

## **AGENDA CITY COUNCIL ECONOMIC DEVELOPMENT COMMITTEE**

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THURSDAY, MAY 25, 2017  
11:00 A.M.  
EMMA HARVAT HALL  
CITY HALL

1. Call to Order
2. Consider approval of minutes from the April 5, 2017 Economic Development Committee Meeting
3. Consider approval of minutes from the April 14, 2017 Economic Development Committee Meeting
4. Review TIF Policy refinements to date
5. Staff report
6. Committee time
7. Other business
8. Adjournment

*If you need disability-related accommodations in order to participate in this program/event, please contact Wendy Ford, Economic Development Coordinator at 319-356-5248 or [wendy-ford@iowa-city.org](mailto:wendy-ford@iowa-city.org). We ask that contact us early to allow sufficient time to meet your access needs.*

**MINUTES  
CITY COUNCIL ECONOMIC DEVELOPMENT COMMITTEE  
APRIL 5, 2017  
EMMA HARVAT HALL, CITY HALL, 4:00 P.M.**

**Members Present:** Rockne Cole, Susan Mims, Jim Throgmorton  
**Staff Present:** Wendy Ford, Eleanor Dilkes, Geoff Fruin  
**Others Present:**

**RECOMMENDATIONS TO COUNCIL:**

**Cole moved to approve the minutes with the change noted.  
Throgmorton seconded the motion.  
The motion carried 3-0.**

**CALL MEETING TO ORDER:**

The meeting was called to order by Chairperson Mims at 4:04 P.M.

**CONSIDER APPROVAL OF MINUTES:**

Minutes from the March 23, 2017, meeting were reviewed. Throgmorton noted that on page 4 of the minutes, where it states, "...industrial projects must make improvements equivalent to eight LEED energy efficiency points," that he was instead referring to mixed-use developments in or near downtown.

**Cole moved to approve the minutes with the change noted.  
Throgmorton seconded the motion.  
The motion carried 3-0.**

**Continue Discussion of TIF Policies:**

Mims stated that before they continue their discussion, she would like to do a couple of recaps from the last meeting, noting that Throgmorton's comments about the minutes addressed on one of these areas. One area of concern is ensuring clarification on the difference of expectations between residential mixed-use and industrial. She believes that this will be essential for staff as they begin crafting policy changes. She asked the other Members if they are in agreement about the differences they want to see between mixed-use and industrial, when it comes to energy efficiencies and LEED certification. Members agreed, with Throgmorton stating that he said something back in the fall about having a specific section of the TIF policy focused on the Downtown and Riverfront Crossings Districts. He believes these areas are where the controversy is.

Continuing, Mims next addressed the eight energy efficiency points that had been suggested for all TIF applicants to achieve along with LEED Silver certification. She stated that she would like to restate her position on LEED certification, noting she is concerned about the policy being written in such a way that it will require LEED Silver certification. Mims believes that they could possibly back themselves into a corner with this requirement. She added that she would prefer they consider language such as 'highly desire' or 'highly recommend,' LEED Silver certification, yet give developers the opportunity to discuss other options, should they exist. Mims would like to see some flexibility in this area, in order to take advantage of any opportunities that might

come up. Throgmorton stated that he does not agree with this, that he believes they should require LEED Silver certification for any new construction projects seeking TIF. Cole agreed with Throgmorton, adding that he would be in favor of LEED Gold certification. Mims noted that Throgmorton seemed to agree that requiring building renovation projects to also be LEED Silver would not be appropriate, as she had suggested. Fruin stated that when they spoke with architects, one of the common phrases heard was 'projects that are suitable for LEED.' He noted that basically not all projects are suitable for LEED certification. He suggested the City retain some discretion on what is suitable for LEED.

