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

June 28, 2011

Proceedings of the City Council of University Heights, Iowa, held at the University Club, 1360 Melrose Ave., subject to approval by the Council at a subsequent meeting. ALL VOTES ARE UNANIMOUS UNLESS OTHERWISE STATED.

WORK SESSION MEETING

Mayor From called the June 28, 2011 work session of the University Heights City Council to order at 7:00 p.m.

Present: Mayor From. Council Members Mike Haverkamp, Rosanne Hopson, Stan Laverman, Brennan McGrath and Pat Yeggy. Staff present: Attorney Ballard and Clerk Anderson. Also present were Pat Bauer, Kathie Belgum, June Braverman, Dennis Craven, John Danos, Andy Dudler, Linda Fincham, Tom Gelman, Alice Haugen, Tom Haugen, Al Leff, Chris Luzzie, Jeff Maxwell, Kevin Monson, Scott Pantel, Rachel Prickman, Merle Puhrman, Silvia Quezada, Kent Ralston, Mary Schmidt, Rich Schmidt, Jim Stehbens, Jane Swails Larry Wilson, Mary Mathew Wilson and Ken Yeggy.

Mayor From thanked the University Club for use of the meeting room and John McClure for video-taping the work session meeting.

Presentation of Maxwell Development Proposal TIF: Dennis Craven**,** Tom Gelman, Kevin Monson, along with the developer, Jeff Maxwell are the "design team" behind the TIF proposal. Tom Gelman, lawyer for the developer, stated that it is easy to get lost in the details and acknowledges that there will be give and take regarding the TIF financing. The proposal requests $8 million of public support in the form of tax rebates, which carries low risk (if any) for the city. It will generate approximately $800,000 for off-site low-income housing within the community. Gelman stated that the project cannot happen if the TIF financing is not approved.

Gelman stated that city's debt ceiling is less than the TIF request and the development team suggests partnering with Johnson County to utilize its larger debt ceiling. The issue for the county is whether it is willing to assist a municipality with a project.

Dennis Craven, financial advisor for the developer, distributed a report to the council. Craven stated that the developer would receive $5.5 million dollars, adjusted to present value figures, over the course of the project. Space valued at approximately $920,000 would be deeded to University Heights for use as city/community space. Off-site costs for sewer improvements, Sunset Street realignment, water and storm sewer costs and professional fees will amount to approximately $850,000. Total projected costs of the project are $51.45 million and total projected revenue, without the TIF financing, is estimated to be $53.2 million. The projected developer annualized Rate of Return is 5.12%, without TIF financing, as opposed to 10.16% with TIF financing. Craven stated that Maxwell asked for at least a 10% annualized rate of return on the project. Carven feels, in his professional opinion, that the return is not high enough for the amount of risk being assumed by the developer.

Craven stated the Maxwell development most closely resembles the Plaza Towers project in Iowa City. The city gave the developers an upfront payment of $6 million and sold the land at a discounted rate. Plaza Towers has no public space for the city and there were no improvements to surrounding streets or systems, as with the proposed Maxwell development. Plaza Towers had an assessed value, at completion, of $22 million; it is estimated One University Place will have a value of $48.6 million at completion, based on values equal to 90% of retail value with 90% occupation of units.

Attorney Ballard inquired how Craven derived the 5.12% rate of return as shown on the report; Craven stated that it is a very involved calculation based on variables of the project. Council member Laverman inquired what Craven believes is an acceptable rate of return for the project; Craven replied that given the function of risk for a project of this magnitude, a 14-17% return would be desirable.

Council member Hopson asked what the developer's next step would be if the TIF financing was not granted by the city. Monson stated that all contingencies with St. Andrew are gone and Jeff Maxwell would own the property. He said there is no "plan B". Gelman stated the council should focus on the benefits to the community as opposed to the developer's profit.

If the county participates in the TIF financing (80% plan), the city, county and school district will receive $760,000, $525,000 and $1,000,000 respectively in property taxes over 15 years. If the county is not involved (100% plan), the amounts to the city, county and school districts drop to $650,000, $450,000 and $860,000, respectively. The developers feel it is critical to the project to involve the county as more property taxes are given back to the individuals entities at a faster rate.

Council members Laverman and Yeggy questioned the need for 4,000 square feet in office space. Laverman commented there would be increased expenses for this space and is this something that is wanted or valued by the city and its citizens. Council member McGrath stated that he would like to see a survey sent to the community for input on the space.

Council member Haverkamp stated there is value to the city for the space as well as the approximately $2 million in municipal improvements, including the street alignment and sewer/water systems. The city would not need to fund these improvements on its own. McGrath replied that he feels this is "the tail wagging the dog" as the intersection is not currently creating major problems or accidents. The city has a traffic problem and the traffic study for the new development shows that 1500 more cars/trips will be added to the congestion; he does not see this as a benefit.

Council member Laverman inquired when the city would involve the county; John Danos, TIF financing advisor for the city, states there is no set formula for this. He felt it was not advisable until the council had decided they were in agreement on the proposal. Danos stated the city can still have negotiating authority regarding the process and the county will not act unless the city council instructs it to do so.

Danos also stated the level of involvement by the county is not dictated by state law; it is negotiable and the city could make yearly allocations to the developers, as well as have a portion derived by TIF financing. Gelman inquired if a new TIF agreement would need to be generated every year, if yearly appropriations were used by the city. Danos stated a covenant would be included in the original agreement where projected estimates, for the next year, would be given to the city council for approval. The council could agree or negotiate the amount up or down. Attorney Ballard asked if a joint relationship existed, would the county and city make separate payments to the developer. Danos stated that a joint TIF and urban renewal agreement could be created and the county would receive and make the payments to all parties.

Council member Haverkamp inquired how the low-income housing component would work in the development. Council member Laverman said the city could use the Iowa City/University of Iowa model where housing is purchased in desirable areas and sold to qualifying applicants. There also could be a rental housing subsidy where restrictions are recorded in the property deed. Haverkamp replied that he was intrigued by the concept as he is seeing more single-family homes converting into rental properties. Council member McGrath question if the city had the need for low-income housing or rentals; he feels the community has a transitory population that purchases a home but leaves within 2-4 years. McGrath commented he does not feel the city has adequate staff to handle this and would like a community survey to see what the community would like.

Monson asked the council for ideas of what they would like to see in the development. Responses included a multi-purpose room with dividers to use as meeting rooms for groups and the city, a polling site, etc. An office for the clerk is also desirable.

Mayor From asked the council if it was ready to move forward with the project. Council members Haverkamp, Laverman and Yeggy stated they were; Council members Hopson and McGrath stated they were not. Laverman stated he would like to see if they county is interested in assisting the city with this project. Attorney Ballard will draft a letter for review at the July 12th council meeting.

Mayor From reiterated the public can continue to send public input and comments to the city clerk and council. Staff at MPOJC will continue to gather the input and will report at the next council meeting.

The meeting was adjourned by **unanimous consent at 9:45 p.m.**

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