EXHIBIT A

MAP OF URBAN RENEWAL AREA

Addendum No. 2

City-University Project Urban Renewal Project Area Map



000693

Fiscal Year	Valuation as of	Taxes Collected	State Base #	State Incr #	New TIF #	New Base #	Description	Taxable Increment	TOTAL
FY05	Jan. 1, 2003	2004-2005	n/a	235	ICIE	ICI	Iowa City City Univ. UR Proj.	\$358,966	\$10,800
FY05	Jan. 1, 2003	2004-2005	na/a	238	ICIE1	ICI	Iowa City City Univ. UR Proj.	\$1,874,865	\$56,403
FY06	Jan. 1, 2004	2005-2006	234	235	ICIE	ICI	Iowa City City Univ. UR Proj.	\$259,920	\$8,186
FY06	Jan. 1, 2004	2005-2006	237	238	ICIE1	ICI	Iowa City City Univ. UR Proj.	\$9,931,710	\$8,186
FY07	Jan. 1, 2005	2006-2007	234	235	ICIE	ICI	Iowa City City Univ. UR Proj.	\$45,275,211	\$312,777
FY08	Jan. 1, 2006	2007-2008	234	235	ICIE	ICI	Iowa City City Univ. UR Proj.	\$58,863,320	\$1,899,048
FY09	Jan. 1, 2007	2008-2009	234	235	ICIE	ICI	Iowa City City Univ. UR Proj.	\$81,706,430	\$2,716,499
FY10	Jan. 1, 2008	2009-2010	234	235	ICIE	ICI	Iowa City City Univ. UR Proj.	\$86,425,080	\$2,857,536
FY11	Jan. 1, 2009	2010-2011	234	235	ICIE	ICI	Iowa City City Univ. UR Proj.	\$0	
TOTAL								\$7,869,434	

SOURCE: Tax Increment Financing Information Sheets < <http://www.johnson-county.com/auditor/re/re.htm> >

MEMORANDUM

TO: University Heights City Councilors

DATE: July 10, 2011

FROM: Pat Bauer

RE: Financial Issues Presented by OUP TIF Request

GENERAL INTRODUCTION

An \$8M-9.3M TIF application should be supported by reliable information that is fully provided in a timely manner. To date, however, Jeff Maxwell's OUP TIF application¹ has not been so supported.

Jeff Maxwell's response to a citizen's inquiry about the availability of "detailed calculations ... to demonstrate financial necessity" was that the financial model for the project had been created pursuant to a contractual arrangement with a financial advisor which specifies that the model "can only be used by the Developer and cannot be disclosed to any third party, including the City Council."² In a similar vein, Jeff Maxwell's response to a councilor's request that written financial information be submitted prior to the beginning of council meetings was that doing so was not desirable because such information could be misunderstood in the absence of accompanying oral explanations.³

In terms of reliability, the skimpy financial information presented "on the fly" at two prior council meetings⁴ is in one instance fundamentally incorrect and in other instances is misleading because of circumstances it fails to address. I believe these characterizations of that information are adequately substantiated by following portions of this memorandum, but hasten to add that my analysis is limited to that which a financially untrained citizen was able to produce with nothing more than internet access and an Excel spreadsheet. In an effort to make my calculations fully transparent, I'm providing "chapter and verse" footnotes to sources of utilized information and material mathematical assumptions.

With the advantages of additional time and further inquiry, I have identified some important considerations highly relevant to a decision that could involve as much as a full rebate of all property taxes for a decade or more. Without such additional time and further inquiry, however, I do not believe such considerations could realistically have been readily identified by councilors receiving wrong or incomplete financial information for the first time in the unsettled circumstances of a public meeting.