Next, Mims addressed the idea of providing upfront vs. rebates in exchange for LEED Gold certification. She stated that she is not interested in *only* Gold LEED certification being eligible, that the potential for upfront financial support needs to have more flexibility. Cole stated that he wanted to clarify his statement about LEED Gold, adding that just because a developer meets Gold, that would not automatically mean they receive upfront financial support. He spoke further to the expectations of developers and how the City might develop its TIF policies around these. Throgmorton stated that this is an interesting concept, but that he is not sure he would be persuaded to adopt such a policy. He believes the risks are too high to the City, and he referred to Dilkes' memo to the Committee. Dilkes then gave Members some background on TIF policies that the City has followed over the years, noting how the landscape of downtown development has changed over time. She warned against such a policy, stating that if the City were to offer upfront financial support for LEED Gold certification, they could then open themselves up to too many risky situations. Throgmorton agreed, and stated the idea of blending upfront financial support with rebates. Mims said that they can already do this with current policies. Cole stated that he still wants to have data on how much more unfeasible LEED Gold is as opposed to LEED Silver plus eight. Fruin responded, noting that this would be project-specific. Cole asked if there is an average in the difference, or a narrative type description of the differences. Fruin noted they don't track this information, but that staff could contact the U.S. Green Building Council to see if such data is available. He added that in the focus group with local architects, there was a definite change in the conversation when they went from talking about LEED Silver to LEED Gold. LEED Silver is seen as an attainable stretch for almost any project in a downtown setting, while LEED Gold is more dependent on the type of project.

Mims stated that she believes they should stay with the current policy, that she is not interested in requiring LEED Gold for consideration of upfront TIF. She believes that in order to get any upfront help, there has to be highly compelling public benefit to the project. This would then give staff and developers some flexibility. Throgmorton added that he believes they would be sending a clear signal to the public about what the expectations are by requiring LEED Silver with six to eight efficiency points. Cole suggested they use 'encourage' instead of 'require' in terms of being able to get upfront support for LEED Gold. He stated that he believes there are other cities that require this and he asked if staff knew of any, other than Madison. Throgmorton stated that he has looked for good, clear detail about the linkage between TIF support and energy efficiency and that he has not been able to find any.

Moving on to the fourth point, community engagement, Throgmorton said he thought this was too open ended and needed more detail. Members continued to discuss it, with Cole stating he would like to have a set of policies that people will be able to understand more clearly while giving staff the flexibility to get the growth that is desired. Continuing, Cole stated that he too would like to have some type of example so this point can be more clearly understood. Throgmorton stated that in thinking about this point, he sees racial equity as a possible example. He noted that a developer might use lower-income workers, including a mix of people with diverse backgrounds, in either the project itself or in the construction. Fruin gave an example where a manufacturing company might be looking to locate in Iowa City and was perhaps seeking TIF assistance. If they did not meet the job threshold that the City requires, for example,

but they had partnered with the local labor community and Kirkwood to offer industrial arts space, this could be an acceptable trade off. Mims stated that she might be in favor of staff putting together an introductory paragraph about the value, but that they need to watch how they word this. Throgmorton stated that he likes Fruin's example of the negotiation for industrial arts space and that he agrees staff should craft some type of paragraph for this point.

Regarding the fifth point, public improvements, Mims asked for specifics on this point. Fruin stated that it is always beneficial to leave the option open for using TIF assistance for public improvements. He added that staff is getting ready to bring some amendments to the urban renewal area plan to Council, and that point gives staff flexibility to pursue this avenue for funding select public improvements. Fruin stated that sometimes public improvements can help influence private economic development activities. As for the arts as it relates to TIF, Fruin said during the budget process there was some discussion when he suggested using TIF to help with the restoration of the Englert Theater, and the renovation and upkeep of the existing Film Scene space. Mims then voiced agreement regarding using TIF for certain public improvements to further economic development. Throgmorton stated that he is inclined to support this as well, but would like to see a draft statement policy on it. Cole then spoke to the controversy surrounding the use of TIF for municipal projects and asked why people would be against this. Mims responded that in some cases, TIF is used for public projects, while at the same time there is no growth going on in the community. Fruin added that the primary criticism has been that cities have been using TIF as a way to skirt referendums.

Developer equity – Mims stated that the policy to date has been that the developer be required to have as much equity in the project as City incentives. Ford noted those numbers are determined in part after the developer has maximized the amount of debt they can attract to the project. Ford briefly noted how the gap that is determined in a project and how this is handled in a TIF request. Fruin noted borrowing costs and how these have been addressed in the gap assessment. Mims spoke briefly to discussions she has had with developers and what they have shared with her regarding their experience with the TIF process.

