

CONSTITUTIONAL DEBT LIMIT:

1. The maximum debt limit for a municipality is set by State Constitution at 5% of its total property valuation.

- a. what is Coralville's total debt?
- b. What is Coralville's total property valuation?

CORAL RIDGE MALL TIF:

When does the Coral Ridge Mall Tif end?

What is the dollar amount of the Coral Ridge Mall TIF that is currently being diverted?

How will Iowa River Landing be sustainable when the Coral Ridge Mall TIF ends? (do you have a written analysis of this)

- what assumptions must to be met to make River Landing sustainable after the Coral Ride Mall TIF ends.
- what is the back up plan if these assumptions are not met.

MARRIOT HOTEL:

What is the debt on the Marriot Hotel?

What is the profit or loss on the Hotel for each year of its existence?

What is the debt service on the hotel?

How is that debt structured (is it interest only?)

CENTER FOR THE PERFORMING ARTS:

How is title held to the Center for the Performing Arts?

If not in the City's name, why not?

How was it paid for?

How much was paid for the theater?

How much was paid for the 2nd floor of the Performing Arts Building?

How is title held to the 2nd floor?

Does the City pay rent for the performing Arts Space?

How much? How is that funded?

NOTE: 1. I STRONGLY ENCOURAGE THE COMMITTEE INTERVIEW TIMOTHY OSWALD of PIPER JAFFRAY regarding the email and report attached). It is my belief that the email and attachment were an attempt by PJ to alert Oliver McMillan and the City of Coralville to the dangers involved in continuing with IRL, especially the retail component; and
2. I STRONGLY ENCOURAGE YOU TO CALL TERRY KAEDING TO TESTIFY AS TO HER KNOWLEDGE OF CORALVILLE'S FINANCIAL SITUATION AS IT RELATES TO TIF.

THE SERIES OF QUESTIONS (#1-#8) ARE IN RELATION TO THE 9/3/10 email from Piper Jaffray (Timothy Oswald) to Oliver McMillan (OM)

1. In August and September what was Piper Jaffray's (PJ) role in the Iowa River Landing (IRL) project?
 - a. When did PJ first get involved?
 - b. Is PJ still involved?
 - c. Who was your primary contact at PJ in Aug & Sept 2010? (Timothy Oswald?)
 - d. Who is your primary contact at PJ now? (assuming they are still involved)
2. The documents we have from PJ are an email dated 9/3/10 with an attachment dated 8/5/10.
 - a. Is there an updated version of the 8/5/10 with a running balance of TIF debt or are you operating under this document?
 - b. Do you agree with PJ's analysis that given Coralville's TIF debt that there is no ability to support other development.
 - c. Is the "running balance" number (\$53M+) on the far right of PJ's document accurate as of today (the document is entitled: "Proposed 2011 Bonds Assuming VM [Von Maur], Homewood [Suites] and Full Infrastructure, but no Phase 1 Retail." If not, what is the number now and what do you project it to be at its maximum?
 - d. How much debt is Coralville carrying that is NOT included in the 5% maximum constitutional limit?
3. Do you agree that the "expensive" land is the old truck stop and the land area that is proposed for Von Maur?
 - a. we understand the land for Von Maur is being sold to

Oliver McMillan (OM) who will then transfer it to VM:

- i. is that correct?
 - ii. why is it not being transferred directly to VM? (it would be illegal I believe)
 - iii. what is the price of the land sale to OM? (I believe \$1.5M)
 - iv. what is OM being given in return for buying the land? (I believe \$1.5M given by City to OM)
 - v. what is the price of the land sale from OM to VM?
4. Do you agree with PJ's assessment that "If you stopped at MOB [*I believe this is UI's Medical Office Building*] and did nothing else, the City would use all of the TIF through 2037 and 2047"?
- a. Does "use all of the TIF" mean it would require all of the funds diverted by TIF to do just MOB and no retail?
 - b. Has a similar analysis been done including the retail component.
 - c. Is the plan for Coralville to own (at least initially) the retail component?
 1. If so, why? (i.e., why not have a private developer or developers develop the property)
 2. If the plan is to sell it, do you have you identified one or more purchasers capable and willing to buy the retail component?
5. Is the goal for IRL to be "self supporting"?
- a. When will it be "self supporting"?
 - b. Do you agree with PJ's assessment that, to be "self supporting" new developments would require \$65M of new valuation to support the necessary payment level?
 - c. Do you agree with PJ's assessment that \$65M in new valuation would probably require 400,000 – 600,000 + square feet of commercial property?
 - d. What occupancy rate is being assumed in this evaluation?
 - e. What time period is being assumed in getting to the square footage & new valuation necessary to support the necessary payment level?
6. Do you share PJ's 2 concerns:
- a. The aggregate debt level that Coralville has, or intends, to incur.
 - b. "that the City Council would have to come to know that the City was subsidizing the retail development over time" (i.e., that the retail development itself does not stand on its own).
 - i. Is it the goal that the retail development stand on its own?
 - ii. PJ was "worried" (Timothy Oswald's word) that the City Council would have to be told that the retail development was not self sufficient – correct?
 - iii. Is it fair to say that the political outcry over the Von Maur deal was one of PJ's concerns ("worries").
 - iv. When did your negotiations to open a store at IRL begin with VM?

1. Was VM considering opening a store at Coral Ridge Mall when your negotiations began?
 2. Was VM in negotiations / discussions with Coral Ridge Mall when your discussions began?
 3. Was a proposal made to move the Coral Ridge Mall ice rink and the Children's Museum to IRL and to move VM to those spaces at Coral Ridge Mall?
 4. Has the City, Diana Trimble, or anyone else made efforts to solicit or otherwise encourage current Coral Ridge Mall tenants to move to IRL? To open stores at IRL?
 5. Has the City, Diana Trimble, or anyone else made efforts to solicit or otherwise encourage current retailers in Iowa City to move to IRL? To open stores at IRL?
7. Do you agree with PJ's assessment that to do VM, that means \$25M in additional debt for infrastructure and VM incentives, on top of \$7M needed for base infrastructure plus an additional \$10-\$15M of City debt to finance Phase I building itself?
- a. We are talking about something like \$40M of additional debt, correct?
 - b. Do you agree with PJ that this is a huge number, especially when you factor in that some of this is being subsidized?
8. The final paragraph of Timothy Oswald's (PJ) email of 9/3/10 says: ***this is not a "line in the sand" communication, that is for Kelly.***
- a. Do you agree that "line in the sand" was referring to telling OM that the proposal for retail development was not going to happen?
 - b. Do you agree that the statement "that is for Kelly" meant that Kelly Hayworth would be the one to draw a "line in the sand" if a line were to be drawn?

THE SERIES OF QUESTIONS (#9-#15) ARE IN RELATION TO THE "PLAN OF FINANCE – IRL PHASE I"

9. PJ concludes (based on info from OM) that for the IRL retail projects, the City cannot obtain market value for the land and that land usually has to be contributed (given) by the City to the development in order to achieve market rents for tenants.
- a. What is the date of the "PLAN OF FINANCE – IRL PHASE I"?
 - i. Is this the "Plan" currently relied on by Coralville or is there a more current "Plan of Finance" for Phase I?
 1. If there is a more current "Plan" will you produce a copy?
 - b. Do you agree with PJ's conclusion (ie., that the City cannot obtain market value for the land and will usually need to contribute (give) the land to the development?
 - c. Do you agree, as PJ concludes, that the City is left with the need to ***permanently*** finance the land ***plus*** the cost of the infrastructure and grading needed to make the land usable for commercial development?

