

AGENDA

City of University Heights, Iowa
Public Hearing & City Council Meeting
Tuesday, December 14, 2010
 7:00 – 10:00 P.M. **Location: HORN SCHOOL**
 Meeting called by Mayor Louise From

Time	Topic	Owner
7:00	Call to order meeting Roll Call Approval of city council Minutes: November 9, 2010	Louise From

Public Hearing on the proposal to issue not to exceed \$30,000,000.00 Senior Living Facilities Revenue Note, Series 2010 (Oaknoll Project)

Call to order Public Hearing	Public Hearing on the proposal to issue not to exceed \$30,000,000.00 Senior Living Facilities Revenue Note, Series 2010 (Oaknoll Project).	Louise From
Adjourn Public Hearing		
Resume Regular Meeting		
	- Consideration of Resolution No. 10-24 authorizing the execution of a memorandum of agreement with Christian Retirement Services, Inc. (Oaknoll) (the "Borrower"), authorizing and providing for the issuance of not to exceed \$30,000,000.00 aggregate principal amount of senior housing facilities revenue notes of the City of University Heights, Iowa, and the execution of documents related thereto.	City Council members
Public Input	Public Comments	
	Report concerning request to St. Andrew that deadline with Jeff Maxwell be extended to February 15, 2011	Mike Haverkamp Brennan McGrath
	- Third consideration of Ordinance No. 180 amending the City's Zoning Ordinance (No. 79) to create a Multiple-Family Commercial Zone and establish a procedure for St. Andrew Presbyterian Church property, as well as property adjacent to the east, to be redeveloped as a mixed-use commercial and residential development comprising no more than 2 buildings, 80 dwelling units, and 20,000 square feet of commercial space, among other limitations and restrictions.	City Council Members

Time	Topic	Owner
	<u>Administration</u>	
	-Mayor	Louise From
	-City Attorney	Steve Ballard
	Mayor Report	
	Legal Report	
	- Consideration of motion to set hours of special election January 11, 2011.	
	- Consideration of Resolution No. 10-25 authorizing the Mayor to sign and the Clerk to attest an Agreement Regarding Dedication of Lot 426, University Heights Third Subdivision as a Public Street Serving Lytham Condominiums	
	- Consideration of appeal of parking ticket #20006	
	- Consideration of claim for compensation for property alleged to have been disposed of by city without proper notice.	
	-City Clerk	Chris Anderson
	<u>Committee Reports:</u>	
	<u>Finance</u>	Brennan McGrath Lori Kimura
	<u>Community Protection</u>	Jim Lane/M. Haverkamp
	<u>Streets and Sidewalks</u>	Pat Yeggy Josiah Bilskemper
	<u>Building, Zoning & Sanitation</u>	Stan Laverman Pat Bauer
	<u>E-Government</u>	Mike Haverkamp
	<u>Johnson County Council of Governments (JCCOG)</u>	Louise From
	Announcements	Anyone
9:55		
	Adjournment	Louise From
10:00		

Next Regular Council Meeting: Tuesday, January 11, 2011
Location: TBD

December '10 – City Attorney's Report

1. St. Andrew Rezoning.

- Extension request.
 - In accordance with the Council's action in November, Brennan and Mike wrote to the Session at St. Andrew to request that the church extend its deadline with Jeff Maxwell to February 15, 2011, to permit the special election to be held before the third vote on Ordinance No. 180.
 - The church replied to say that it would not consider an extension request from the City of University Heights because the City is not a party to the church's agreement. The Church said it would consider an extension request from Mr. Maxwell, as it had in the past.
 - I asked Tom Gelman, Mr. Maxwell's lawyer, if Mr. Maxwell would join in the request for the church to extend the deadline. Mr. Gelman wrote last week to say that, for reasons expressed, Mr. Maxwell would not join in the request and preferred that the Council vote on the third consideration at its meeting December 12, 2010.
 - You already have received copies of the communications referenced above. For ready reference, I am attaching copies of these communications.
- Third Consideration of Ordinance No. 180.
 - The rules related to amendments and voting are the same as last month; I'm attaching another copy of my September St. Andrew report for your ready reference.
 - At the beginning of your discussion of Ordinance No. 180, I would encourage each of you to again announce publicly any communications you have had regarding the proposed redevelopment, much as you did in August. I suggest that you identify those with whom you have communicated and the general nature of your discussion/exchange.
 - I also encourage you to announce/reiterate the reasons for your vote, particularly as they relate to the comprehensive plan, rezoning, and the City's future, keeping in mind that the vote to rezone is general and not specific to Mr. Maxwell's plan.

2. Oaknoll Financing.

- The City has been asked to help Oaknoll borrow up to \$30,000,000 for an expansion project – a 60-unit independent living facility. The City has assisted Oaknoll in this manner previously. I think it is fair to say that prior Councils viewed the request as a very low-risk opportunity to be a good neighbor to Oaknoll, where quite a number of former University Heights citizens lived or planned to live.
- You will be considering Resolution No. 10-24 related to this Oaknoll request. Here is a very brief summary of the proposal:
 - Oaknoll requests that the City act as issuer of these bonds so the bonds will be exempt from taxation. That means Oaknoll will be able to borrow money at a lower interest rate.
 - The law permits municipalities to issue these types of bonds for projects within eight miles of the City boundaries. Obviously, Oaknoll's proximity to University Heights satisfies that criterion.
 - The bonds would not constitute indebtedness of the City, and the City would not be called upon to make payment even if Oaknoll failed to repay lenders. Those lenders would have to look to the project financed and Oaknoll's other assets for repayment.
 - If the Council decides to act as issuer of the bonds, that action will have no impact on the City's ability to borrow funds or issue bonds or participate in tax-increment financing (TIF) for purposes of constructing roads, making other municipal improvements, or offering incentives for economic development.
- Oaknoll is represented by Bob Downer, and he will be present December 14 with other Oaknoll representatives to formalize the financing request and answer questions. In light of the timing of the request, I asked Mr. Downer and Oaknoll's bond counsel, Dave Claypool from Des Moines, to describe the nature and purpose of the request in writing. They each have written letters in this regard, and I am attaching them.
- After speaking with Mayor From, I contacted municipal bond counsel from Des Moines, John Bunz and Bill Noth, to review the bond documents and provide advice to the City concerning this request. A letter from Mr. Bunz is included in the attached folder. The City has worked with Mr. Noth previously on Oaknoll requests and on other bonding matters.
- I will send you all the bond documents I have received and reviewed. I would focus your attention on the letters from Mr. Downer, Mr.