Length of the TIF – Mims states that she believes the shorter the better. She added that they need to be flexible in this, as each project is different.

Back to item number one in the staff memo, Mims suggested they hold off until another meeting, due to the time.

Throgmorton stated that he was wondering if TIF supported projects would have to comply with the newly revised affordable housing location model. He added that he spoke to Fruin about this earlier and was told that they would.

Members agreed Throgmorton could restate the points he would like to discuss at the next meeting. These points include: determine a clear, predictable policy on building heights; guidelines, whether the underlying zoning is sufficient or not – Throgmorton stated that he does not believe the underlying zoning to be sufficient. He believes that any project they support must be consistent with the overall vision for downtown preservation and development as articulated in the Downtown/Riverfront Crossings Master Plan. He noted there is specific language that he would refer that comes out of the Downtown Master Plan, and he read it to Members: According to the Downtown and Riverfront Crossings District Master Plan, "New development [in the downtown area] should follow a list of very basic rules that are consistent with the underlying character of downtown. The following guidelines were developed following a thorough analysis of the patterns and framework that make downtown special. These include: new development should be located on sites that do not contain historic buildings. Active uses such as ground

floor retail and not blank walls should front onto the street frontages and the City Plaza. Upper floors should contain office, commercial, and residential uses. Buildings should be built to the property line. Corner locations should be reserved for taller buildings, creating a block structure with taller buildings on the corners and lower scale historic buildings between them. The taller buildings on the corners should have a lower base consistent with adjacent historic buildings to make them 'feel' contextual with the rest of downtown while also limiting the perceived height of towers. Throgmorton added that while the downtown plan does not have the force of law, it does have the force of discretion – such that it can be used as a policy tool. Members agreed that they will discuss these issues further at the next meeting.

**STAFF TIME:**

None.

**COMMITTEE TIME:**

None.

**OTHER BUSINESS:**

None.

**ADJOURNMENT:**

**Throgmorton moved to adjourn the meeting at 5:01 P.M.  
Cole seconded the motion.  
Motion carried 3-0.**

**Council Economic Development Committee  
ATTENDANCE RECORD  
2016 - 2017**

<b>NAME</b>	<b>TERM EXP.</b>	<b>02/04/16</b>	<b>04/12/16</b>	<b>05/10/16</b>	<b>06/14/16</b>	<b>07/12/16</b>	<b>10/12/16</b>	<b>12/13/16</b>	<b>03/23/17</b>	<b>04/05/17</b>			
Rockne Cole	01/02/18	X	X	X	X	X	X	X	X	X			
Susan Mims	01/02/18	X	X	X	X	X	X	X	X	X			
Jim Throgmorton	01/02/18	X	X	X	X	X	X	X	X	X			

Key:  
X = Present  
O = Absent  
O/E = Absent/Excused

**MINUTES  
CITY COUNCIL ECONOMIC DEVELOPMENT COMMITTEE  
APRIL 14, 2017  
EMMA HARVAT HALL, CITY HALL, 11:00 A.M.**

**Members Present:** Rockne Cole, Susan Mims, Jim Throgmorton  
**Staff Present:** Wendy Ford, Simon Andrew, Geoff Fruin  
**Others Present:** Karyl Bohnsack, Home Builders Association; Kevin Monson, Neumann Monson Architects; Dave Zahradnik, Neumann Monson Architects; Nick Lindsley, Neumann Monson Architects; Chris Nicknish, Calacci Construction; Julia Marlowe, Iowa City Capital Partners; Mark Ginsberg, MC Ginsberg; Marc Moen, Moen Group; Pat Ford, Leff Law Firm; Kim Casco, Chamber of Commerce, Matt Adam, Simmons Perrine Law Firm.

**RECOMMENDATIONS TO COUNCIL:**

Throgmorton moved to use the language ‘substantial weight be given to projects that clearly follow the Downtown, Riverfront Crossings District Master Plan, including the map shown on page 106. However the Council will identify certain factors that will allow staff to deviate from those standards.’

Cole seconded the motion.

The motion carried 2-1, Mims in the negative.

**CALL MEETING TO ORDER:**

The meeting was called to order by Chairperson Mims at 11:00 A.M. She then asked those present to introduce themselves and thanked everyone for attending today’s meeting.

