

One University Place

Summary of TIF Request

June 28, 2011 Presentation to City Council

Objective:

Develop a TIF proposal that would allow the project to attain a reasonable rate of return to the Developer based on the preliminary financial analysis and that would create benefits for the City of University Heights.

Net Value of TIF to Developer:

Proposed TIF payment	\$ 8,000,000	
Less discount for time value of money	(2,500,000)	Discount is calculated based on the 80% option, 5% discount rate with an assumed 14 year collection period. PV is to full assessment date.
Less value of City space	(920,000)	Value is estimated at 4,000 square feet at \$230 per foot.
Less cost of offsite improvements and city upfront cost to be paid by the developer	<u>(850,000)</u>	Breakdown of estimated offsite costs:
		Sewer improvements \$ 100,000
		Sunset intersection 600,000
		Water and storm sewer 50,000
		Incremental professional fee cost <u>100,000</u>
Net projected economic value to developer	<u>\$ 3,730,000</u>	<u>\$ 850,000</u>

Comparison to Plaza Towers:

	<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%

Plaza Towers TIF was an upfront payment to the developer by the City of Iowa City. Value of the Plaza Tower TIF excludes the benefit of the discounted value of the land parcel sold by the City to the developer.

Assessed value of One University Place is assumed to be equal to 90% of retail value.

Financial Analysis:

Projected project revenue:		
Commercial	\$ 3,000,000	Excludes value of proposed City space to be deeded as a part of the TIF proposal
Residential	46,900,000	
Parking	<u>3,300,000</u>	
Total projected revenue (W/O TIF)	<u>\$ 53,200,000</u>	

Projected Cost of project:

Land	\$ 4,400,000
Offsite direct costs	850,000
On site direct costs	36,900,000
Design, engineering and other professional	4,500,000
Administrative, selling, interest and misc.	<u>4,800,000</u>
Total projected costs	<u>\$ 51,450,000</u>

Projected Developer Annualized Rate of Return:

Without TIF	5.12%
With TIF	10.16%