- d. Please give these details on the Back Pocket Brewery (BPB) deal:
 - i. Is the City paying for the land, building and buildout of a functioning brewery?
 - ii. Is there a signed written lease in place with BPB?
 - 1. Will you produce this lease?
 - 2. What is the length of the initial term of the lease?
 - 3. What are the option periods for extension(s)?
 - iii. Are there other documents regarding the BPB deal?
 - 1. Will you produce those documents?
 - iv. Are the lease payments guaranteed?
 - 1. If so, by whom?
 - 2. For what duration are the guarantees?
 - 3. In what amount are the guarantees?
 - 4. By whom, was the financial wherewithal of the guarantor or guarantors evaluated?
 - 5. Will you produce the guarantees?
 - 6. Is it fair to say that BPB was not able to secure financing to build the Brewery?
 - 7. Who prepared the proforma for the BPB operation?
 - a. Do you have that proforma?
 - b. Will you produce a copy?
 - c.
10. Why is PJ suggesting there is reason for the City to consider issuing a special revenue bond secured solely and only by the PILOT payment?
- a. Is it to avoid having it counted in the 5% debt limit ?
 - b. Was a special revenue bond issued? Or is it intended in the future?
 - c. What is the total amount of Coralville's debt that is not counted in the 5% constitutional limit?
11. Has the City committed to the Anchor Retail Project?
- a. The anchor retail is VM, correct?
 - b. Do you agree with PJ that by committing to the Anchor Retail Project the City is committing to build all of the first phase infrastructure in the IRL?
 - c. What is that infrastructure cost? (PJ estimated about \$14M)
 - d. do you agree that in addition to the infrastructure cost there is substantial direct cost to the City of committing to the Anchor retail?
 - i. What is that direct cost? (Pj estimated about \$11M)
 - e. By committing to the Anchor Retail Project, what ist he combined infrastructure and direct cost to the City (PJ estimated about \$25M in new debt)
 - f. In contrast, if the City committed only to the UIHC Project, what would the costs have been (PJ estimated approx. \$5.5.M).
 - g. The City could have committed only to UIHC and allowed private development and demand to take it from there, correct?
12. The City has capped the Anchor Retailer's property taxes, correct?

- a. At what amount? (PJ says \$150K annually)
 - b. Do you agree with PJ that this is “no where near enough to support the \$25K in new debt”?
13. Is it true that Coralville’s Developer, OM, represents that it cannot secure financing for the Phase I retail? (PJ states that is what OM indicated).
- a. Is it true that your developer, OM, wants the City to provide financing for the Phase I retail?
 - b. What fees have you paid OM?
 - c. What fees are contemplated to be paid to OM?
 - d. Have you reached agreement with OM on the rent splits?
 - i. What is that agreement ?
 - e. Have you reached agreement with OM on the leasing level for Phase I Retail?
 - i. What is that agreement?
 - ii. How many signed leases do you have for Phase I space?
 - 1. Will you produce those leases?
 - iii. Do you have any signed leases for Phase I space that is not being subsidized by the City?
 - iv. For all signed leases, what is the total tax revenue that will be produced.
 - 1. Please itemize (e.g., VM is \$150K annually? What are the other tax revenues).
 - v. For developments at IRL owned by someone other than the City (e.g, Homewood Suites above 1st floor) what are the anticipated tax revenues.
 - vi. What amount has Coralville (or OM) agreed to pay to developer of Homewood Suites (either by way of land, incentives, by backs, etc).
 - 1. Will you produce a copy of all agreements with that developer?
 - vii. What is your necessary occupancy rate of all IRL space to make this self supporting?
 - 1. What is the period of time anticipated to reach that necessary occupancy rate?
14. Do you agree with PJ that the Anchor Retail Project cannot proceed until you achieve that leasing level?
- a. What is the leasing level needed to make IRL Phase I Retail self supporting?
 - b. Have you reached that level?
 - c. Do you have written analysis of how the lease level you have reached will make Phase I retail self supporting?
 - i. Please provide the analysis including all assumptions used in the analysis.
15. PJ states that design and infrastructure is ongoing and there is a question of what risk the City takes in undertaking the full infrastructure without a Phase I commitment. (note: I’m not sure if this refers to Anchor commitment – i.e., VM, or if it refers to sufficient commitments from others to make the project self supporting).
- a. What is the risk that the City is taking?

16. In the spreadsheet provided by PJ (dated 8/5/10) there is a running balance on Coralville's Principal Outstanding Balance to the far right. The starting figure is \$53M+. This figure assumes "no Phase I retail".
 - a. Is the \$53M+ figure accurate assuming no Phase I retail.
 - b. What is that figure with Phase I retail added in?
 - i. Has a written analysis been done with Phase I retail *included*?
 1. Will you produce that analysis?

17. The email referred to in the first series of questions (#1 - #8) was sent to you and to Terry Kaeding by Timothy Oswald.
 - a. Did you respond to that email?
 - i. If so, by what method did you respond (ie., email? Phone? Etc)
 - ii. Did you then, or thereafter, express any disagreement with any of the statements made by Timothy Oswald in that email?

To claim that if the City didn't clean up this area that no one would.

- Isn't it true that in 1999 a local developer presented a development plan to the City of Coralville for the old truck stop property (approximately 10.5 acres) and the city rejected the plan and decided to build the development themselves.
 - The convention center, was later decided to be relocated to the river front. In fact, the redevelopment of the truck stop property would not have interfered with the convention center location.
 - It is important to note that this happened in 1999. The City has owned this property and has taken it off the tax role for 13 years.
1. Is it true that you had proposals from companies such as CVS Pharmacy and Cheddar Restaurant for a portion of the land on the corner of 1st and 9th St.?
 2. Doesn't this demonstrate that there would be a market for this property if the City was not acting as developer?

We need to fully disclose what the city's involvement is with the Brewery.
The first question should be asked:

1. Do they feel that they have given proper consideration of the possibility that that brewery might fail?
2. Why does the City of Coralville feel that they have the right to promote competition to other restaurants as well as Breweries in the area that might be tax payers.

Next Questions

1. Why does the City of Coralville feel that there is a unlimited market for hotels?
2. Why do they promote competition to the hotel owners of Coralville when the Hotel that they own (the Marriot) is loosing approximately \$1 Million a year.
3. Why did the city of Coralville buy Arby's? As a developer did they consider the fact of that the property owners on either side of Arby's feel that they were in a distinctly good market position to get a fair market value from the city due to the fact that the city made a commitment to purchase Arby's and that they would feel like they would purchase their land as well.

This is just one example of their development inexperience and misguided agenda in my opinion.

As to Von Maur's free land, did the city direct Oliver McMillen to give Von Maur free land and in return did the City give Oliver a large fee for example \$1.5 million as his fee for giving free land to Von Maur? Isn't that the just another way for the city to give free land Von Maur and to give Oliver away to make it legal.