1. The written materials submitted to date in support of Jeff Maxwell's TIF proposal are listed on Appendix Page A1.

2. Appendix Page A1, Document D @ p. 1.

3. Videorecording of University Heights City Council TIF Work Session of June 28, 2011.

4. Appendix Page A1, Documents B & C.

With members of Mr. Maxwell’s design team perhaps working either actually or effectively “on commission,” it would be foolish for the City Council to forego the mechanism envisioned by the amendment of its agreement with Mr. Maxwell to include reimbursement of the services of an independent financial consultant. As indicated in a prior memorandum, such a consultant must either have or obtain real estate construction and development expertise necessary to a critical assessment of what would otherwise be little more than an exercise in “pro forma” calculations. In view of the circumstance that lasting first impressions can be formed by information initially presented during council meetings, attendance at such meetings probably should be included within the scope of professional services the independent financial consultant should be asked to provide to the City Council during its consideration of both Mr. Maxwell’s PUD application and his request for TIF assistance.

PART I - MR. MAXWELL’S CENTRAL COMPARISON
USES TAXABLE VALUE FOR PLAZA TOWERS AND ASSESSED VALUE FOR OUP

As mirrored in newspaper coverage of council’s June 28 TIF work session,⁵ the most compelling element of the Maxwell design team’s presentation probably entailed repeated comparisons to Iowa City’s provision of TIF assistance to the Plaza Towers project in a proportionate amount depicted as being almost four times greater than that which University Heights is being asked to provide to Jeff Maxwell’s OUP project:

<i>MAXWELL ORIGINAL</i> ⁶	<u>Plaza Towers</u>	<u>One University Place</u>
Assessed value at completion	\$22,000,000	\$48,600,000
TIF	\$ 6,000,000	\$ 3,730,000
Ratio of TIF to value	27.27%	7.67%

Putting aside a minor discrepancy in the value number used for Plaza Towers⁷ and more substantial concerns about the TIF number used for OUP⁸, this comparison uses an “apple” figure

5. “U. Heights to Continue Talks About TIF,” Iowa City Press-Citizen, June 29, 2011 @ p. A3.

6. Appendix Page A1, Document C @ p. 1.

7. <<http://recorder.johnson-county.com/External/LandRecords/protected/SrchBookPage.aspx>> (Book 3427, Page 653 @ pp. 666-667): “The Redeveloper ... agrees that ... the taxable valuation upon which real estate property taxes are paid with the respect to the Project ... [will not fall] below the amount of \$22,265,000 after taking into consideration any factors such as “roll-backs” which would reduce the taxable value of the property as of January 1, 2006”

8. As discussed more fully in Part IV of this memorandum, the specification of \$3.73M as the present value of provided TIF assistance includes an offset of \$1.77M representing the present costs of offsite improvements (projected to be \$850,000) and 4,000 square feet of commercial space to be transferred to the City for use as city offices and a community center (\$920,000), and also does not include the net present value of \$800,000 of tax rebate payments made to University Heights for required provision of low and

of “taxable value” for Plaza Towers and an “orange” figure of “assessed value” for OUP. A more accurate comparison using the taxable value of \$25M for OUP provided in a PowerPoint slide projected at council’s June 14 regular meeting⁹ and the contractually stipulated minimum taxable value upon completion for Plaza Towers would have produced the following percentages:

<i>BAUER REVISION 1</i>	Plaza Towers	One University Place
Taxable value at completion	\$22,265,000	\$25,000,000
TIF	\$ 6,000,000	\$ 3,730,000
Ratio of TIF to value	26.95%	14.92%

While a comparison of TIF support to taxable values provides a plausible measure of public cost to public benefit, current uncertainties in the future course of both commercial and residential roll-back adjustments possibly may make more relevant a comparison of TIF support to assessed values. Although I was unable to locate information about the actual assessed value of Plaza Towers upon completion, the general equivalency of the contractually stipulated minimum taxable value to Plaza Towers’ actual 2010 taxable value¹⁰ indicates that the corresponding actual assessed value for 2010 may constitute a decent proxy for the actual assessed value of Plaza Towers circa January 1, 2006:

<i>BAUER REVISION 2</i>	Plaza Towers	One University Place
Assessed value at completion	\$35,369,280	\$48,600,000
TIF	\$ 6,000,000	\$ 3,730,000
Ratio of TIF to value	16.96%	7.67%

Rather notably (but perhaps not surprisingly), each of these two revisions significantly reduces the proportionate level of Iowa City’s TIF support for Plaza Towers relative to the level of TIF support for OUP being requested from University Heights. The distinction between taxable values and assessed values is a matter of considerable importance, and its confusion underscores the need to subject all provided information to exacting independent scrutiny.

moderate income housing assistance.