Claypool, and Mr. Bunz. I would certainly encourage you to review the other documents, as well.

- As a part of its request, Oaknoll has agreed to reimburse the City for its legal fees associated with considering the proposal. Those fees include those incurred with our office and with the Des Moines bond lawyers.

3. **Dedication of Street Right-of-Way – Lytham Condominiums.** A very small portion of land included in Jeff Hendrickson’s Lytham Condominium development (the former Neuzil property) is actually in University Heights. Specifically, 15 feet of Olive Court leading to the development is in the City. Mr. Hendrickson has dedicated the streets in the development to the City of Iowa City, but because this 15-foot section is in University Heights, that portion property should be dedicated to University Heights. “Dedicating” the street means that the City of University Heights will own the street, just as the City owns the other streets in town. Mr. Hendrickson has signed a dedication transferring this property to the City, and the Council will be considering Resolution 10-25, accepting the dedication and authorizing the Mayor and Clerk to sign an agreement concerning the dedication. Josiah Bilskemper has reviewed the dedication and approves of it. Copies of the resolution and the agreement are attached.
4. **Parking Ticket Appeal.** I have looked into the circumstances surrounding the issuance of parking ticket #20006. I have reviewed communication from Chief Ron Fort and Building Inspector Norm Cate. I think that the circumstances involve questions of zoning and, perhaps, interpretation of the zoning ordinance that may include the Board of Adjustment. I think the issue presented is better resolved from a zoning standpoint than a law enforcement (parking ticket) standpoint. For that reason, I recommend that you dismiss the parking ticket and direct Mr. Cate and me to report on the potential zoning issues.
5. **Setting hours of special election.** The Johnson County Auditor indicates that the Council may set the hours of the special election – within certain parameters. The election may start at 7:00 a.m. or noon and must be end no later than 8:00 p.m. To permit maximum voter participation, I recommend that someone make the following motion:
 - I move that the polls for the January 11, 2011, University Heights special election open at 7:00 a.m. and close at 8:00 p.m.
6. **Letter Regarding Snow Removal.** As discussed in November, I circulated a letter concerning removal of snow and ice to owners of property abutting the Melrose Avenue wide sidewalk to the north. I have not received any questions or other feedback from property owners.

7. **New Assistant.** I have a new assistant, Suzanne Stoltze, who has been with us for a few weeks. Suzanne is a welcome and talented addition to our office. I will see if I can introduce her at a meeting sometime early next year. Suzanne's email is stoltze@lefflaw.com.

Leff/SEB/UH/UH Atty Reports/UHAttyRept December '10

Jackie Stokes, Clerk of Session
St Andrew Presbyterian Church
1300 Melrose Ave
Iowa City, IA 52246

November 11, 2010

Dear Ms. Stokes,

As you are probably aware, at our meeting on Nov. 9th, the University Heights City Council passed a motion that tabled the third consideration of Ordinance 180 amending our zoning code. As part of this motion we also agreed to contact the Session of St. Andrew Church to request that the church and Mr. Jeff Maxwell extend their preliminary purchase agreement until February 15, 2011 or thereabouts in order to allow the UH special election scheduled on January 11, 2011 to proceed prior to final consideration of the ordinance.

There has been heated debate in University Heights regarding this issue and we hope that by taking this course of action, we can come to a better sense of closure and to begin to repair the division within the community. Perhaps extending the purchase agreement deadline to accommodate postponing the final council vote until after the special election will be beneficial to St. Andrew Church as well.

St. Andrew Church has been a good neighbor to University Heights, and we hope that the city has been a good neighbor to your congregation as well. It is in this spirit that we make this request. We would be happy to meet with the entire Session, or any delegation of the group, to discuss this matter further at your convenience. Please do not hesitate to contact us regarding this matter and we look forward to hearing from you.

Sincerely,

Brennan McGrath Mike Haverkamp
University Heights City Council

cc:

Dell Richard
Steve Ballard

Dell A. Richard

Attorney at Law

**Richard & Shaw,
PLLC**

An Association of Sole
Practitioners

845 Quarry Road
Suite 130
Coralville, IA 52241
Ph (319)354-9592
Fax (319)354-7957

Web Site:
www.dellarichard.com

email Address:
dell@darichardlaw.com

Real Estate, Corporations,
Business, Estate Planning,
Trusts & Estates,
Wills & Probate

November 23, 2010

Steven Ballard, City Attorney
City of University Heights
P.O. Box 2447
Iowa City, IA 52244-2447

Re: Committee request for meeting with St. Andrew
Presbyterian Church

Dear Steve:

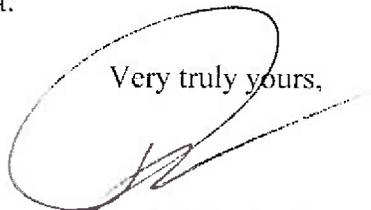
The St. Andrew session has asked me to respond to the letter from the city council committee of November 11, 2010 regarding the possible extension of the Maxwell deadline for satisfaction or waiver of his rezoning contingency. At present, Mr. Maxwell must either satisfy or waive his contingencies by December 22, 2010. After that date, either the church or Mr. Maxwell could terminate the contract, after notice.

The committee's letter was reviewed by Session and discussed at its regular meeting held on November 18, 2010.