MOODY'S

INVESTORS SERVICE

Rating Action: MOODY'S ASSIGNS A1 RATING TO CITY OF CORALVILLE'S (IA) \$3.2 MILLION GO ANNUAL APPROPRIATION URBAN RENEWAL CERTIFICATES OF PARTICIPATION, SERIES 2011K AND Aa2 RATING TO CITY'S \$5.8 MILLION GO CORPORATE PURPOSE AND REFUNDING BONDS, SERIES 2011B; OUTLOOK

Global Credit Research - 19 Oct 2011

CITY OF CORALVILLE HAS \$220.1 MILLION IN POST-SALE RATED LONG-TERM DEBT

New York, October 19, 2011 -- Moody's Rating

Issue: General Obligation Corporate Purpose and Refunding Bonds, Series 2011B; Rating: Aa2; Sale Amount: \$5,845,000; Expected Sale Date: 11/22/2011; Rating Description: General Obligation

Issue: General Obligation Annual Appropriation Urban Renewal Certificates of Participation Series 2011K; Rating: A1; Sale Amount: \$3,185,000; Expected Sale Date: 10/25/2011; Rating Description: Certificates of Participation

Opinion

Moody's Investors Service has assigned an A1 rating to the City of Coralville's (IA) \$3.2 million General Obligation Annual Appropriation Urban Renewal Certificates of Participation, Series 2011 F, and a Aa2 rating to the city's General Obligation corporate Purpose and Refunding Bonds, Series 2011B. Moody's maintains a Aa2 rating on the city's \$67.4 million of post-sale general obligation unlimited tax debt, an A1 rating on the city's \$65.1 million of post-sale certificates of participation, and an A1 rating on the city's \$53.2 million of outstanding general obligation annual appropriation debt. Moody's also maintains an A2 rating on the city's \$34.4 million Series 2007 tax increment revenue bonds.

SUMMARY RATING RATIONALE

The certificates are secured by the city's pledge to pay lease payments under the Lease Purchase Agreement, subject to annual appropriation. The city may levy an unlimited ad valorem property tax to pay the lease payments, though expects to cover payments through tax increment financing (TIF) revenues from its 12th Avenue Urban Renewal Area. Proceeds of the certificates will be used to complete the purchase of commercial space located within the city's Plaza on 5th mixed-use development, which includes a recently-completed performing arts facility. Assignment of the A1 rating incorporates the risk of annual non-appropriation and non-essential nature of the financed project, as well as the underlying credit quality reflected in the city's long-term Aa2 general obligation rating.

Debt service on the bonds is secured by the city's general obligation unlimited tax pledge and proceeds will be used to finance road and park improvements, as well as advance refund the city's Series 2005H and 2007A general obligation bonds. The city's Aa2 general obligation rating reflects a very high debt burden with additional borrowing plans; favorable economy with ongoing moderate tax base growth; and satisfactory financial operations characterized by a long trend of operating surpluses. The A1 rating on the general obligation annual appropriation bonds is notched twice off the city's Aa2 general obligation rating, reflecting the risk of non-appropriation as well as the lack of pledged assets. The rating on the annual appropriation bonds additionally incorporates the reputational risk that the city would occur if it did not appropriate to pay the bonds in any year, a factor we believe is especially critical to management given the city's very frequent borrowings that require regular access to the capital markets. The A1 rating on the outstanding certificates of participation (Series 2005) and lease revenue bonds (Series 2006) is also notched twice off the city's general obligation rating, reflecting the risk of non-appropriation and non-essential nature of the financed projects (golf course improvements and hotel and convention center, respectively).

The negative outlook reflects the significant leveraging of the city's tax base and tax increment financing districts, plans for additional borrowing, and reliance on one-time solutions to repay debt service obligations. The outlook additionally incorporates limited margin within the tax increment financing districts and limited liquidity within the General Fund, due to cash flowing of capital projects.

STRENGTHS

Stable economy benefitting from favorable location adjacent to Iowa City (Aaa) and University of Iowa (revenue debt rated Aa1/stable outlook)

Annual operating surpluses in General Fund over last five years

Revenue-raising flexibility under the untapped \$0.27 emergency levy, and electric and gas franchise fee

CHALLENGES

Substantially leveraged debt position with additional borrowing plans

Significant portion of debt supported by revenues from economically-sensitive economic development projects in tax increment districts and enterprise projects (including hotel and golf course)

Reduced liquidity in General Fund due to interfund loans to flood mitigation and capital projects

Outlook

The negative outlook reflects the significant leveraging of the city's tax base and tax increment revenues, lack of debt management policies regarding future debt, and limited liquidity and budgetary cushion in the General Fund and tax increment revenue funds. These factors have led to actions such as the issuance of bonds in 2010 to repay debt service on the Series 2006 hotel and conference center certificates of participation. The rating additionally incorporates the expectation of additional borrowing in the near to medium term, further leveraging the tax base and tax increment districts.

What could change the rating UP (or remove negative outlook)

Significant tax base expansion, mitigating the effects of expected future borrowing

Improved liquidity in city funds

Development of long-term plans and/or debt policies that address the increasing leverage of the tax base

What could change the rating DOWN

Lack of improvement in liquidity position of city

Further leveraging of the city's tax base through additional debt

Continued reliance on one-time solutions to cover debt service obligations

PRINCIPAL METHODOLOGY USED

The principal methodologies used in this rating were The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in October 2004, and General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

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MOODY'S INVESTORS SERVICE

Rating Action: MOODY'S ASSIGNS Aa2 RATING TO CITY OF CORALVILLE'S (IA) \$2.9 MILLION GO REFUNDING BONDS, SERIES 2011L

Global Credit Research - 21 Nov 2011

New York, November 21, 2011 -- Moody's Investors Service has assigned a Aa2 rating to the City of Coralville's (IA) \$2.9 million General Obligation Refunding Bonds, Series 2011L.

SUMMARY RATING RATIONALE

The assignment is associated with a rating action that was made on October 19, 2011. At that time, a Aa2 rating was assigned to the city's \$5.8 million General Obligation Corporate Purpose and Refunding Bonds, Series 2011B. The city has since created two bond series associated with that sale. The \$3 million Series 2011B bonds carry the Aa2 rating that was assigned at that time. Assignment of the Aa2 rating to the Series 2011L bonds reflects a very high debt burden with additional borrowing plans; favorable economy with ongoing moderate tax base growth; and satisfactory financial operations characterized by a long trend of operating surpluses. Similar to the Series 2011B bonds, the Series 2011L bonds have also been assigned a negative outlook. For additional information on this rating action, please see our most recent report on the City of Coralville, published October 19, 2011.

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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Tax increment financing getting legislative scrutiny

DES MOINES – Several state senators acknowledged Tuesday that there have been abuses of tax increment financing (TIF) authority that should be addressed, but they argued against revamping a valuable development tool for local communities based on a worst-case scenario.

Members of the Senate Ways and Means Committee were presented updated figures indicating that statewide TIF property tax areas established for economic development or urban renewal purposes have a record \$283.2 million impact, according to figures compiled by Jeff Robinson of the nonpartisan Legislative Services Agency. The TIF method of public financing uses expected future gains in taxes to finance current improvements and private investments which boost property values, foster jobs and generate additional tax revenue that often finance the debt that was issued to pay for the project.

According to the LSA analysis, there are 2,238 active TIF areas in Iowa with 1,567 of those generating TIF revenue. The \$283.2 million property tax financing of TIF equals 5.9 percent of all property taxes paid in fiscal 2012 and the 403 local governments receiving TIF revenue include 348 cities, 49 counties, two community colleges and four rural improvement zones. For the three fiscal years ending in 2010, cities collected a total of \$725 million in TIF property tax revenue and increased their reported TIF debt by \$453 million during that same period.

Committee chairman Sen. Joe Bolkcom, D-Iowa City, said he requested the data as a baseline for an expected discussion this legislative session of TIF policy and possible reforms in the wake of a controversy in Johnson County over Coralville's announcement last fall that it would use millions of dollars in TIF funds to build Von Maur a new department store in the city's Iowa River Landing development – likely leading to the closure of a store in a mall in southeast Iowa City and moving its location less than five miles to the adjacent community.