9. Appendix Page A1, Document B @ p. 2.

10. Assessed values for 2009 and 2011 and taxable values for 2010 are detailed on Appendix Page A2.

PART II - TIF SUPPORT PROPERLY SHOULD BE MEASURED IN RELATION TO THE COMMERCIAL COMPONENTS OF PLAZA TOWERS AND OUP

Comparisons of TIF support to either the taxable or assessed values of Plaza Towers and OUP overlook considerable differences in both the quality and quantity of their commercial components. Between direct employment and the economic ripple effects of the persons and events they draw to Iowa City, Hotel Vetro and Plaza Towers' other commercial elements more clearly satisfy the "economic development" function TIF is supposed to serve. Because nothing of any similar wide-ranging impact is going to be part of the project Mr. Maxwell is proposing to build, any claim of equivalent "multiplier effects" presumably cannot be viewed as very convincing.

A more readily quantifiable comparison of TIF support to the public revenue implications of the two projects' commercial components involves the initial simplification of the absence of any divergence between taxable values and assessed values under prevailing methods of property taxation. Because of the character of available information, however, calculating the value of the commercial components of each project requires mathematical extrapolations plausibly computed from different starting points.¹¹ Across three such extrapolations, however, the level of TIF support Iowa City provided to Plaza Towers is significantly less than that being requested for OUP from University Heights:

	<u>TIF Support</u>	<u>Commercial Components (Assessed = Taxable)</u>	<u>Ratio of TIF Support to Commercial Components</u>
Plaza Towers (square footage)	\$6,000,000	\$12,508,477	47.97%
Plaza Towers (2009 values)	\$6,000,000	\$ 8,752,372	68.55%
Plaza Towers (2011 values)	\$6,000,000	\$ 7,521,117	79.78%
OUP	\$3,730,000	\$ 4,476,750	83.32%

PART III - MR. MAXWELL'S NUMBERS DO NOT REFLECT THE FULL COST OF REQUESTED TIF SUPPORT AND THE BREAK-EVEN POINTS ARE DECADES OFF

For purposes of analysis, the prior two sections have accepted Mr. Maxwell's contention that the net present value of the tax rebate payments made directly to him should be reduced by \$1.77M to reflect the present costs of offsite improvements (projected to be \$850,000) and 4,000 square feet of commercial space to be transferred to the City for use as city offices and a community center

11. The approaches used in estimating the commercial components of Plaza Towers and OUP are explained on Appendix Page A3.

(\$920,000).¹² Mr. Maxwell's numbers also exclude the net present value of \$800,000 of tax rebate payments required to be made to the City for use in providing presently unspecified forms of low and moderate income housing assistance.¹³

The exclusion of each of these circumstances significantly understates the full cost of the TIF support Mr. Maxwell is requesting. If OUP is not built, there is no need for any offsite improvements, no commercial space will be transferred to the City, and there is no requirement for the provision of any amount of low and moderate income housing assistance. Only in the rather artificial world in which real estate developers attempt to portray incremental tax revenues as "free money" can expenditures for such purposes not be treated as costs that should properly be included in the overall expense involved in providing TIF support.

Depending on the method ultimately used, including these three costs in calculating the overall effect of the diversion of tax revenues from other local governmental purposes has the effect of increasing OUP's net present value cost to either \$6.16M (if Johnson County supports the project) or \$6.5M (if Johnson County does not support the project).¹⁴ On the other side of the ledger, the net present value of tax revenues that local governments will receive under the first method (support by Johnson County) will not equal the net present value of the TIF support provided to the OUP project over an initial period of thirteen years until the full amount of all incremental taxes has been paid for a subsequent period of an additional thirteen years. An even longer "break even" point will hold true under the second method (no support from Johnson County) where the full amount of all incremental taxes is paid in support of the OUP project for an initial period of ten years, with the net present value of the amounts so diverted not being equaled by the net present value of tax revenues paid to local governments until the full amount of all incremental taxes has been paid for a subsequent period of an additional twenty years.