Previous requests for extension of due dates have been received from Mr. Maxwell, and Session has granted extensions upon terms satisfactory to both parties. However, because this request is not coming from Mr. Maxwell, the Session believes any conversations with the city regarding such matters would be ineffective and a potential breach of its covenants of good faith with Mr. Maxwell.

Session will review and consider any extension request from Mr. Maxwell in the same manner it has considered previous extension requests. However, until such a request comes from him, Session is not in a position to entertain conversations about the terms of the Maxwell contract with persons who are not parties to that agreement.

Very truly yours,



Dell A. Richard

DAR/kg
cc: St. Andrew Presbyterian Church

Ballard email to Gelman 11-24-10

Tom,

I trust you have received Dell Richard's email.

In the interest of time, I am emailing to ask whether Jeff Maxwell will join in the city's request that St. Andrew Presbyterian Church extend its December 20, 2010, deadline to February 15, 2011.

As I believe you are aware, the city asked the church for the extension of time so that a special election set for January 11, 2011, could occur before the council's final consideration of the proposed ordinance. Dell's letter makes clear that the church will not consider the request from the city but would consider the request if it came from Mr. Maxwell.

I am copying Dell in on this email. Please inform me as soon as you can about Mr. Maxwell's position. I will be out the balance of the week but will be in over the weekend. You may always reach me on by mobile, 319/430-3350.

Steven E. Ballard
LEFF LAW FIRM, L.L.P.
P.O. Box 2447
222 South Linn Street
Iowa City, Iowa 52244-2447
office: 319/338-7551
cell: 319/430-3350
facsimile: 319/338-6902
e-mail: ballard@lefflaw.com

This message is intended only for the use of the person to whom it is addressed and may contain information that is confidential and subject to the attorney-client privilege. It should not be forwarded to anyone else without the consent of the sender. If you received this message and are not the intended recipient, you have received this message in error. Please notify the person sending the message and destroy your copy and any attachments.

Since email messages sent between you and Leff Law Firm, L.L.P. and its employees are sent over the Internet, Leff Law Firm, L.L.P. cannot assure that such messages are secure. You should carefully consider the risks of email transmission of information to Leff Law Firm, L.L.P. that you consider to be confidential. If you are not comfortable with such risks, you may choose not to utilize email to communicate with Leff Law Firm, L.L.P.

To ensure compliance with requirements imposed by the IRS, including IRS Circular 230 Notice , we inform you that any U.S. tax advice contained in this communication is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. tax penalties.

Gelman email to Ballard 12-5-10

Steve, Sorry for not getting back to you a bit sooner.

Thank you for your communication and for forwarding me a copy of Dell Richard's letter on behalf of St. Andrew Presbyterian Church. I have forwarded these materials to Jeff Maxwell and he has asked me to forward this response.

After the close of the public hearing at its last meeting, the Council chose to defer voting on the third reading of the proposed zoning amendment to afford an opportunity for the Council to ask the St. Andrew Church leadership if it would be willing to extend the contractual contingency deadline in the contract with Mr. Maxwell. According to Dell Richard's letter, the Church received a letter from a Council Committee regarding this possible extension of the Maxwell deadline beyond December 22, 2010. The Church respectfully declined the Council's request.

Mr. Maxwell believes the Church's response to the Council Committee's inquiry was thoughtful, reasoned and appropriate under all applicable circumstances, and he has no issue with the substance of the Church's response.

Mr. Maxwell respectfully asks that, at its next meeting, the Council vote to approve the proposed amendment to the zoning ordinance. He recognizes and appreciates the significant opportunities that have already been afforded to encourage and permit public input to the Council on this matter. There have been extensive opportunities for written and oral public comment during this entire process and particularly at the three formal public hearings held and now all closed. No one present and wishing to speak at those public hearings was denied an opportunity to fully articulate his or her opinion. With the required public hearings now closed there would appear to be no part of this re-zoning process left except for the Council to conclude its already extensive deliberations and vote. Mr. Maxwell believes it is reasonable and appropriate for the Council, at its next meeting, to complete those deliberations in a thoughtful and mutually respectful manner and then proceed with voting. Mr. Maxwell would further seek each Councilor who chooses to vote for the amendment to consider again concisely articulating the reasons he or she has concluded the proposed zoning change is consistent with the City's Comprehensive Plan and otherwise appropriate for the City's future.

Please let me know if you need any further clarification of Mr. Maxwell's position on these matters. We are assuming that you may wish to forward this email to the Mayor, City Council and City staff. Please feel free to do so. Thanks.

Tom

Thomas H. Gelman

Phelan Tucker Mullen Walker Tucker & Gelman, L.L.P.

321 E. Market Street

P.O. Box 2150

Iowa City, Iowa 52244

Phone: (319)-354-1104

Fax: (319)-354-6962

E-mail: gelman@ptmlaw.com

This e-mail (including attachments) is covered by the Electronic Communications Privacy Act, 18 U. S. C. Sections 2510-2521, is confidential and is legally privileged. This message and its attachments may also be privileged as attorney work product. They are intended for the individual or entity named above. If you are not the intended recipient, please do not read, copy, use or disclose this communication to others; also please notify the sender by replying to this message, and then delete it from your system. Thank you.