"If that's legal under this, I hope that we can work to tighten that up," Bolkcom said of the deal that drew criticism from other cities, local developers, state lawmakers and others at a meeting in Coralville earlier this month. "There are other things to tighten up as well."

Bolkcom said there are bills to reform the state's TIF law being formulated in the House and Senate, but Sens. Rick Bertrand, R-Sioux City, Matt McCoy, D-Des Moines, and Brad Zaun, R-Urbandale, said there are a lot of positive economic effects that come from a strategy that freezes the property taxes on a site at predevelopment levels and diverts the increase in taxes, or increments, into a fund used by the city that should not be overshadowed or curtailed due to alleged misuses of the financing tool.

"I'm concerned about unintended consequences," said McCoy, who credited TIF with helping to help to attract new businesses, create jobs and revitalize Iowa's capital city. In an effort to get at the abuses without crippling TIF, McCoy urged the committee to bring in city managers from places like Des Moines and Cedar Rapids to discuss what actually goes on in recruiting business projects rather than just hearing from association representatives that "frankly is powder-puff football for me."

Bertrand agreed, saying TIF "is a big tool for us" in financing projects to revitalize downtown Sioux City.

"I want to make sure we're seeing the complete picture of TIF and the role it plays in communities," he said. "Development would not happen. Downtown Sioux City would not be developing right now if it wasn't for TIF."

Sen. Merlin Bartz, R-Grafton, said he hoped a major focus on TIF this session would not divert attention away from another pressing reform area – providing relief to commercial and industrial property tax owners in Iowa. After failing to pass commercial property tax reform last session, he said he was concerned that TIF reform could become “the poison pill” that would keep lawmakers from accomplishing one of the session’s top priorities.

Sen. Herman Quirnbach, D-Ames, said he has heard growing concerns expressed about TIF abuses that should be addressed.

“We don’t want to throw the baby out with the bath water, but there is some bath water out there that’s getting a little nasty and we ought to deal with it this year,” he said.

Tax-increment financing criticized, defended at Coralville forum



The Marriott Hotel and the Vesta restaurant sit at the intersection of E 9th Street and Quarry Road at the Iowa River Landing Tuesday, Nov. 2, 2010 in Coralville. Tax increment financing is being used to build a new Von Maur department store at the development. (Brian Ray/ SourceMedia Group News)

Tax policy usually doesn't get many people excited, but it proved to be a popular, and divisive, topic in Coralville on Wednesday.

A standing-room only crowd of more than 200 people attended a two-hour forum on tax-increment financing at the Coralville Public Library. Many local government officials were there, along with state lawmakers, business people and members of the public.

They came to talk about an economic development tool that some people, including many in the room, believe is being misused.

"In many cases, TIF is used really as nothing more than a cash cow to finance city spending that could and should be financed in other ways," said Peter Fisher, who studies tax and budget issues and is research director of the nonpartisan Iowa Policy Project.

A study he released in November on TIF use in Johnson County was an impetus for Wednesday's forum.

So too was the city of Coralville's announcement in September it would use \$9.5 million in tax-increment financing funds to build Von Maur a new department store in the city's Iowa River Landing Development.

That deal drew criticism from other cities, local developers, state lawmakers and others. Fisher has estimated the deal to be worth closer to \$16 million, State Sen. Joe Bolkcom, D-Iowa City, and Rep. Tom Sands, R-Wapello, who hosted the forum, said legislation to reform the state TIF law would be introduced in the legislative session that starts next week, although what shape it takes and what its prospect would be at the statehouse are unknowns.

A TIF freezes the property taxes on a site at predevelopment levels and diverts the new taxes, or increment, into a fund used by the city. Sometimes the increment goes to a developer of a project in the TIF area or the city might use it for infrastructure work.

Other local governments, like a county and school districts, that typically would get a share of the tax revenue do not get that increment.

Fisher says those entities must increase their taxes to make up for the lost revenue. The state of Iowa also must chip in more for what it provides school districts in student aid, he said.

For example, his study found that the Coral Ridge Mall TIF district causes the owners of an average \$200,000 home in the Iowa City school district to pay \$80 more annually in property taxes. It's \$319 extra in the Clear Creek Amana school district, which has a big chunk of its tax base tied up in Coral Ridge Mall.

Denise Schares, the CCA superintendent, said when the mall TIF district expires in 2018, that will open up \$192 million in property valuation to the school district.

Iowa City Mayor Matt Hayek said his city wants the anti-piracy provisions of the state law reviewed so that TIF cannot be used to get a business to move from one community to another nearby. The city also believes there should be more public notice of such deals.

The Von Maur agreement came with no public debate – in fact, the City Council didn't discuss the deal as a group until the night it voted on it – and likely will result in the closing of the Iowa City Von Maur.

Without naming Coralville, Hayek said it went against the spirit of the Corridor and regional cooperation.

"This is not regionalism," he said. "This is anything but regionalism."

It wasn't all Coralville and TIF bashing at the meeting, though.

Rep. Dave Jacoby, a Democrat from Coralville and a former Coralville City Council member, said Coralville's growth has created jobs and sales tax revenue.

"When I saw there was a meeting tonight I thought it was a big thank you" to Coralville, he said.

John Weihe, whose term on the Coralville City Council ended last month, defended the city's use of tax-increment financing. As an example, he said the University of Iowa Research Park, which has benefited from TIF funds, is home to 1,792 jobs that pay an average salary of \$62,613 annually.

"The primary goal of Coralville's TIF has and always will be economic development," he said.

The discussion will continue with another forum Saturday, Jan. 21.

Developer: River Landing incentives will be worth it



The Marriott Hotel and the Vesta restaurant at the intersection of East 9th Street and Quarry Road at the Iowa River Landing. (Brian Ray/The Gazette)

CEDAR RAPIDS — The developer partnering with the city of Coralville on its Iowa River Landing offered a “long overdue” defense of the project Wednesday against critics who say it will use millions of public dollars to lure a Von Maur department store from Iowa City.

The \$100 million first phase at Iowa River Landing has become a focal point of legislative discussions over the use of tax increment financing. A TIF effectively freezes the property taxes on a site at pre-development levels and diverts the new taxes, or increment, into a fund often used to pay for infrastructure costs.

“I would submit to you that Coralville has been very smart about how and where they use TIF, and the results, I would argue, speak to that,” said Paul Buss, president of San Diego-based OliverMcMillan, during a meeting with The Gazette Editorial Board. He used words like “visionary” and “dead-on right” to describe the city’s approach.

Under the development agreement Coralville approved with Davenport-based Von Maur, it will pay the construction costs for the entire store and provide land worth more than \$1.5 million for \$10. One outside expert estimated the total deal, including other development costs, to be worth up to \$16 million.

Buss placed the incentive package at the “middle to high end of the road” relative to other similarly funded deals around the country. He said TIF or other sizable public incentives are almost always needed to spark such developments.

“It’s fairly middle-of-the-road, but we got what we could,” the developer said. “We negotiated and we negotiated hard. They originally asked for more, but we cut it back.”

The incentives totaled considerably less than an offer OliverMcMillan made at a \$150 million development in Lindenhurst, Ill., Buss said, and that offer was rejected by Von Maur.

As for accusations that Coralville is “stealing” Von Maur from Iowa City, Buss said, “I think the blame to Coralville is a little off. Von Maur wanted to be freeway-oriented. They were going to move at some point.”