**Continue Discussion of TIF Policies:**

Mims briefly reviewed what they have gone over so far, citing Ford’s memo dated March 10 as the outline for the discussion to date. She noted that at the last meeting the Committee ended ready to pick up discussion of item #1 – balancing building height and form with building economics. Mims began the discussion by recalling some of the points about economics in the March 10 memo. She noted that after the sixth or seventh story of a building, the building construction is required to be steel throughout, as opposed to wood. This is one of the major issues with building economics. Mims then asked Throgmorton to pick up the conversation where they left off, explaining his desire to require building height, as cited in the Comprehensive Plan as opposed to the Zoning Code, to any project in requesting City financial assistance downtown.

Throgmorton stated that the question had to do with determining a clear, predictable policy on building height for TIF-supported projects. He noted that Ford presented three decision points for the Committee. Referring to Ford’s memo, the first decision point noted -- *is the height permitted by the underlying zoning code sufficient or is there another guideline the Council wishes to use*. Throgmorton stated that he does not think the height permitted by the underlying zoning code is sufficient for projects the City chooses to support. He believes any project they support must be consistent with the overall vision for downtown preservation and development, as articulated in the Downtown and Riverfront Crossings District Master Plan. Throgmorton then

commented that with all due respect to those who are present at this meeting, there is still a large fraction of the community that is not present, giving the example of people who are advocates of historic preservation.

Continuing, Throgmorton quoted several issues from the Comprehensive Plan that he believes are important to this discussion. First, new development in the downtown area should follow a list of very basic rules that are consistent with the existing character of downtown. The following guidelines were developed following a thorough analysis of the patterns and framework that make downtown special. These include – new development should be located on sites that do not contain historic buildings. Active uses such as ground floor retail and not blank walls should front onto the street frontages and the City Plaza. Upper floors should contain office, commercial, and residential uses. Buildings should be built to the property line. Corner locations should be reserved for taller buildings, creating a block structure with taller buildings on corners and lower-scale historic buildings between them. The taller buildings on the corners should have a lower base, consistent with adjacent historic buildings to make them feel contextual with the rest of downtown, while also limiting perceived height of towers.

Mims asked that they first discuss the question of whether the zoning code is sufficient or if they are going to amend the TIF policy to say they won't consider TIF for non-corner CB-10 lots. She added that she would not support such an amendment. Mims continued, stating that she does not want to see them amend their policy to be so narrow in scope and that the Downtown & Riverfront Crossings Master Plan was created to be aspirational. She cited an aspiration noted in the Downtown & Riverfront Crossings Master Plan to build a parking ramp in the middle of the block of Washington between Clinton and Dubuque Streets. She posited it is too detailed for an aspirational document, suggesting the Downtown & Riverfront Crossings Master Plan may be overly detailed if it is indeed aspirational.

Throgmorton stated that he believes that the aspirational nature of these plans is what people want to see happen in downtown, which is to develop and preserve, and to maintain historic character. He believes that if the City is to offer financial support, they need to do so in a manner that is consistent with the aspirations of the people of Iowa City, as expressed in the Downtown and Riverfront Crossings District Master Plan.

Mims stated that she wanted to clarify one thing that Throgmorton said and asked if he said that no matter what site a project was on – corner or mid-block – with CB10 zoning, a project must still undergo the strict EDC and Council review to be considered for TIF and that would remain the same. He concurred.

Regarding historic preservation, Fruin then stated that he wanted to clarify one issue, noting a document that governs the use of tax increment financing -- the Urban Renewal Area Plan. The Council has to designate the urban renewal area and then amend the plan any time a new project takes place. A 2001 amendment to the plan governs how the City considers historic structures if they would be part of a TIF request. Fruin read from the plan –

***“Plans and specifications for proposed exterior renovations to historic or architecturally significant structures must be submitted to the Iowa City Historic Preservation Commission for review and approval, prior to issuance of a building permit in order for the improvements to qualify for tax increment financing. New construction that requires the demolition of structures identified in the Urban Renewal Plan as historic and/or architecturally significant is not eligible for either tax increment financing or the exclusion of property taxation during construction.”***



He added that the same rules would apply for tax abatement. Throgmorton noted that he would like to tie this to Ford's third decision point, regarding promotion of historic preservation and a reinvestment into existing building stock. He stated that he does not believe they should provide TIF support for any project that entails the demolition of any structure that has been determined to be eligible for designation as a local historic landmark. Fruin stated that this has been the policy since the 2001 amendment.