MEARDON, SUEPPEL & DOWNER P.L.C.
LAWYERS

ROBERT N. DOWNER
JAMES D. MCCARRAGHER
MARK T. HAMER
THOMAS D. HOBART
DOUGLAS D. RUPPERT
TIMOTHY J. KRUMM
WILLIAM J. SUEPPEL
CHARLES A. MEARDON
DENNIS J. MITCHELL
DAVID J. BRIGHT
PETER J. GARDNER
PATRICIA G. KROPF
CARRIE L. LATHROP

122 SOUTH LINN STREET
IOWA CITY, IOWA 52240-1802

2431 CORAL COURT, Suite 5
CORALVILLE, IOWA 52241-2838

TELEPHONE: (319) 338-9222
IOWA CITY FAX: (319) 338-7250
CORALVILLE FAX: (319) 545-4055

WWW.MEARDONLAW.COM

WILLIAM L. MEARDON
(1919-1997)

OF COUNSEL:
WILLIAM F. SUEPPEL
JEAN BARTLEY

RETIRED:
MARGARET T. LAINSON

December 10, 2010

Honorable Louise From
Mayor, City of University Heights
1004 Melrose Avenue
Iowa City, Iowa 52246

Re: Christian Retirement Services, Inc. ("Oaknoll") Bond Issue

Dear Mayor From:

This letter is intended to supplement the letter from David L. Claypool dated December 8, 2010, regarding the above matter which will be on the agenda for the Council meeting in University Heights on Tuesday, December 14, 2010. Mr. Claypool is certainly far better qualified than I am to set forth the details of the processes required in connection with this issuance, as well as the effect which it will have upon the City of University Heights. My purpose is to provide a bit more information about Oaknoll for your City Council.

The City of University Heights has, on five prior occasions commencing in 1997, acted as an issuer of tax-exempt financing for Christian Retirement Services, Inc. ("Oaknoll") which is permitted under the Internal Revenue Code for tax-exempt charitable entities to either borrow funds for construction with the interest on this indebtedness being exempt from federal income tax, or to refinance existing tax-exempt indebtedness. Oaknoll has had a federal tax-exemption which permitted use of this type of financing since the mid-1960s, and since before its original apartments and health center opened in the fall of 1966. Oaknoll originally contained 54 apartments, with a 32 bed health center. At the present time, Oaknoll maintains 170 independent living apartments, 32 skilled nursing care beds, 16 intermediate care beds and 35 assisted living units located in Iowa City approximately one-half block from the corporate limits of the City of University Heights and bounded by George Street, West Benton Street, Oaknoll Drive and Oakcrest. Additionally, Oaknoll owns eight single family houses and eight duplex units in four buildings west of George Street.

Honorable Louise From

December 9, 2010

Page | 2

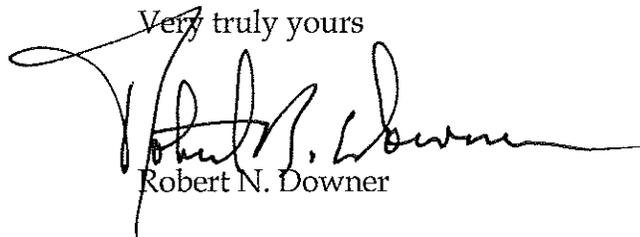
Oaknoll is interested in expanding because its waiting list of potential future residents has grown to more than 100 persons. Over the years, many present and former Oaknoll residents resided within University Heights prior to moving to Oaknoll, and a significant number of persons on the present Oaknoll waiting list reside in University Heights. We would submit that providing the availability of such a high quality residence for senior citizens provides justification for University Heights to act as the issuer of the proposed bonds.

Because Oaknoll is not located within the corporate limits of University Heights, it does not pay City taxes in University Heights. The health care center at Oaknoll has been determined by the Johnson County District Court to be exempt from property taxes, but the independent living apartment units (the majority of the Oaknoll campus) are not. Those units are subject to property taxes, and support many of the same governmental entities as are supported from property taxes of properties within University Heights, e.g., Johnson County, Iowa City Community School District, Kirkwood Community College. Through the substantial tax payments made on the Oaknoll complex, the tax burden of supporting these units of government and needed public services is shared by the residents at Oaknoll who reside in the independent living apartments.

As set forth above, Oaknoll is operated by Christian Retirement Services, Inc., a tax-exempt charitable non-profit corporation. There are no shareholders or other owners of Oaknoll, and it is governed by a 17 member Board of Directors who serve on a volunteer basis without compensation. All of these Board members are either employed in or reside in Johnson County. Christian Retirement Services engages in no businesses or other operations in addition to Oaknoll, and is not subject to the control of any other board or organizations. Persons are accepted for residents without regard to race, color, creed, religion, national origin or sexual orientation.

The foregoing letter was intended to provide additional background for those who may not be familiar with Oaknoll. As has been mentioned previously, representatives of Oaknoll, including the undersigned, will be present at the Council meeting, and will be happy to answer any questions either prior to or at that time.

Very truly yours

A handwritten signature in black ink, appearing to read "Robert N. Downer", written in a cursive style. The signature is positioned above the printed name "Robert N. Downer".

Robert N. Downer

RND:mag

cc: Pat Heiden

DAVID L. CLAYPOOL
(515) 699-3265
claypool.david@dorsey.com

December 9, 2010

Mayor and Members of the City Council
City of University Heights
1004 Melrose Avenue
Iowa City, Iowa 52246

Re: Christian Retirement Services, Inc.

Dear Mayor and Members of the City Council:

Christian Retirement Services, Inc., a tax-exempt organization, (the "Borrower") is requesting that the City Council consider the issuance of bonds or notes to finance the following: (i) acquiring land and constructing a 60 unit independent living facility and related improvements thereon (the "Project") and (ii) the costs of issuance and certain other costs associated with the issuance of the bonds or notes. The Borrower would like the City to issue tax-exempt notes in the amount not to exceed \$30,000,000 (the "Notes") on its behalf for the foregoing purposes. The purpose of this letter is to outline the authority and procedures relating to the issuance of such Notes by the City Council.

The City Council is authorized by Chapter 419 of the Code of Iowa to issue the Notes and loan the proceeds thereof to the Borrower to finance the Project. Notes issued under Chapter 419 of the Code of Iowa by cities and counties in the State of Iowa are common methods of obtaining federally tax-exempt financing for projects such as the Project. Because the interest on such Notes is exempt from federal income taxes, the Borrower will be able to borrow the money at lower interest rates than a conventional taxable loan. The City is authorized to issue such Notes for facilities located within the City limits and anywhere within 8 miles of the boundaries of the City. The City has assisted the Borrower in the past with this type of financing for its facilities.