He said Von Maur had considerable worth to the River Landing project and the benefits it will provide will exceed the incentives.

Buss didn’t dismiss the possibility, though, that Von Maur would close its Sycamore Mall location in Iowa City after it opens at Iowa River Landing. He said company officials with whom he spoke Wednesday morning hadn’t yet decided.

Other tenants

Buss also emphasized that the projects announced to date are well under half of the area of the development. Undisclosed other users under negotiation for Iowa River Landing “will be gravy” and should pay back the TIF-funded development costs sooner than the projected 2038 date, he indicated.

Buss said OliverMcMillan originally wanted to get some housing into the development, but the challenging market was a deterrent. He said student housing would still be a possibility, though.

OliverMcMillan remains interested in the idea of adding a “City of Literature” attraction to the project, he said. It would be an educational entertainment attraction highlighting the literary talent honed at the University of Iowa Writers’ Workshop.

A specialty movie theater chain that offers a “living room-like” setting to attract date-night couples is also an attractive idea for the development, Buss said, but film distribution rules could be problematic.

Report critical of use of TIF in Johnson County



The Marriott Hotel and the Vesta restaurant at the intersection of East 9th Street and Quarry Road at the Iowa River Landing. (Brian Ray/The Gazette)

Not only is Iowa City most likely losing its Von Maur to Coralville, but its taxpayers are essentially helping Coralville pay to build a new store, according to a new report.

The owner of an average single-family home in Iowa City pays an extra \$80 annually in property taxes because of the Coral Ridge Mall tax increment financing area, according to a report to be released Monday by Peter Fisher of Iowa Fiscal Partnership, a nonprofit, nonpartisan think tank.

The Coral Ridge Mall/Highway 6 tax increment financing, or TIF, area includes the city-owned Iowa River Landing District. That is being developed into a commercial area, and Coralville said in September the city would use nearly \$9.5 million in TIF funds to build Von Maur a department store there.

The size of the agreement – which Fisher actually values at more than \$16 million – and the likelihood that Von Maur will close its store in Iowa City's Sycamore Mall has led to intense criticism of Coralville from Iowa City officials, developers and some members of the public.

Fisher, a public finance expert, began researching TIF uses in Johnson County in early summer. His final report is critical of the way the financing mechanism is used and calls for a major statewide reform. Here's a link to the report.

"They (cities) are not doing anything illegal ... but I would say lots of them are not using it responsibly either," Fisher said in an interview.

His 16-page report takes a comprehensive look at Johnson County, where \$759 million worth of taxable property is part of a city TIF increment, he said.

He concludes that many cities use TIF as a "cash cow" to finance projects and shift some of the costs to taxpayers outside their jurisdictions.

A TIF freezes the property taxes on a site at predevelopment levels and diverts the new taxes, or increment, into a fund used by the city. Sometimes the increment goes to a developer of a project in the TIF area or the city might use it for infrastructure work.

Other local governments, like a county and school districts, that typically would get a share of the tax revenue do not get money from that increment.

Fisher argues that those entities must increase their taxes to make up for the lost revenue. The state of Iowa also must chip in more for what it provides districts in student aid, he said.

Looking at it that way, Fisher wrote that of the eight heaviest TIF users in Johnson County, between 23 percent and 62 percent of their property taxes are exported to non-city taxpayers. Those eight, from the highest percentage to lowest, are Shueyville, Tiffin, Oxford, Swisher, Coralville, Lone Tree, Solon and North Liberty.

"The ultimate tax shift produced by TIF is from city to non-city taxpayers," Fisher wrote.

North Liberty City Administrator Ryan Heiar said that may be a valid concern if a city is misusing TIF. He said an example of a worthy North Liberty TIF project is Highway 965.

"Which by the way the schools and county use," Heiar said. "Had we paid for this with our own levy, I don't think that's fair."

Going back to the Coral Ridge Mall TIF example, Fisher said the overall effect is a \$1.07 increase in the tax rate in Iowa City. That's an extra \$80 a year for the average \$200,000 home and \$254 for a small business with \$300,000 in taxable property, he concluded.

The Clear Creek Amana school district also is in the TIF area, and the owner of a \$200,000 home in its boundaries pays \$319 more a year, he found. Iowa River Landing is in the Iowa City school district, however, so future tax revenue generated by that development will not benefit CCA, Fisher said.

Coralville City Administrator Kelly Hayworth had not seen the report but said the problem with Fisher's conclusion, as laid out by a reporter, is it assumes the projects, and resulting growth in the tax base, would have occurred without using TIF as an incentive. In an argument often heard from other city officials, he said some projects would not happen without TIF.

Fisher counters that while it's true some projects would not occur without a city's help, bonds or tax abatements could work. A TIF is preferred by cities because "it does spread costs to others."

Hayworth said those alternatives require raising taxes.

"I don't think that TIF is perfect, but I think that right now it's the only options cities have" for economic development, he said.

Coralville accounts for 68.4 percent of the TIF valuation in the county, Fisher wrote, so between that and the recent Von Maur controversy, it gets its share of attention.

But there is some noteworthy data from the county's smaller cities.

In Shueyville, 100 percent of the TIF revenue is used to make debt payments for a new community center/city hall and for a street project, he said. In Oxford, TIF revenue mostly goes toward water and sewer projects. So, some of their infrastructure costs are being shifted to taxpayers outside their city limits, he said.

Fisher said the state should consider prohibiting or severely limiting the inclusion of residential and retail activity in a TIF area. He also said there should sunset dates for TIFs and the 20-year limit some get is too long in most cases.

He also calls for a limit on the portion of a city's tax base that could be included in a TIF area.

In the wake of Coralville's Von Maur deal, some state legislators have said they want to discuss TIF reform in the upcoming legislative session.

Coralville office plans under fire



The Marriott Hotel and the Vesta restaurant sit at the intersection of E 9th Street and Quarry Road at the Iowa River Landing Tuesday, Nov. 2, 2010 in Coralville. (Brian Ray/ SourceMedia Group News)

CORALVILLE — Coralville's Iowa River Landing District is again facing criticism, this time from an unlikely source: members of the business community.

A group of developers and business leaders met with City Administrator Kelly Hayworth and Mayor Jim Fausett last week to express their concerns that 40,000 square feet of office space planned for the city-owned Iowa River Landing is unnecessary and will compete with the private sector.

The group followed up with a strongly worded letter restating some of those claims and making demands of the city. A copy of the letter was supplied by the city to The Gazette in response to an open-records request.

The dispute is a rare rift between a city that is widely regarded as being friendly to the business and development communities.

It's also the latest clash over Iowa River Landing following the city's announcement in September that it would use \$9.5 million in taxpayer money to build Von Maur a department store in the district. One expert has estimated the true value of the deal at \$16 million. Iowa River Landing is a 180-acre mixed-use development off Interstate 80 that is to include commercial, retail and office space.

It's the office space that has now caught the attention of some members of the business community.

Coralville plans to construct a building with 40,000 square feet of retail on the first floor and 40,000 square feet of office space on the second floor.

The letter sent Nov. 1 said Coralville should not create any new commercial development using taxpayer money at this time.

“There appears to be an ample supply of retail and office space currently available and taxpayer funded development works to undermine the values of existing properties and the ability of these properties to continue to pay property taxes,” the developers and business leaders wrote.

The letter was signed by developers Gerry Ambrose, Brad Houser, Jody Braverman, Tom Bender, Hunter Parks and Marc Moen; McDonald’s franchisee Kevin O’Brien; commercial real estate agent Randy Miller; and interior design firm owner Chuck Skaugstad Jr.