It is important to note that these break-even points decades down the line may never be reached if ownership of all or some substantial parts of the proposed OUP project were to be transferred to one or more nontaxable entities after the diversion of incremental taxes to the developer has ended but before an equivalent amount of incremental taxes have been received by local governmental units. To foreclose this risk, the provision of any TIF support should include a restriction on transfer of ownership along the lines of that imposed as a condition of Iowa City's TIF support to Plaza Towers.¹⁵ The only thing worse than worrying about Saint Andrew being sold to the University of Iowa if OUP does not proceed is OUP being built and then being sold to the University of Iowa soon after the developer has finished receiving TIF payments.

12. Appendix Page A1, Document C @ p. 1.

13. Appendix Page A1, Document B @ p. 2.

14. All statements in this paragraph are supported by calculations in Appendix Page A4.

15. < <http://recorder.johnson-county.com/External/LandRecords/protected/SrchBookPage.aspx> > (Book 3427, Page 653 @ p. 668): "The Redeveloper, or owners of condominium units sold, shall not, prior to the final maturity date of the bonds, notes or other obligations issued by the City to finance its costs of Contribution to the Project, ... cause or voluntarily permit the Property or the Vogel Property... to be owned by any entity having tax exempt status"

PART IV - THE SUCCESS OF PLAZA TOWERS HAS BEEN OVERSTATED

Mr. Maxwell’s design team’s repeated invocations of Plaza Towers were not confined to the details of TIF support analyzed in prior sections of this memorandum. Part of Plaza Towers’ cachet, however, results from it functioning as the finishing touch of a comprehensive plan of urban renewal unfolding over the course of a third of a century. While some local government officials may dream of being part of “another Plaza Towers,” at a minimum such dreams should be checked against the less “sparkling” realities of becalmed projects like Heironymous Square.

In at least two respects, however, favorable invocations of Plaza Towers may not be entirely consistent with available information about how things have actually turned out. The first questionable circumstance involves a suggestion of the existence of some sort of property tax bonanza with mounting assessed values allowing issued municipal bonds to be repaid well ahead of schedule. In point of fact, however, this suggestion conveniently overlooks an interrelated complex of three less rosy realities. First, the Plaza Towers bonds actually were issued for a period almost double the length of ordinary general obligation bonds to provide a comfortable margin of error to ensure the bonds would not require subsidization from other sources of revenue.¹⁶ Second, the bonds were repaid not only from incremental taxes paid upon Plaza Towers but also from incremental taxes paid upon a nearby building (Vogel House) which the developers of Plaza Towers also owned that had a contractually specified taxable valuation of \$3,000,000.¹⁷ Third, the taxable value of Plaza Towers three and five years out does not differ very dramatically from the contractually specified minimum taxable value as of January 1, 2006:

	<u>RESIDENTIAL</u>		<u>COMMERCIAL</u>	
	<u>Assessed</u>	<u>Taxable</u>	<u>Assessed = Taxable</u>	<u>TOTAL</u>
				<u>Taxable</u>
January 1, 2006	n/a		n/a	\$22,265,000 ¹⁸
January 1, 2009	\$21,464,150	\$10,068,704	\$13,905,130	\$23,973,834 ¹⁹
January 1, 2011	\$22,103,780	\$11,051,89	\$11,277,720	\$22,329,610 ²⁰

16. < <http://www.icgov.org/transcriptions/236.pdf> > (Transcript of Iowa City Council work session of January 15, 2004)) @ pp. 3-6.