Notes issued by the City pursuant to Chapter 419 are commonly referred to as "conduit" Notes because the City acts as a conduit between the purchasers of the Notes and the Borrower. The Notes are issued by the City and sold to purchasers of the Notes. The proceeds of the sale of the Notes are then loaned to the Borrower pursuant to a Loan Agreement in which the Borrower agrees to repay the Notes. Once the City issues the Notes the City steps out of the picture and the payments made by the Borrower under the Loan Agreement are made directly to the Noteholders. The City would have no accounting or processing responsibilities with respect to payments by the Borrower under the Loan Agreement or to the purchasers of the Notes.

The Notes do NOT count against the City's constitutional debt limit. As provided in Section 419.3 of the Iowa Code, the Notes would be limited obligations of the City and would never constitute an indebtedness of the City within the meaning of any state constitutional

Mayor and Members of the City Council
Page 2

provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers. The Notes would be payable solely and only out of payments made by the Borrower under the Loan Agreement and the City would not be called upon to pay the Notes from any City funds, and these limitations will be plainly stated on the face of the Notes.

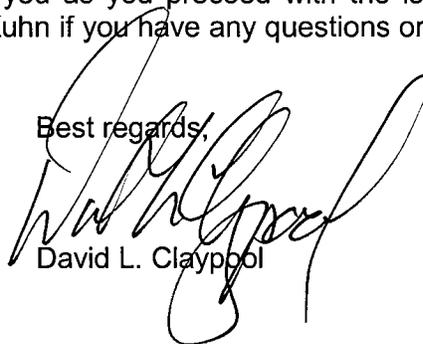
The City is authorized by Section 265 of the Internal Revenue Code (the "Code") to issue up to \$30,000,000 of "bank qualified" obligations this calendar year. Due to recent changes in the Code, the issuance of these Notes by the City will NOT count against the City's \$30,000,000 "bank qualified" limit, because the Borrower also has the authority to designate the Notes as "bank qualified" obligations and count such Notes against the Borrower's own \$30,000,000 "bank qualified" limit.

We have prepared for consideration by the City Council at its December 14 meeting proceedings which includes a public hearing on the proposal to issue the Notes and a Resolution approving a Memorandum of Agreement with the Borrower and authorizing the issuance of the Notes. The Memorandum of Agreement sets forth certain understandings between the City and the Borrower with respect to the Notes, including the obligation of the Borrower to reimburse the City for any of its costs relating to the issuance of the Notes. We have also provided forms of the Loan Agreement, Note and Assignment and Pledge Agreement which are referred to in the Resolution.

After the hearing is held, the City will have the authority to issue the Notes and the adoption by the City Council of the Resolution will complete the process. Once the Resolution is adopted a closing date will be scheduled for the Notes. Prior to the closing date, we will make arrangements for the Mayor and City Clerk to sign the Loan Agreement, the Notes and the related Note documents.

I hope this information will be useful to you as you proceed with the issuance of the Notes for the Borrower. Please call me or Cris Kuhn if you have any questions or if there is any further information we can supply at this time.

Best regards,



David L. Claypool

cc: Steve Ballard
John Bunz
Robert Downer

AHLERS & COONEY, P.C.

100 COURT AVENUE, SUITE 600
DES MOINES, IOWA 50309-2231
FAX: 515-243-2149
WWW.AHLERSLAW.COM

John H. Bunz
JBunz@ahlerslaw.com

Direct Dial:
515.246.0336

December 9, 2010

Mr. Steven E. Ballard
Leff, Haupt, Traw & Willman, LLP
222 South Linn Street
Iowa City, Iowa 52244-2447

RE: Proposed \$30,000,000 City of University Heights, Iowa
Revenue Bonds (Christian Retirement Services, Inc.)

Dear Steve:

I am writing in response to your recent request that I address several questions which have been raised in connection with the request by Christian Retirement Services, Inc. ("Borrower") that the City of University Heights, Iowa (the "City") consider issuing the above-captioned Bonds on Borrower's behalf. Those questions concern (i) the potential for liability on the part of the City arising from the authorization and issuance of the above Bonds, noting in particular the repayment obligations that the Bonds will entail and the consequences that may flow from a default in repayment of principal of and interest on the Bonds; (ii) the appropriateness of a request by the City to review Borrower's financial statements; and (iii) the appropriateness of the assessment of a fee by the City to act as issuer of the Bonds.

City's Potential Exposure to Liability

The various documents that will govern the liabilities and responsibilities of the parties to the transaction have not yet been prepared. For this reason, the following observations must be treated as general ones and subject to modification by the terms of those documents as finally drafted and negotiated.

As currently proposed, the City is being asked to issue the Bonds and thereafter to loan the Bond proceeds to Borrower for the purpose of constructing and equipping, among other things, new independent living apartments. The loan of the Bond proceeds will be made under the terms of a Loan Agreement between the City and Borrower. The Loan Agreement generally will obligate Borrower to repay the loan, together with interest thereon, in amounts and at times scheduled to be sufficient to pay the principal of and interest on the Bonds as the same becomes due. At the time of closing, the City will assign to a corporate trustee, under the terms of an Indenture of Trust, all of its rights, title and interest in and to the Loan Agreement (other than its right to receive certain payments or reimbursements for expenses and fees for indemnification) in order to secure the payment of amounts due on the Bonds. As a result, Borrower will make its payments directly to the trustee, who thereafter will make principal and interest payments directly to bondholders. The payment of principal of and interest on the Bonds also may be secured by a first mortgage lien on and security interest in the Project and certain additional real

December 9, 2010

Page 2

estate and interests therein granted by Borrower to the trustee. Borrower also may create a debt service reserve fund with the trustee to further secure the Bonds.