The signers did not return messages, declined to comment or would not talk in detail for this story.

Seeking information

“We’re just looking for information on it,” Braverman, president of Southgate Development Services in Iowa City, said of the office space.

Some complaints started after the announcement of the Von Maur deal, which involves tax increment financing funds. Ambrose told The Gazette last month that Coralville’s use of TIF to attract retailers was like a child spending his trust fund. He also said the plan for 40,000 square feet of office space shocked developers.

In general, they believe there is already a glut of office space in the market and are worried about tenants being enticed from elsewhere in the community. And also that, with some of them owning property in the tax increment financing district that includes Iowa River Landing, their tax dollars are going toward possible competition.

In their letter, the group asked that the city: provide more information on the office space, not use incentives to build it unless there is a tenant willing to stay at least 15 years and allow interested developers to bid on the project.

They also requested that the city sell to a private entity the first-floor retail space included in an under-construction hotel, provide an analysis of the viability of Iowa River Landing and consider convening an advisory group of developers to “find fair and equitable ways to construct projects while eliminating competition by the City.”

City response

The City Council has already passed on the idea of an advisory group due to fairness concerns over who would and would not be on it.

Some city officials were taken aback by the tone of the letter.

City Council member Bill Hoeft fired back in an email saying some of the developers’ concerns “felt more like demands.”

He said in the email and an interview that he didn’t understand how they could say there is enough office and retail space when some of them have projects in the pipeline that include those uses.

He and other city officials also said that many of the people who signed the letter have been involved in projects that received taxpayer-supported incentives.

“A bit of hypocrisy on their part,” Hoeft said.

Council member John Weihe said the city has been planning the redevelopment of Iowa River Landing, a former blighted area, for decades, and the developers were essentially asking the city to slow down for their sakes.

“And that’s not happening,” he said.

Weihe and Hayworth, the city administrator, said it is hard to find office space larger than 4,000 square feet in the area, and Hayworth said there are businesses interested in bigger spaces.

Hayworth also said the city does not want businesses already in the community to relocate to the Iowa River Landing’s offices. The city has come under fire for the Von Maur deal in part because it likely means the store in Iowa City’s Sycamore Mall will close.

Construction schedule

Hayworth said the city hopes to start construction on the retail/office building next spring. Discussions about incentives for the office space have just started and it’s not clear how that may work or who could end up owning the space, he said.

The city will initially own the retail space in the district but wants to sell it to a single buyer so it can be managed with consistent hours and uses, like a mall, Hayworth said.

Hayworth said the concerns expressed in the letter shows the city needs to do a better job explaining what its intentions are in Iowa River Landing.

Coralville candidates tackle issues tied to Von Maur deal

CORALVILLE — Candidates for city office in Coralville addressed tax increment financing and cross-city relationships — two big issues between Coralville and Iowa City of late — at a forum Monday night.

The three City Council and two mayoral candidates for the Nov. 8 election all expressed support for using tax increment financing, or TIF, on projects, although two candidates said they were looking for a more restrictive approach from the city.

And a few said relationships with surrounding communities need to improve.

That's been an issue since last month's announcement that Coralville would use at least \$9.5 million in TIF funds to bring Von Maur to its Iowa River Landing District. The move most likely will result in the closing of the Von Maur store in Iowa City's Sycamore Mall.

That has drawn criticism from some Iowa City officials and City Council candidates there. City Manager Tom Markus told The Gazette that Coralville's Von Maur deal was greedy and desperate. Coralville mayoral candidate John Weihe said last night that Markus' comments had made the situation personal.

"I don't think that leads to good cooperation, so I would like to see some civility and partnership," he said.

Weihe, an optometrist and current City Council member, is challenging current Mayor Jim Fausett, a retired administrator at the University of Iowa College of Dentistry.

In Coralville, the mayor does not have a vote on the City Council but does have veto power.

Running for two open seats on the five-member council are incumbent Mitch Gross and challengers Lynn Snyder and Jill Dodds.

The forum was sponsored by the Iowa City Area Chamber of Commerce. It was broadcast on local television and online and will be rebroadcast starting Wednesday.

The race for mayor is especially interesting. Fausett has been mayor since 1996, and Weihe has been on the City Council since then.

Weihe cited the Von Maur deal in his case for becoming mayor, saying he believes City Administrator Kelly Hayworth has taken too much criticism over the matter. He said he'd be a strong spokesman for the city as mayor and would remind people that it was the council, not Hayworth, who voted to approve the agreement.

Fausett said he's already made that point, so people shouldn't wait around for Weihe to do so.

He also said that while Coralville has a history of cooperating well with other communities, one of his priorities if re-elected would be to work on community relations.

Coralville also has had disagreements with North Liberty in recent years over unincorporated land, an issue that was settle recently.

Snyder, co-owner of Gregory Properties, a property management company, said TIF projects have helped Coralville improve areas of town that the private sector wasn't going address on its own. However, she said she believes the city has maxed out what it should borrow.

Gross said TIF is an essential tool for a city Coralville's size, but he'd like the city to more often identify goals for a project and then, when those are met, end the TIF rather than have it continue.

"We're at a point where we do need to look at sunsets on TIFs," said Gross, a teacher at West High School.

Dodds, who runs a day-care center, agreed, saying she'd like more TIF agreements to expire after five to 10 years. She also said a project should be granted a TIF deal only if the business will pay employees livable wages.

Skirting a law's spirit



By Mike Thayer

Some time back in 2000 or 2001, somebody in Coralville's *leadership* circle sat down and figured out how to manipulate the state's Tax Increment Financing law (TIF). They looked for a way to skirt the law so the city could use TIF revenue from Coral Ridge Mall to spur development in the Iowa River Landing.

The result of that skirting, that manipulation, resulted in Coralville extending the Coral Ridge TIF district along a right of way on Interstate 80 to include the Iowa River Landing. They played a conniving, connect-the-dots game. As if the Mall and the Iowa River Landing are truly connected, as in adjacent, according to the spirit of Iowa's TIF law?

Please.

Was the maneuver legal? Technically. Honorable? Absolutely not, in no way does what Coralville did back in 2002 honor the spirit and intent of TIF law.

Such manipulation is costing taxpayers. Not just in Coralville, but in the school district, the county and the state.

What Coralville did was create a district that isn't really a congruent district, so they could take money out of an existing TIF — the Coral Ridge Mall area — and use it to develop a new area, the Iowa River Landing.

Expanding the district as Coralville did wasn't found to be illegal by Iowa's Supreme Court (not without some dissent on the final ruling, mind you), but clearly, there was a manipulation of the law. Without question, Coralville violated the intent of the TIF law and the state needs to shore up its rule.

Think about it. Coralville's leaders sat down and plotted how to cheat on a test. Where's the honor in that?

Compounding the lack of honor, Coralville leaders arrogantly forced their city's taxpayers to cough up more than \$10 million last week, in a literal cash giveaway to retailer Von Maur so they can move from the Sycamore Mall to the Iowa River Landing. The expanded TIF district.

Such cheating, maneuvering and manipulation by "leadership" doesn't advance Coralville as a community. There is no honor in what Kelly Hayworth, Mayor Jim Fausett and the City Council have done in skirting TIF law and negotiating deals like the Von Maur move.

Sadly, such deals are not anomalies or unforeseen, isolated incidences for Coralville's decision-makers. Such planning and deal making is intentional, has become habitual, and is based in a growing arrogance. Coralville's rulers have spurned Iowa City, North Liberty, Johnson County and most importantly, its own tax base. Is Tiffin next?