17. < <http://recorder.johnson-county.com/External/LandRecords/protected/SrchBookPage.aspx> > @ Bk 3427, Pg 653, pp. 666-667: “The Redeveloper agrees that the [\$6M] grant to the Redeveloper ... contemplates that sufficient property tax revenues will be generated from the Project and another development which the Redeveloper is presently constructing ...(the “Vogel Property” to repay the cost of the bonds The Redeveloper ... agrees that ... after taking into consideration any factors such as ‘roll-backs’ ... the taxable value of ... the Vogel Property [will not be] below the amount of \$3,000,000 as of January 1, 2003.Bk Pg

18. See prior footnote 7.

19. Appendix Page A2

20. Appendix Page A2 (estimated 2011 residential roll-back of 50% extrapolated from 2009 residential roll-back of 46.9094% and 2010 estimated residential roll-back of 48.5299% <<http://www.johnson->

The second questionable circumstance is the extent to which the residential units in Plaza Towers are occupied by owners or by tenants. At least as a formal matter, Iowa City public records²¹ show that all fifty residential units currently are covered by issued rental permits. County property tax records²² indicate that more than a third of these residential units are owned by Plaza Towers (14) or the three owners of Plaza Towers (4), that ten of the thirty-two units owned by other persons have property tax statements mailed to addresses outside of Plaza Towers, and that only eleven of the fifty residential units are covered by homestead declarations.

Available public records obviously may not provide accurate indications of the extent to which Plaza Towers' residential components are functioning as rental units, but high-priced properties clearly provide no certain assurance of owner occupancy. If desired, more accurate measures of the extent of Plaza Towers tenancies might be available from Kevin Monson (the project's architect and the registered agent of Tower Partners, LLC²³ (the owner of one of the project's major commercial components²⁴)) or Steve Ballard (the registered agent of the project's principal owner (Plaza Towers, LLC²⁵)).

PART V - COMPARISONS TO USE OF TIF BY IOWA CITY AND FINANCIAL BENEFITS OF IDENTIFIED ALTERNATIVES

One appropriate additional comparison involves the total existing assessed valuation of University Heights being less than 2% of the total existing assessed valuation of Iowa City.²⁶ Approval by University Heights of Jeff Maxwell's OUP TIF proposal, however, would result in both a value increment and resulting tax rebate essentially equal to that of all of the TIF projects presently under way in Iowa City.²⁷

A second appropriate additional comparison is suggested by other financially sensible alternatives advanced last fall that would have been considerably more acceptable to a much broader

[county.com/auditor/re/rollback.htm](http://www.johnson-county.com/auditor/re/rollback.htm) >.

21. < <http://www.iowa-city.org/icgov/apps/gen/rentalsPrint.asp?c=REN04750> >.

22. < <https://www2.johnson-county.com:446/RealEstate/Parcel/Lookup> >, Parcel Numbers 1010390200 through 1010390249 (Assessor tab).

23. < <http://www.sos.state.ia.us/Search/corp/> > (Tower Partners).

24. < <https://www2.johnson-county.com:446/RealEstate/Parcel/Details/1010390141> >.

25. < <http://www.sos.state.ia.us/Search/corp/> > (Plaza Towers).

26. University Heights Taxable Valuations (Jan. 1, 2010) - \$ 53,151,923
Iowa City Taxable Valuations (Jan. 1, 2010) - \$2,821,191,346
< [http://www.johnson-county.com/auditor/re/JOHNSON Co Txbl Valuations By Levy Auth By Co FY11-12.pdf](http://www.johnson-county.com/auditor/re/JOHNSON%20Co%20Txbl%20Valuations%20By%20Levy%20Auth%20By%20Co%20FY11-12.pdf) >

27. Iowa City Increment Value (Jan . 1, 2009) - \$25,408,841
Iowa City TIF \$ Diverted (Jan. 1, 2009) - \$ 846,083
< <http://www.johnson-county.com/auditor/re/TIF%20Dollars%20taken%20by%20TIF%20projects%20-%202009%20valuations.xls> >

portion of our community.²⁸ Some substantial part of arguments made in support of Mr. Maxwell's project involved the claim that it would be a vehicle for the financial salvation of our community. It now appears, however, that providing financial assistance to Mr. Maxwell may (i) prevent University Heights from receiving a single cent of additional tax revenues for a period of ten years while (ii) adding to city expenses some unknown amount for necessary additional city services and (iii) also compromising our ability to borrow funds to respond to any major failures of critical infrastructure. Rather ironically, over the course of the next ten years a redevelopment of the Saint Andrew site along the lines of Birkdale Court would provide University Heights with essentially the same amount of additional tax revenues as will result from Mr. Maxwell's more favorable "with Johnson County" TIF proposal²⁹, and at 5% that same stream of additional revenues would have a net present value of \$463,582 compared to the complete absence of any additional tax revenues University Heights will receive under his less favorable "without Johnson County" proposal.