The City thus will serve as a "conduit" in the financing and will have no continuing obligation with respect to repayment of the Bonds following the closing. The Bonds are intended to be limited obligations of the City and to be payable solely from and secured by a pledge and assignment of payments made by Borrower pursuant to the Loan Agreement, and may perhaps be further secured by a mortgage and a debt service reserve fund. The Bonds will not constitute general obligations of the City or a charge against the general credit or taxing powers of the City, and no bondholder will have any right to demand payment of the principal or interest on the Bonds from any funds raised by taxation. In the event of a default on the part of Borrower in making debt service payments, the trustee will be empowered under the Indenture to take a number of steps on behalf of the bondholders, typically including the right to foreclose on any mortgage granted to the trustee, to sell the property securing the Bonds and to use the proceeds derived therefrom to pay bondholders, but the trustee may not look to the City for repayment of the Bonds.

Having said that, however, participating as an issuer in a conduit financing should not be viewed as something that could never be a problem for the City if the Bonds don't get paid. Two things come to mind here. First, the City has only one good name, and in the event of default on the Bonds it will be the City's name that gets remembered. Because the Bonds are special obligations of the City, any subsequent default should have no effect on the City's ability to issue general obligation bonds in the future, but the story nonetheless may have to be told and it is possible that a significant default would be regarded as an indicator of economic conditions in the area. I also should note that (although it has not occurred in Iowa) at least one state has enacted legislation requiring issuers of defaulted conduit bonds to register their future municipal bond offerings with state securities officials. Second, again assuming a worse-case scenario (in other words, that a default would occur), a securities law action may be brought by the bondholders and, if so brought, such an action may include the City as a defendant. For this reason, it would be typical for the City to obtain rights to indemnification from Borrower in the Loan Agreement. The value of those indemnification rights, however, may be limited or even worthless to the City if Borrower is financially unable to assume them if the need arises. Under those circumstances, the City could be left as a defendant in a securities law action brought by the bondholders and thus forced to defend the action without any prospects of being indemnified for those costs. For these reasons, whether and to what extent the City participates in any conduit financing ultimately is a question of policy, with the Council being asked to determine whether the benefits of the financing (here, the construction and equipping of the new independent living apartments and the benefits therefrom) outweigh the risks (however remote) that may be present.

Request to Review Financial Statements

The foregoing concerns might lead one to the conclusion that the City should always review a borrower's financial statements. Iowa Code Chapter 419, the statute which gives the City the authority to issue revenue bonds for certain eligible projects such as this, is entitled "Municipal Support of Projects." The City has discretion as to what projects, if any, it chooses to support in this fashion. In making that decision, I suspect most cities, to one degree or another, consider the type of project, the nature of the borrower and its financial strength to undertake the financing, and the impact the project may have on the community. The extent to which the project will generate taxable valuation may be a consideration as well. Review and consideration of a potential borrower's financial statements could provide certain information and insight into the borrower that may be relevant to the Council in determining whether it should assist that borrower in financing the project. In addition, review of a potential borrower's financial statements might also shed some light on the borrower's actual ability to meet its obligations to indemnify the City, as discussed above, in the event it ever became necessary to do so.

Having said that, the custom and practice of most municipal issuers in a conduit financing under Chapter 419 is to not review the financial statements of the conduit borrower, and the City clearly has no legal obligation to do so. To the extent the City receives documents from a potential conduit borrower, they become "public records" under Iowa law, so there is some balancing of interests required (i.e., the interests of the City in having the information and the interests of a private borrower in maintaining the confidentiality of its records). For that reason, an "ad hoc" approach to the subject leaves something to be desired. The better approach, if the Council concludes that it would like to review a borrower's financial statements, would be to establish a policy on the subject that would apply to Borrower and any future potential borrowers as well. As a practical matter, such a policy would require the City to determine whether it would review such materials internally, or if it would need to hire a financial advisor to review such information on the City's behalf. Although those costs could presumably be passed on to the borrower, it should be recognized that such additional costs would make it less attractive for potential borrowers to pursue conduit financing through the City.

Assessment of a Fee to Act as Issuer

Most municipal issuers do not charge a fee to act as issuer in a conduit financing, although I understand a few do, including the City of Des Moines. The Iowa Finance Authority, which also may issue conduit bonds under Chapter 419, also charges a fee at closing of ten basis points (.1%) on the first \$10 million in principal amount of bonds issued, and a fee on bonds in excess of such amount based on a sliding scale.

While not common, charging such a fee would be lawful. As with the review of financial statements, if the City desires to charge a fee to act as issuer it should consider adoption of a written policy or guideline on the subject that would apply to future potential borrowers as well.

December 9, 2010

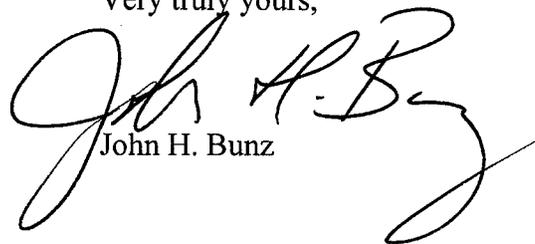
Page 4

Bear in mind, however, that additional issuance costs to be incurred by a borrower such as issuer fees reduce the advantage between tax-exempt and taxable financing for the borrower, and could discourage future potential borrowers from seeking this method of financing.

Ultimately, of course, we are talking here (and in the case of reviewing borrower financial statements) about matters that are more Council policy than legal issues. For some cities, Chapter 419 is viewed as an economic development tool that the city can and should use to its benefit. Other cities, for whatever reason, prefer not to be a part of such financings unless certain factors are present or conditions met. In the end, I don't think you can be too critical of either approach.

I hope this is useful. If you have any questions, or if we can provide you with further information on these subjects, please don't hesitate contact me.