Mike Thayer of Coralville describes himself as a vocal conservative. Comments: sickof

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Researcher: Von Maur's Coralville deal worth \$16 million



The Coralville Marriott Hotel and Conference Center Tuesday, Aug. 3, 2010 in the Iowa River Landing district of Coralville . (Brian Ray/ SourceMedia Group News)

CORALVILLE — The deal that is bringing Von Maur to Coralville may be worth more than \$16 million to the department store, with much of that coming from taxpayers, according to a public finance expert.

That's significantly more than the \$11 million figure that has been frequently used since last month's announcement that a Von Maur store will anchor the city's Iowa River Landing District. That includes more than \$9.4 million in incentives from Coralville and \$1.5 million for the land Tom Markus, the city manager of Iowa City, also weighed in, saying Coralville's actions amounted to "greed" and "desperation." It is expected that Von Maur will close its store in Iowa City's Sycamore Mall.

"That \$9.4 million was a stunning amount," he said. "And \$16 million? It seems gross."

The \$16 million figure was provided by Peter Fisher, who studies tax and budget issues and is research director of the nonpartisan Iowa Policy Project. At The Gazette's request, Fisher reviewed the purchase and sale agreement and other public documents related to the Von Maur deal.

The city has said it will give Von Maur nearly \$9.5 million for construction costs for an 80,000-square-foot store in Iowa River Landing, a city-owned 180-acre site off Interstate 80 that is to include restaurants, stores, a medical facility and office space.

Coralville is to sell the land to Oliver McMillan, the California firm helping the city develop the site, for \$1.5 million. Oliver McMillan then will sell it to Von Maur for \$10.

Fisher arrived at \$16.2 million by taking the \$11 million for the store and land, adding the up to \$650,000 the city must pay if Von Maur is penalized for breaking its lease at Sycamore Mall and for moving expenses, and by figuring a \$4.5 million property tax rebate.

That \$4.5 million is Fisher's calculation of a provision in a separate agreement between the city and Von Maur that caps the amount of property taxes Von Maur pays at \$150,000 a year, to increase no more than 2 percent each year. Coralville would have to pay anything more than that.

Using the current tax rate, Fisher calculated the annual taxes at \$450,000 annually, meaning the city would be responsible for \$300,000. He extended that over a number of years to arrive at the \$4.5 million figure.

Fisher's estimate does not include Coralville paying for parking and other infrastructure work it has said it will do.

Coralville City Administrator Kelly Hayworth dismissed Fisher's tax number as speculative. He said the parking and infrastructure work would benefit the entire district and \$9.5 million is what they figured the city's true costs to be on the Von Maur building. He said the \$150,000 property tax cap is based on what Coral Ridge Mall anchor tenants pay.

Johnson County Assessor Bill Greazel, whose jurisdiction includes Coralville, said anchor stores in a mall traditionally get a discount on their assessments because they help attract other stores. But this Von Maur will not be part of a mall and may be more like the Coralville Walmart, which is near other retailers but doesn't get the big-box discount.

The Von Maur taxes could easily reach \$300,000 a year, Greazel said, although he had not done any calculations and ultimately he won't know how to assess it until it is built. It is to open by July 2013.

Fisher criticized Coralville's use of tax increment financing, or TIF, to pay for the project.

A TIF effectively freezes the property taxes on a site at predevelopment levels and diverts the new taxes, or increment, into a fund often used to pay for infrastructure costs.

Fisher said people outside Coralville will help pay for the project through the loss of tax revenue for the Iowa City school district and Johnson County.

"I think it illustrates a huge problem with Iowa's TIF law," he said. "There's no justification for a state law that encourages one city to pirate tax base from a neighboring city at the expense of taxpayers."

Von Maur and Oliver McMillan did not return messages seeking comment.

Iowa City's Markus said he would never use TIF to go after a neighboring community's businesses or a project with so little new job creation.

He also said Coralville took a parochial rather than regional approach to economic development that will not serve the area well. He asked why, if Iowa River Landing is such a great project, Coralville had to offer so much and why it couldn't get an anchor that was not already in the area.

"It's greed, at the end of the day," he said. "And I think greed a lot of the time is borne out of desperation."

Hayworth said each community needs to do what's best for itself and called it naive to believe it would be easy to attract an anchor tenant to Iowa River Landing.

"If that's the case, that you can easily get a store like that, then obviously they (Iowa City) can get another store in downtown or the mall," he said.

Coralville City Council member John Lundell said the investment in Von Maur will benefit the larger Iowa River Landing project, so even if the true value is \$16 million, he said it's worth it.

"It will pay back many fold," he said.

Lundell also said the down economy has forced cities nationwide to provide incentives to jump-start projects.

[Click here to read a story from today about a developer saying the private sector cannot compete with Von Maur-like agreements.](#)

The Von Maur deal has led to increased scrutiny of Coralville's use of tax increment financing.

Nearly 40 percent of Coralville's \$1.3 billion in taxable property is in TIF districts, compared with 0.89 percent for Iowa City, according to numbers kept by the Johnson County Auditor's Office.

This summer, Moody's Investors Service gave Coralville a "negative outlook" on two bond sales, citing the city's "very high debt burden" and "significant leveraging of the city's tax base and tax increment financing districts." A July 19 report said the city's "overall debt burden is a very high 14.5 percent of full value," compared with a median of 2.2 percent for cities with the same bond rating. The Von Maur agreement is likely to be part of a debate about reforming Iowa's TIF law in the upcoming legislative session, said Rep. Tom Sands, a Republican from Wapello and chairman of the Iowa House Ways and Means Committee.

He drafted legislation on TIF reform last session and wants improved transparency and accountability for TIF projects, possibly setting limits on the amount of TIF property within municipalities, and ensuring that TIF districts phase out when planned rather than being rolled over into new TIF districts.

Sands, a banker, said from the little he knows about the Von Maur agreement, Coralville complied with the letter of the law, but the deal "just doesn't smell or feel right."

Hayworth said a lot of people have forgotten that Iowa River Landing is a former rundown industrial site that he said is a perfect candidate for the use of TIF to improve blighted areas.

The city a decade ago connected Iowa River Landing to the Coral Ridge TIF district by using the right of way along Interstate 80, a controversial move that was upheld by the Iowa Supreme Court.

Greazel, the county assessor, noted that the projects in Iowa River Landing are being subsidized by the properties in the Coral Ridge Mall TIF district.