Mims then asked Cole if he had any comments. Cole wanted to revisit the upfront support versus TIF rebate support, noting that the current policy shows the City's preference for TIF rebates. He wanted to ensure there is flexibility built into the policy so that if certain conditions are met, Council has the discretion to grant upfront financial support. Cole stated that he would like to see the term "substantial weight" used in the policy when referring to the importance of compliance with the Downtown & Riverfront Crossings Master Plan vs. the Zoning code, but to not outright require it. He suggested they gather more public input early on for such projects to get a read on the public's approval.

Mims responded this does not give developers much clarity, something the Committee was hoping to do with this policy. She stated she thinks this will not improve policy terms of giving any more assurance for developers as to the desires of the City Council. Bringing a project forward is expensive and developers won't want to gamble on presenting a taller building project.

Throgmorton stated that taller buildings (clarified as anything taller than what exists currently) is not necessarily his issue. For him, it has to do with the CB-10 zoning designation and making it possible for developers to build even taller buildings anywhere in the downtown. Cole stated again that he believes that before they make any amendments they need to obtain community input on such matters. Members continued to discuss the issue of taller buildings, from what 'taller' means exactly, to having taller buildings allowed only on corner lots. Mims questioned where the 'taller buildings on the corner only' idea came from recounting feedback from community members who also question the concept.

Fruin then responded to Member comments, noting that his preference would be the underlying zoning. However, if the Council does not desire this, instead of amending the Comprehensive Plan, Fruin would recommend they look at the underlying zoning issue. Amending the zoning code would be a huge undertaking, but he believes it would still be the preferred path in that it would offer the most clarity.

Fruin also spoke to Cole's comment that they should stick with the Comprehensive Plan unless a project really "wows" them. He stated that this is good in theory, but that it is difficult for staff to gauge which projects would merit such attention. Fruin stated that one thing to keep in mind is that when developers first approach the City with ideas, there is a need to keep this confidential at first. Cole then spoke to this, stating that he believes when they are talking about a publicly-funded project, they need to be as open as possible and as early as possible. Mims said she has no idea how you can write a policy with this philosophy without using the map on p. 106 of the Master Plan.

Throgmorton then presented two images of how downtown could change over time, noting that he believes people in the community have these images. One is that the Council would inhibit any type of development in the downtown and gradually the older buildings would deteriorate and the downtown would fade, with businesses getting into trouble. Second is that the Council is willing to provide TIF support for any project it considers to be meritorious based on what the particulars are at that time, and given the existing zoning of CB-10, then new, very tall buildings could be constructed anywhere downtown. This would transform the character of the downtown, according to Throgmorton, beyond what anyone could imagine. Throgmorton stated that he

believes they don't want either of these polar extremes, but they need to find a happy synthesis. Throgmorton believes the Downtown & Riverfront Crossings Master Plan seeks to describe a happy synthesis, by allowing development while preserving the historic character of the downtown. He agreed that Cole's suggestion of the language 'substantial weight' being given to compliance with the Comprehensive Plan, but not necessarily required. The map could also be incorporated into this policy.

Cole again suggested gathering input from various groups within the community on this as well, when looking at deviating from the Comprehensive Plan standards.

Mims then spoke to the map, asking for some clarification on what is shown and again stated that she believes they still don't have the clarity they were seeking, unless they tie it specifically to the map.