Very truly yours,



John H. Bunz

JHB:ej

NJACKSON# 677883.1 \19608006

RESOLUTION NO. 10-25

RESOLUTION AUTHORIZING THE MAYOR TO SIGN AND THE CITY CLERK TO ATTEST AN AGREEMENT BETWEEN THE CITY OF UNIVERSITY HEIGHTS, IOWA, AND HENDRICKSON ENTERPRISES, INC., REGARDING THE DEDICATION OF LOT 426, UNIVERSITY HEIGHTS THIRD SUBDIVISION, AS A PUBLIC STREET

WHEREAS, Hendrickson Enterprises, Inc. has developed Lytham Condominiums, as shown on the Final Plat recorded in Book 53, Page 336 of the records of the Recorder of Johnson County, Iowa; and

WHEREAS, Hendrickson Enterprises, Inc. desires to dedicate Lot 426, University Heights Third Subdivision to the City of University Heights as a public street; and

WHEREAS, City of University Heights, Iowa, desires to accept dedication of Lot 426, University Heights Third Subdivision, as a public street.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF UNIVERSITY HEIGHTS, IOWA, THAT:

1. The attached Agreement Regarding Dedication of Lot 426, University Heights Third Subdivision as a Public Street Serving Lytham Condominiums, between the City of University Heights, Iowa, and Hendrickson Enterprises, Inc. is hereby approved, and the Mayor is hereby authorized to execute four originals and the City Clerk to Attest the same on behalf of the City of University Heights.

Motion By: _____

Seconded By: _____

	AYES:	NAYS:	ABSENT:
--	-------	-------	---------

Haverkamp	_____	_____	_____
Lane	_____	_____	_____
Laverman	_____	_____	_____
McGrath	_____	_____	_____
Yeggy	_____	_____	_____

Upon Roll Call thus recorded, the Resolution is declared adopted this _____ day of December, 2010.

Louise From, Mayor
City of University Heights

ATTEST:

Christine M. Anderson, City Clerk

**AGREEMENT REGARDING DEDICATION OF
LOT 426, UNIVERSITY HEIGHTS THIRD SUBDIVISION
AS A PUBLIC STREET SERVING LYTHAM CONDOMINIUMS**

This Agreement is made and entered into between the City of University Heights, Iowa, a Municipal Corporation (hereinafter "City"), and Hendrickson Enterprises, Inc., the owner and Developer (hereinafter "Developer") of the property legally described on the attached Exhibit "A".

WHEREAS, Developer has developed Lytham Condominiums (hereinafter "the Development"), the Final Plat of which is recorded at Book 53, Page 336 of the records of the Recorder of Johnson County, Iowa; and

WHEREAS, the Development is located within the city limits of the City of Iowa City, with the exception of Lot 426 in University Heights Third Subdivision, which is a small, approximately 15 foot by approximately 50 foot, parcel located entirely within the right-of-way area for Olive Court in the City of University Heights; and

WHEREAS, the Developer previously dedicated the streets shown on the Final Plat of Lytham Condominiums to the public, as provided by the Code of Iowa; and

WHEREAS, the City of Iowa City previously accepted the dedication of the streets as shown on the Final Plat for Lytham Condominiums; and

WHEREAS, the parties to this Agreement hereby desire to have the City of University Heights accept dedication of the aforementioned Lot 426, University Heights Third Subdivision, as a public street.

NOW, THEREFORE, THE PARTIES HERETO MUTUALLY AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

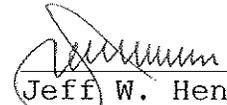
1. Although the Developer previously dedicated the streets shown on the Final Plat of Lytham Condominiums to the public, which Dedication and Statement of Consent is recorded in Book 4385, at Page 8, of the records of the Recorder of Johnson County, Iowa, the Developer hereby specifically dedicates Lot 426, University Heights Third Subdivision to the City of University Heights as a street servicing the Development.

2. The City hereby accepts the dedication of Lot 426, University Heights Third Subdivision, as a public street in the Development.

IN WITNESS THEREOF, the parties hereto have duly executed this Agreement effective on the ____ day of December, 2010.

CITY OF UNIVERSITY HEIGHTS

By: _____
Louise From, Mayor

By: 
Jeff W. Hendrickson
President & Secretary

Attest: City Clerk
Christine M. Anderson

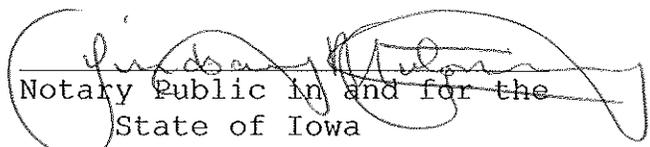
STATE OF IOWA)
) SS:
JOHNSON COUNTY)

This instrument was acknowledged before me on December ____, 2010, by Louise From and Christina M. Anderson, as Mayor and City Clerk, respectively, for the City of University Heights, Iowa.

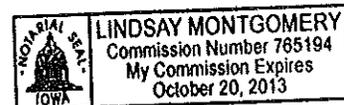
Notary Public in and for the
State of Iowa

STATE OF IOWA)
) SS:
COUNTY OF JOHNSON)

This instrument was acknowledged before me on December 10th, 2010, by Jeff W. Hendrickson, as President and Secretary of Hendrickson Enterprises, Inc.



Notary Public in and for the
State of Iowa



Prepared by and
Return to: Patrick J. Ford, 222 S. Linn St., Iowa City, IA 52244-2447; Ph: 319/338-7551

AFFIDAVIT

STATE OF IOWA)
) SS:
COUNTY OF JOHNSON)

I, Christine M. Anderson, City Clerk of University Heights, Iowa, do hereby certify that the Resolution attached hereto is a true and correct copy of Resolution No. 10-25, which was passed by the City Council of University Heights, Iowa, at a regular meeting held on the 14th day of December, 2010, as the same appears of record in my office.

DATED at University Heights, Iowa, this ____ day of December, 2010.