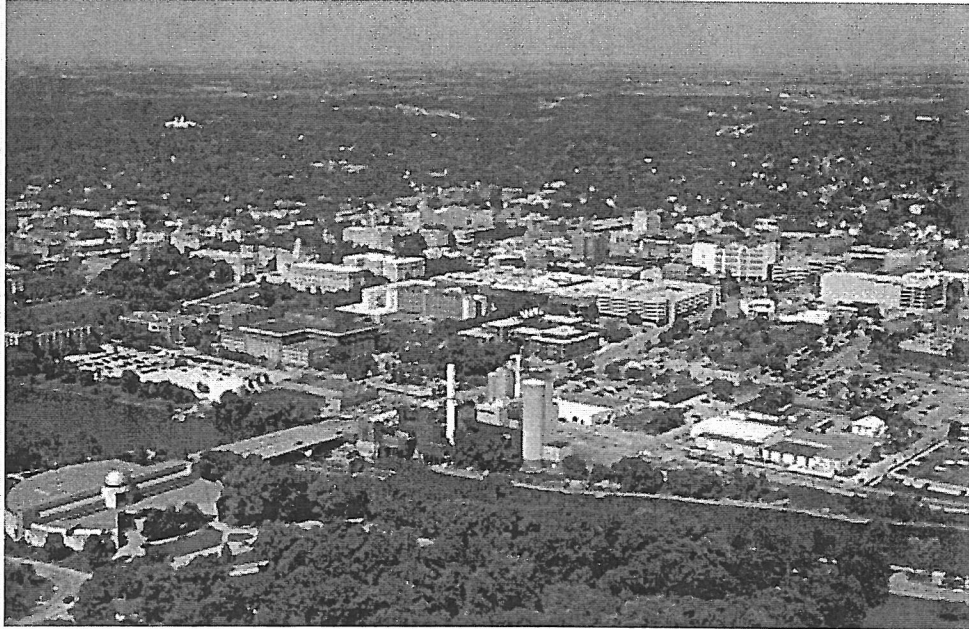
Hayworth said he doesn't think it's fair to say the mall's owner, General Growth Properties, will now essentially be helping to fund possible competition.

Asked if General Growth was upset by the Von Maur deal, he said, "Whether they're happy or not, it follows what the law is."

General Growth declined to comment for this story.

The Gazette's Dave DeWitte contributed to this story. [Click here to read the article.](#)

Iowa City prepares TIF district in area set for redevelopment



Aerial photo Iowa City, including the Iowa River, the Old Capitol and University of Iowa campus, Burlington Street bridge and downtown Iowa City, (Sourcemia 2006)

IOWA CITY — The city is taking steps toward establishing a tax increment financing district for an area of town slated for redevelopment.

The proposal is related to the Riverfront Crossings District south of downtown, which the city wants to turn into a dense, walkable neighborhood with public and private projects.

When officials first started discussing the idea two years ago, the area was to be bordered by Burlington Street to the north, Highway 6 to the south, Gilbert Street to the east and the Iowa River to the west.

But they have since expanded it across the river, and that's where the proposed TIF district would be. It would cover a mostly north-south strip of 44 acres along Riverside Drive from Myrtle Drive on the north and Highway 1 on the south.

On Oct. 18, the City Council is expected to hold a public hearing and vote on an urban renewal plan for the area, which is the first step in establishing the TIF district.

The item is on the agenda for the council's Tuesday meeting, but the public hearing will be continued because of a timing issue. The city's Planning and Zoning Commission has recommended the council adopt the plan.

Under a TIF agreement, a landowner typically keeps for a period of time the difference, or increment, between the existing property taxes and the amount generated by the redeveloped land.

Wendy Ford, Iowa City's economic development coordinator, said that as staff started working on the Riverfront Crossings plan, it became clear that ignoring the west side of the river while making improvements to the east would be a mistake.

A plan for a TIF district on the east side is forthcoming, she said, but the first project for Riverfront Crossings is expected to be on the west side, so they're starting over there with the TIF.

She said she couldn't go into details on the project except to say it's a hotel. City Council candidate Raj Patel has said his family plans to build a Hampton Inn by Hilton on Riverside Drive.

The council on Tuesday is to hold a public hearing and vote on a resolution to adopt a development plan for another portion of Riverfront Crossings.

The city has spent more than a year working with the U.S. Environmental Protection Agency and consultants on a plan for 80 acres on the southern part of the district. Iowa City was one of just five communities nationwide to get grants for the work.

The plan calls for a pedestrian-friendly, mixed-use neighborhood that includes a riverfront park.

Von Maur deal may prompt closer look at Iowa TIF laws



The Marriott Hotel and the Vesta restaurant sit at the intersection of E 9th Street and Quarry Road at the Iowa River Landing Tuesday, Nov. 2, 2010 in Coralville. (Brian Ray/ SourceMedia Group News)

CORALVILLE — The city of Coralville's use of tax increment financing to entice the Von Maur department store chain to its Iowa River Landing development may prompt a review of an Iowa law. State Rep. Nick Wagner, chair of the House Local Government Committee, said he's deeply concerned about the way tax increment financing was used in the deal. He said the agreement, which officials have said includes incentives worth nearly \$10 million, could result in the departure of Von Maur from Iowa City's Sycamore Mall, and it may have swayed the chain from choosing Coral Ridge Mall instead.

"It's a case of government picking winners and losers, and in this case they're picking themselves as the winner because they are the developers of the project," said Wagner, a Marion Republican.

Coralville City Administrator Kelly Hayworth said the city's use of tax increment financing to redevelop a blighted area — it once included a strip club, an adult bookstore and aging underground diesel storage tanks — was a "very classic case of what you could or would consider that the law was developed for."

The Iowa River Landing project was incorporated into the city's First Avenue-Highway 6 tax increment financing district, which includes Coral Ridge Mall, via a narrow strip of land along Interstate 80. The city was thus able to use property tax revenues collected from the Coral Ridge Mall to fund the project.

Wagner, a former Marion City Council member, said Marion had a conservative philosophy regarding tax increment financing's use, and officials did not allow it to be used for financing retail projects.

Tax increment financing effectively freezes the property tax payments on a site at predevelopment levels and diverts the additional taxes that would be generated by the improvements into a fund. The

fund generally is used to repay debt incurred for development-related costs such as water, sewer, sidewalks and street grading.

Wagner stopped short of saying a bill to modify Iowa's tax increment financing law would be introduced, although he indicated that is possible. He said TIF is a valuable tool when used properly.

"We should have some periodic review of that program and make sure taxpayers are getting their money's worth," Wagner said.

Citizens for Responsible Growth & Taxation (CFRG&T) **Mission Statement**

MISSION

CFRG&T is focused on accomplishing the following goals:

1. Assure transparency in all municipal processes and transactions, including an open and legitimate review and approval process for incentive programs (e.g. establishing guidelines, justification, and appropriate vetting for no-bid contracts.)
2. Establish a time-table and fair process for divestiture of all municipal properties that are not part of the normal functioning of city government (i.e., get government out of the brick and mortar business)
3. Enable comprehensive property tax relief that involves responsible use of TIF.
 - Narrow the permitted uses of TIF to those which were intended by the initial legislation.
 - Establish protection from TIF-related municipal piracy.
 - Require creditable projections for return on investment in a TIF project, including impact of potential failure of a business or business model.
 - Minimize TIF revenue impact on the school district and non-represented county residents.
4. Educate the public on all related issues.

MOTIVATION

CFRG&T believes that:

- The reasons behind the TIF program are both good and necessary. The TIF program remains valid and should be improved, not discarded.
- The current TIF legislation does not include adequate protection from municipal abuse, overreaching, or pirating neighboring market areas.
- Abuse and overreaching of the TIF program, as well as municipal piracy, harms area schools, businesses, the county government, and taxpayers. In the long run, municipal abuse jeopardizes the legislation itself.
- Cities should own or control projects or buildings only if they are directly related to city-related services.
- Municipal involvement in speculative brick and mortar projects should not be routine. Cities should become involved only after a full and open public discussion of each project.
- Comprehensive and straight-forward financial analysis is necessary to properly assess all financial implications of all municipal TIF projects.
- When municipalities take the position of real estate developer, other potential developers can be perceived as competing entities. All of the usual checks and balances, such as those provided by Planning & Zoning, are put in a conflict of interest.
- Transparency is necessary to assure adequate public oversight of every TIF project. When municipal development decisions are made without public input or fair competition, there is a high likelihood for unintended negative consequences.

For more information contact cfrgat12@gmail.com