CONCLUSION

Intangible considerations like the aesthetic quality of Jeff Maxwell's proposed OUP project may not be susceptible to objective resolution in the face of subjective perceptions where "one person's meat is another person's poison." Similarly, the likely financial impact of Jeff Maxwell's OUP project on the values of neighboring properties may require conjecture permitting a councilor to press forward because he or she thinks the values of such properties actually will go up. When consideration shifts to the financial issues present by the OUP TIF request, however, a fair evaluation of particular numbers may get in the way of a course of action some councilors might otherwise be inclined to pursue.

TIF creates serious risks that elected officials may spend taxpayer money in ways that aren't warranted by critical assessments of supplied financial information. Going forward the University Heights City Council must insist that Mr. Maxwell provide written information in a more timely manner and then proceed to ensure that such information is subject to greater scrutiny than has been the case thus far.

28. < <http://university-heights.org/council/1011/reports/SAC/CouncilemailSeptOct.pdf> > @ PDF p. 35 (attached as Appendix Page A5)

29. See Appendix Page A5 (present value at 5% of ten annual payments of \$60,036 = \$463,582).

WRITTEN COMPONENTS OF JEFF MAXWELL'S TIF REQUEST
(as of July 12, 2011)

A. Letter from developer Jeff Maxwell requesting TIF (tax increment financing) support for PUD application

< <http://www.university-heights.org/BuildZoneSanit/OUP/OUPtifproposal060711.pdf> >

[six pages, dated June 6, 2011, posted on University Heights city web site on June 8, 2011]

B. Developer's TIF Presentation from 6/14/11 City Council Meeting

< <http://www.university-heights.org/BuildZoneSanit/OUP/OUPtifproposal061411.pdf> >

[six-page Power Point presentation, dated June 14, 2011, posted on University Heights city web site on June 17, 2011]

C. Developer's TIF summary from 6/28/11 council work session

< <http://www.university-heights.org/BuildZoneSanit/OUP/TIFSummary110628.pdf> >

[two pages of financial information, dated June 28, 2011, posted on University Heights city web site on June 30, 2011]

D. Developer's response to TIF Questions

< <http://www.university-heights.org/BuildZoneSanit/OUP/ResponseToCommentsTIFagreement062811.pdf> >

[five pages, dated June 28, 2001, posted on University Heights city web site on July 4, 2011]

EARLIER BAUER SUBMISSIONS CONCERNING JEFF MAXWELL'S TIF REQUEST
(to be posted on University Heights city web site as part of MPOJC summary of citizen correspondence received regarding One University Place compiled in connection with University Heights city council meeting of July 14, 2011)

E. Questions & Concerns About Maxwell TIF Proposal

[seven pages, dated June 15, 2011]

F. Policy Issues Presented by OUP TIF Request

[ten pages, dated June 27, 2011]

PLAZA TOWERS
(assessed and taxable values)

	<u>2009 Assessed¹</u>	<u>2010 Taxable²</u>	<u>2011 Assessed³</u>	<u>2011 Taxable</u>
COMMERCIAL COMPONENTS (Property Numbers 1010390131 through 101039019)	\$13,905,130	\$13,905,130	\$11,277,720	\$11,277,720
RESIDENTIAL COMPONENTS (Property Numbers 1010390200 through 1010390249)	\$21,464,150	\$10,068,704	\$22,103,780	\$11,051,890 ⁴
TOTAL	\$35,369,280	\$23,973,834	\$33,381,500	\$22,329,610

1. < <https://www2.johnson-county.com:446/RealEstate/Parcel/Lookup> > (Treasurer tab).

2. < <https://www2.johnson-county.com:446/RealEstate/Parcel/Lookup> > (Auditor tab).

3. < <https://www2.johnson-county.com:446/RealEstate/Parcel/Lookup> > (Assessor tab).

4. Estimated 2011 residential roll-back of 50% extrapolated from 2009 residential roll-back of 46.9094% and 2010 residential roll-back of 48.5299% <<http://www.johnson-county.com/auditor/re/rollback.htm>>.