Christine M. Anderson
City Clerk for University Heights

**City Clerk Report
December 14 , 2010**

- **No new building permits received since the last meeting.**
- **Eight new rental permits received since last meeting:**

**201 Grandview Court
202 Grandview Court
205 Grandview Court
213 Grandview Court
302 Grandview Court
310 Grandview Court
505 Grandview Court
506 Grandview Court**

- **Updates from Norm Cate, Rental Inspector, from his inspections:**

614 Grandview Ct is owner occupied.

618 Grandview Ct. has a new owner; owner-occupied with son on the deed.

205 Koser; A memo has/will be sent to the council about investigated complaints.

425 Koser over-occupancy - The property cannot be considered a duplex, therefore the occupancy must be reduced by the end of December. I have confirmed this decision with Steve Ballard and have sent the owners' attorney notification of such.

No confirmation of over occupancy at 1145 Melrose and 1232 Melrose does not appear to be over-occupied.

Treasurer's Report

November 2010

Our total revenue for the month of November was \$93,990.10 comprised of the following amounts:

Property Taxes	\$ 20,003.57
Local Option Sales Tax	\$ 15,076.28
Parking fines	\$ 1,946.00
Traffic Fines from Clerk of Court	\$ 7,883.27
Interest on bank accounts	\$ 145.55
Road Use Funds	\$ 8,252.96
Building/excavation Permits	\$ 125.00
Rental Permits	\$ 600.00
Police Reports	\$ 35.00
Governors Traffic Safety Grant	\$ 1,102.37
Reimbursement from IDOT for wide sidewalk project	\$ 38,740.10
Rental inspections	\$ 80.00

In addition, we received reimbursement from Jeff Maxwell for legal fees in the amount of \$18,523.48 which offsets the Legal Services expense, and we also received \$261.10 in profit for the sale of t-shirts for the 75th Anniversary of University Heights, that amount offsets the Chautauqua Expenses.

Balances in the bank accounts as of 11/30/10:

ISB&T Checking Account	\$233,414.31
Hills Bank Money Market Account	\$ 23,424.43
CD at UICCU (due 2/28/11)	\$ 39,899.93
Forfeiture Fund	\$ 2,283.98

I made the principal and interest payment that was due to Hills Bank on the capital loan note - \$25,000. You also have a bill to approve tonight for the loan interest payment on the IDR Bond from MidwestOne Bank which is \$1820.83.

The bill we got for leaf vacuuming was \$10,000.00 which is what we budgeted.

City of University Heights, Iowa
Warrants for Council Approval

12/14/2010

November 10 through December 14, 2010

<u>Date</u>	<u>Name</u>	<u>Memo</u>	<u>Amount</u>
11/12/2010	City of Iowa City	City Hall water/sewer automatic payment	-17.74
11/15/2010	Fort, Matthew A		-1,634.25
11/15/2010	Fort, Ronald R		-1,646.12
11/15/2010	Lord, Benjamin M		-766.45
11/15/2010	Reinhard, Brad		-1,289.53
11/15/2010	Strong, Donald K.		-1,364.23
11/15/2010	Secretary of State, Iowa	Notary Fees for R Fort & M Fort	-60.00
11/17/2010	McLeod USA/PAETEC	automatic phone service payment	-138.98
11/23/2010	MidAmerican Energy	1301 Melrose stop light	-33.96
11/23/2010	MidAmerican Energy	1011 Melrose stop light	-30.58
11/24/2010	MidAmerican Energy	street lights	-613.09
11/24/2010	MidAmerican Energy	City Hall electricity	-74.27
11/30/2010	Wellmark BC/BS	monthly insurance payment	-1,528.72
11/30/2010	Hills Bank and Trust	principal/interest payment due on capital loan no	-25,000.00
11/30/2010	Anderson, Christine M.		-249.02
11/30/2010	Fort, Matthew A		-1,562.87
11/30/2010	Fort, Ronald R		-1,694.87
11/30/2010	Kimura, Lori D.		-285.80
11/30/2010	Lord, Benjamin M		-801.27
11/30/2010	Reinhard, Brad		-1,586.84
11/30/2010	Strong, Donald K.		-1,335.26
11/30/2010	IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM		-80.27
11/30/2010	IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM		-3,250.89
11/30/2010	MidwestOne Bank	42-1109342	-4,943.10
12/01/2010	Paul J. Moore, Melrose Avenue Building	City Hall Rent	-867.00
12/14/2010	ABC Solutions	Monthly fee for city website/email service	-24.95
12/14/2010	SEATS	Seats Payment	-703.66
12/14/2010	Paul J. Moore, Melrose Avenue Building	Garage rent	-35.00
12/14/2010	Norm Cate	inspection services for November	-420.00
12/14/2010	Terry Goerd	inspection services for November	-560.00
12/14/2010	Leff Law Firm, L.L.P.	Legal fees 9/10/10-12/10/10	-28,711.08
12/14/2010	Iowa City Press-Citizen	November publications	-428.48
12/14/2010	Russ Boyer Construction	patch holes/rpr street signs	-362.00
12/14/2010	Staples	part for computer unit #1/folders	-45.77
12/14/2010	MidAmerican Energy	pedestrian lights at 113 Golfview	-32.84
12/14/2010	Johnson County Refuse, Inc.	November recycling/leaf vacuum	-11,738.50
12/14/2010	Verizon Wireless	monthly wire service/cell phone for police car	-158.40
12/14/2010	Westport Touchless Autowash	October vehicle washes	-37.62
12/14/2010	City of Iowa City	bus & 2 months of fuel for police vehicles	-4,268.09
12/14/2010	Galls Incorporated	police badge	-125.98
12/14/2010	Racom Corporation	Police computer access fee	-79.60
12/14/2010	City of Iowa City	marijuana testing	-90.00
12/14/2010	Pyramid Services Inc.	wiring repairs/oil change 2007 car	-256.17
12/14/2010	Mediacom	online service 12/2/10-1/2/11	-69.95
12/14/2010	University of Iowa Surplus	4 used filing cabinets for basement	-80.00
12/14/2010	MidwestOne Bank	loan interest payment on IDR bond	-1,820.83