UNIVERSITY HEIGHTS, IOWA **1004 Melrose Ave.**

March 1, 2011

Proceedings of the City Council of University Heights, Iowa, subject to approval by the Council at a subsequent meeting. ALL VOTES ARE UNANIMOUS UNLESS OTHERWISE STATED.

SPECIAL COUNCIL MEETING

Mayor From called the March 1, 2011 special council meeting of the University Heights City Council to order at 7:08p.m.

Present: Mayor From. Council Members Mike Haverkamp, Rosanne Hopson, Stan Laverman, Brennan McGrath, Pat Yeggy. Staff present: Attorney Ballard and Clerk Anderson. Also present were Pat Bauer, Kathie Belgum, Dennis Cramer, John Danos, Paul DeYoung, Andy Dudler, Linda Fincham, William Gay, Alice Haugen, Tom Haugen, Chris Hedlund, Steve Hedlund, Eunice Hunzelman, Catherine Lane, Jim Lane, Jeff Maxwell, Rachel Prickman, Kent Ralston, Karl Robertson, Mary Schmidt, Rich Schmidt, Larry Wilson, Mary Mathew Wilson and Jerry Zimmerman.

Attorney Ballard began the meeting by clarifying the lawyer's roles for the proposed Maxwell development. Ballard works for the City of University Heights and not for Jeffrey Maxwell. There will be a written agreement with Maxwell to reimburse the city for various expenses; including legal fees for Ballard and Danos, fees for the City Engineer and City Clerk. The reimbursement for fees does not change the "loyalty" or the responsibility for the city employees covered under this agreement.

Jerry Zimmerman inquired if there is an alternative to the reimbursement arrangement. Ballard replied that the reimbursement is not paid directly to him; the city pays his fees and the reimbursement is paid directly to the city. The alternatives would be for 1) Ballard to work free, 2) the city could not ask for the reimbursement but the city does not have the budget to cover fees for this type of development.

Attorney Ballard introduced attorney John Danos, of Dorsey and Whitney in Des Moines, Iowa. Mr. Danos is a partner in the firm and serves clients across Iowa in the firm's public finance group. His practice is focused on finance transactions for cities, counties and other local governments. Danos reiterated that he represents the city and not the developer.

Urban renewal, for a number of years, was a tool that allowed local governments to help redevelop slum and blight areas within cities. In the 1980's, the term was changed to "economic development. It is a very procedural process and is governed by Chapter 403 of the Code of Iowa.

(TIF) allows cities to create special districts and to make public improvements within those districts that will generate private-sector development. During the development period, the tax base is frozen at the predevelopment level. Property taxes continue to be paid, but taxes derived from increases in assessed values (the tax increment) resulting from new development either go into a special fund created to repay obligations or indebtedness. Cities must bind themselves to an obligation in order to qualify for TIF financing.

A tax increment financing district is created by the adoption of a plan for redevelopment and a TIF plan. The assessed value of the property within the district is then determined according to the last tax roll and represents the "original" (pre-redevelopment) assessed value of the tax increment district. Each of the taxing jurisdictions (municipality, county, school district, etc) continues to receive its share of the taxes collected on the assessed valuation that represents the original assessed value, just as though the district had never been created and there had been no change in the assessed valuation of the area. When the original assessed value of the district has been certified, the municipality may begin the redevelopment and the tax increment financing process. The tax freeze lasts for a defined period of time, as set forth in the redevelopment plan; the state legislature has imposed a 20 year limit. TIFs for public infrastructure, for market-rate housing facilities, have limits up to 11 years, with a possible 5 year extension.

Chapter 403.22 of the Code of Iowa states that if TIF is used for market-rate housing, the city must set aside funds for low and moderate-income families to assist their housing needs. This amount is determined by the percentage of low and moderate-income families living in the county. The city can seek relief from the Department of Economic

Development if 1) the burden on TIF cash flows will break the project, and 2) the percentage of low and modest-income in the community is significantly lower than the county percentage.

