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

March 23, 2015

Proceedings of the Special Meeting of the City Council of University Heights, Iowa, held at the Horn School, 600 Koser Avenue, subject to approval by the Council at a subsequent meeting. ALL VOTES ARE UNANIMOUS UNLESS OTHERWISE STATED.

Mayor From called the March 23, 2015, special meeting of the University Heights City Council to order at 6:37 p.m.

Present: Mayor From. Council Members: Carla Aldrich, Mike Haverkamp, Jim Lane, Silvia Quezada and Virginia Miller. Staff present: Attorney Ballard and Clerk Anderson. Also attending: Pat Bauer, Justin Doyle, Andy Dudler, Tom Gelman, JP Hourcade, Catherine Lane, Tom Jackson, Jeffrey Maxwell, Kevin Monson, Larry Wilson, Mary Mathew Wilson, Ken Yeggy and Pat Yeggy.

Mayor From thanked council member Haverkamp for his work on setting up the meeting site, as well as the web connection with John Danos. From also thank council member Lane for organizing the meeting. From asked the council and staff to introduce themselves to Danos.

Danos also thanked Haverkamp for his efforts to establish a web connection. Danos stated his position is that he is “pro-legality” and is not a policy maker. He will explain the options that are available to the council.

Council member Lane asked that Danos respond to questions solicited from council and staff:

1) Explain the difference doing TIF funding as oppose to doing a municipal bond to provide funding for a development: TIF can be used as a source of collateral if the city borrows funds. It can be used as a source of repayment for city obligations the city may incur in connection with an urban renewal project.

If a city does not have the cash reserves for a project, they may need to borrow via a bank loan or bonding to fund a project. This will affect the borrowing capacity of the city and will create a risk for the city. A TIF rebate is negotiated with the developer and he/she fronts the cash for a project. The risk is with the developer and not the city.

Council member Quezada asked Danos to clarify “incentivizing” and what is deemed as necessary for TIF funding. Danos replied that under Iowa law, a city will determine what is necessary for their city. There is “no clear cut formula”.

2) What are the different types of TIF funding- Bond, tax rebate, tax abatement, et.al: One of the basic tenants of the TIF law is that it is a tool to repay city obligations for an urban renewal project. There is a public obligation associated with TIF financing. Cities can use 1) traditional banking obligations (loans or bonds issue-general obligation debt), 2) internal borrowing (city reserves), 3) negotiated TIF contracts (rebate agreements), and 4) statutory obligations (affordable housing set asides).

The city also can use tax abatement which is an exemption from property taxes granted by the city for a specified period.

3) What is a TIF district and who decides the location of the TIF district? Chapter 403 of the Iowa Code states the city determines what is an urban renewal area and the TIF district; by ordinance. Council member Miller asked if a TIF district could be specified within a building; Danos replied a city could designate that but it would be difficult for the county assessor unless you condominimize the building.

4) Our town has a bonding capacity of about $5.3 million. How is our bonding capacity affected by the different types of TIF funding or a municipal bond? Article 11, Section 3 of the state constitution details a city’s legal indebtedness. Items that would count toward that limit would be: 1) Principal amount on a loan (not interest), TIF debt (except for internal borrowing), and Geo-debt. Danos stated if the city entered into a TIF agreement with the developer, it would want to negotiate an upper limit to the agreement.

Within TIF agreements, the annual appropriations (payment liability) can be written into the contract and would be dependent upon budgetary considerations. There is no legal right to compel payment which places the risk on the developer. Miller asked what would compel a city to make those annual appropriations. Danos replied there would be credit, moral and political issues. Quezada asked if the annual appropriations could be used as a tool to incentivize economic performance. Danos replied that it could and the city would what “concrete benchmarks”. Cessation of payment should be for cause and not a random decision, as it could affect the city’s credit rating.

5) If TIF funding or a municipal bond is chosen as a gap funding mechanism, who determines how the repayment is used and where it goes. E.g. Johnson County, School District, University Heights. Any type of debt obligation is subject to council approval. The council will not be able to control the pace for valuation being added to the tax rolls but can incorporate legal language into the agreement to assist with cash flows. Assessment agreements are provided for by Chapter 403 of the Iowa Code and the functionality of these agreements is to make TIF revenue streams more predictable.

6) How is University Heights' bonding capacity affected as new buildings are added to the tax rolls and a portion of the TIF or bond is repaid? As new valuations are added to the tax rolls, the city's constitutional debt limit will increase 5% of the evaluation. There will be a lag as the property tax system "has time to catch-up", as there is an 18 month lag for the city to see the increase. Repayment regenerates a dollar for dollar conversion.

Quezada asked what impact TIF would have to the city's bond rating. Danos replied that he did not think it would affect the rating as it would not go to an underwriter. Danos believes the city has never taken a bond out in the bond market; everything has been with local lenders.

7) Are there any employment requirements for any of the TIF funding or bonding? By state law, here are no requirements. By local law, the city council would determine any requirements.

8) What are the circumstances in which TIF could go totally wrong and result in "bankrupting the city" that we hear from some individuals? Danos replied he has not had a client declare municipal bankruptcy and it is not "really legal" to declare it. Danos cannot imagine a situation where this would happen if the city had a negotiated contract with a developer. The risk would be on the developer and not the city. "Public credit" is not part of the deal and is not at risk. If the city was to borrow money, given the constitutional debt limits, it would be difficult to borrow an amount and have it continent on TIF revenue that would put the city in a dire financial situation.

9) When does Affordable Housing come into effect for TIF projects?

a. **What triggers that obligation (TIF used in residential project or for residential purposes, I believe);**
b. **How much funding is involved (how is the obligation computed); and**
c. **How is the obligation paid – over time, as TIF is rebated, etc.**

The low and moderate income housing set-aside requirement is provided under Chapter 403 of the Iowa Code. When cities use TIF to support public infrastructure, related to the construction of new market-rate housing, legislation requires the city do an additional contribution to assist with low and moderate income housing. The amount to be contributed is determined by the county. (approximately 40% for Johnson County) The city can request a waiver or reduction from the Iowa Economic Development Authority.

Public Input: Pat Bauer, 338 Koser Avenue, Tom Gelman, JP Hourcade, 416 Ridgeview Avenue, addressed the council with their concerns.

The meeting was adjourned **by unanimous consent at 8:02 p.m**.

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