ESTIMATIONS OF COMMERCIAL COMPONENTS OF PLAZA TOWERS

1 - Square Footage Commercial - 84,590 sf (56.18%)
(interior) Residential - 65,980 sf (43.82%)
TOTAL - 150,570 sf

Source: < <http://recorder.johnson-county.com/External/LandRecords/protected/SrchBookPage.aspx> >
@ Bk 4304, Pg 292, pp. 666-667.

Commercial - \$22,265,000 x .5618 = \$12,508,477

2 - 2009 Assessed Values Commercial - \$13,905,130 (39.31%)
Residential - \$21,464,150 (60.69%)
TOTAL - \$35,369,280

Source: < <https://www2.johnson-county.com:446/RealEstate/Parcel/Lookup> > (Treasurer tab).

Commercial - \$22,265,000 x .3931 = \$8,752,372

3 - 2011 Assessed Values Commercial - \$11,277,720 (33.78%)
Residential - \$22,103,780 (66.22%)
TOTAL - \$33,381,500

Source: < <https://www2.johnson-county.com:446/RealEstate/Parcel/Lookup> > (Assessor tab).

Commercial - \$22,265,000 x .3378 = \$7,521,117

ESTIMATION OF COMMERCIAL COMPONENTS OF ONE UNIVERSITY PLACE

Projected Project Revenue Commercial - \$3,000,000
Parking - \$3,300,000

Parking Spaces Commercial - 98 spaces (44.75%)
Residential - 121 spaces (55.25%)
TOTAL - 219 spaces

Source: Appendix Page A1, Document C @ p. 1.

Commercial Parking - \$3,300,000 x .4475 = \$1,476,750

Commercial - \$3,000,000 + \$1,476,750 = \$4,476,750

**ESTIMATED FINANCIAL EFFECT OF DIFFERENT POSSIBLE REDEVELOPMENTS
OF SAINT ANDREW PRESBYTERIAN CHURCH PROJECT PARCELS**

<i>ESTIMATED ASSESSED VALUE OF PROJECT PARCELS</i>	
<i>AS R-1 LOTS</i>	
9 Lots @ 85K	\$765,000
24 Lots @ 85K	\$2,040,000

<i>Estimated Taxable Values</i>	<i>Estimated City Tax Revenues</i>
<i>(2009 Res. Rollback = .469094)</i>	<i>(2009 City Levy=.01104972)</i>
\$358,857	\$3,965
\$956,952	\$10,574

<i>ESTIMATED ASSESSED VALUE OF PROJECT PARCELS</i>	
<i>AS IMPROVED R-1 RESIDENCES</i>	
9 Lots @ \$482,600	\$4,343,400
24 Lots @ \$482,600	\$11,582,400

\$2,037,463	\$22,513
\$5,433,234	\$60,036

<i>ESTIMATED ASSESSED VALUE OF PROJECT PARCELS</i>	
<i>AS 6/3/RESIDENTIAL/COMMERCIAL PROJECT*</i>	
Residential	\$39,152,589
Commercial	\$8,328,116
TOTAL	\$47,480,705

\$18,366,245	\$202,942
\$8,328,116	\$92,023
\$26,694,361	\$294,965

<i>ESTIMATED ASSESSED VALUE OF PROJECT PARCELS</i>	
<i>AS 4/2/RESIDENTIAL PROJECT</i>	
Residential / TOTAL	\$30,497,805

\$14,306,337	\$158,081

** At 65% commercial rollback currently being proposed by gubernatorial candidate Terry Branstad, estimated commercial taxable value would be \$5,413,275 with resulting estimated city tax revenues of \$59,815 (commercial only) and \$262,757 (total).*

SOURCES

- <http://www.university-heights.org/BuildZoneSanit/zoning/ZoningComComm071410.pdf>
- <http://www.university-heights.org/BuildZoneSanit/zoning/MaxwellResponseFurtherInfo.pdf>
- <http://www.johnson-county.com/auditor/re/2009%20Levies%20Payable%20FY11.pdf>

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