There are different ways to deal with the set aside: 1) funds can be taken from the TIF cash flow, and 2) the most common is that the developer does not receive TIF funds until the set-aside has been satisfied, potentially a certain amount per year of the TIF period. The set-aside could be used for HUD projects, Habitat for Humanity, rent and utilities assistance. Larry Wilson inquired if the funds could be used by Habitat for Humanity outside of the community; Danos feels that would be allowed by the law.

Zimmerman asked how the city determines the benefits and limitations of a proposal and if Danos has ever advised a client not to continue with a project. Danos replied that he has told clients when TIF financing is not in their best interest, as that his responsibility to the client. Danos also stated there is not one analytical framework or formula to determine the pros and cons; the city will determine a public policy based on legal limitations as defined in the law. Alice Haugen asked how to distinguish between a need and a desire for a proposal; Danos replied that the statue is very clear that they city makes that determination.

Council member Hopson stated the Maxwell project is mixed use; how does this impact TIF financing. Danos replied that TIF can be made available for infrastructure for market-rate housing only or it can help with commercial infrastructure. TIF restriction applies to market-rating housing and not commercial. The TIF law also allows for private commercial development.

Assistance for commercial development could be 1) up-front grants and loans granted by the city, 2) in-direct financing, such as creating conditions that help the development, and 3) TIF rebate arrangements; development agreements between the city and the developer.

Hopson also inquired if it is unusual to talk about TIF financing before the land has been purchased by the developer. Danos stated it is not untypical as purchasing the land could be a huge decision in the whole process. Danos said the rebate system would be safer for the city given the church still owns the property.

Council member Haverkamp stated he had spoken with Iowa City school district personnel regarding the proposed TIF financing and TIF would not impact school finances if the base for the TIF was zero. Danos added the city would be required to hold a consultation with the school district prior to formalizing the TIF.

Jim Lane asked if a community center could be built with the set-aside funds for low and modest-income funds. Danos stated that unless it had a housing component, such as a shelter, it would not be allowed.

Council member Yeggy asked if there would be any effect if Maxwell sold the property during the TIF period. Danos replied the agreement would need to be written correctly to protect the city. If the property is sold, the developer may not have rights to the TIF financing.

MOTION by Haverkamp, seconded by Laverman, to retain John Danos as city's lawyer for TIF (formalizing decision to retain counsel at February 8, 2011 council meeting).

MOTION by Yeggy, seconded by Haverkamp, to approve agreement for Maxwell Construction to reimburse the city for professional fees, including legal and engineering fees, related to consideration of Tax Increment Financing (TIF) and Multiple-Family Commercial Planned Unit Development (PUD) application. **Carried.**

Haverkamp - Aye	McGrath - Aye
Hopson - Aye	Yeggy - Aye
Laverman – Aye	

MOTION by McGrath, seconded by Hopson, to amend the agreement with Maxwell Construction to reimburse the city for outside financial services. **Carried.**

Haverkamp - Aye	McGrath - Aye
Hopson - Aye	Yeggy - Aye
Laverman – Aye	

Council member McGrath asked the council to consider adding an amendment to include a consultant familiar with the building and development process. The city lacks the appropriate staff and expertise to analyze a project of this scale per McGrath. He feels it is important to include in the agreement at this time. Council member Hopson added the council would receive consist information from one source than multiple sources. Council members Laverman and Yeggy did not see the need for the consultant.

MOTION by McGrath, seconded by Hopson, to amend the agreement with Maxwell Construction to reimburse the city for an outside builder/developer consultant. **Not Carried.**

Haverkamp - No	McGrath - Aye
Hopson - Aye	Yeggy - No
Laverman – No	

Vote on motion to approve agreement to reimburse fees, as amended. **Carried.**

Haverkamp - Aye	McGrath - Aye
Hopson - Aye	Yeggy - Aye
Laverman – Aye	

The meeting was adjourned by **unanimous consent at 9:25 p.m.**

Attest: Christine M. Anderson, City Clerk **Approved: Louise A. From, Mayor**