**Throgmorton moved to use the language 'substantial weight be given to projects that clearly follow the Downtown, Riverfront Crossings District Master Plan, including the map shown on page 106. However the Council will identify certain factors that will allow staff to deviate from those standards.'**

**Cole seconded the motion.**

**The motion carried 2-1, Mims in the negative.**

Moving on to the second decision point – *determine how to consider architectural impact on adjacent properties; is staff Design Review sufficient, is it important to note that most projects are not fully designed at the development agreement phase, changes are often necessary throughout the design process; general compliance with initial concepts rather than exact adherence to early design phase documents can be used.* Regarding staff Design Review, Throgmorton stated that he would like to hear more on this from Fruin. He stated that there is language in the Board of Adjustment's rules that he believes should be brought to bear on this, and in fact were on the Linn Street project. That is that any project the City supports –

***“must be designed in a manner that is sensitive and complementary to any adjacent historic buildings. It must contribute to a harmonious rhythm and proportion of building elements along the street frontage, and ensure that differences in mass and scale are mitigated through facade articulation and if possible upper story setbacks.”***

Mims then returned to her original question of 'is staff Design Review sufficient.' Throgmorton stated that he believes this type of language would send a clear signal to architects working on particular projects, but he questions how consistent it is with the design review requirements that the staff currently has, with regard to projects downtown.

Fruin responded that any TIF project downtown triggers staff Design Review. Throgmorton stated that he understand this, but he questioned what the staff considers when doing its design review. Fruin gave some examples of how staff deals with such issues, noting that they look at the relationship to any historical structure that is directly adjacent to a project. He added that at the development agreement stage they have a good idea of what a proposed building is supposed to look like upon completion. At this point Council can ask for further clarification, etc., before moving forward. Members agreed to move forward with the second decision point as discussed.

*Promotion of historic preservation and reinvestment into existing building stock* – Mims noted that they have discussed this somewhat already. *Council may want to consider district-wide TIF applications for renovations or less time-consuming processes such as tax abatement.* Mims stated that she is supportive of this. She believes they want to be able to consider district-wide applications when it might be relevant for the scale of an overall project. Fruin stated that this involves working with existing property owners and he spoke to how this might be accomplished in the downtown. Members agreed with this approach.

Throgmorton stated that he has recently been reading about cities in Europe that are requiring net-zero carbon emissions on new buildings. He added that he isn't advocating they do this, but is sharing that this is happening around the world and that it may be a conversation to be had in the future. Cole stated that he would like to urge the public to give any feedback on these issues.

**STAFF TIME:**

Ford and Hightshoe gave Members a quick update on the 'So You Want to Start a Business' program being offered in conjunction with Kirkwood Community College again this year. Hightshoe stated that after they reviewed input from last year's program, it became evident that people wanted a more condensed version. This year there will be a 'Building Business Basics' program on Saturday, May 20, from 9:30 A.M. to 1:00 P.M. This will end with a lunch with business owners so that attendees can meet with them to talk about running their business. They will be reaching out to low-income entrepreneurs and also through social media outlets.

**COMMITTEE TIME:**

None.

**OTHER BUSINESS:**

None.

**ADJOURNMENT:**

**Throgmorton moved to adjourn the meeting at 1:00 P.M.**

**Cole seconded the motion.**

**Motion carried 3-0.**

**Council Economic Development Committee  
 ATTENDANCE RECORD  
 2016 - 2017**

<b>NAME</b>	<b>TERM EXP.</b>	<b>02/04/16</b>	<b>04/12/16</b>	<b>05/10/16</b>	<b>06/14/16</b>	<b>07/12/16</b>	<b>10/12/16</b>	<b>12/13/16</b>	<b>03/23/17</b>	<b>04/05/17</b>	<b>04/14/17</b>		
Rockne Cole	01/02/18	X	X	X	X	X	X	X	X	X	X		
Susan Mims	01/02/18	X	X	X	X	X	X	X	X	X	X		
Jim Throgmorton	01/02/18	X	X	X	X	X	X	X	X	X	X		

Key:  
 X = Present  
 O = Absent  
 O/E = Absent/Excused



# CITY OF IOWA CITY MEMORANDUM

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**Date:** April 20, 2017  
**To:** Economic Development Committee  
**From:** Wendy Ford, Economic Development Coordinator  
**Re:** TIF Policy discussion

## **Recap of TIF policy review process to date**

Following the meetings of eight focus groups, a roundtable meeting with architects and a developer to discuss issues surrounding building height and sustainability, and telephone meetings with a local labor representative, staff framed the issues in a memo dated March 10, 2017. The memo listed policy topics for Members to consider and they discussed each over three consecutive EDC meetings on March 23, April 5 and April 14, 2017. After the April 14 meeting, Staff pursued more information on LEED for new construction in an effort to better understand the costs of building to LEED standards, LEED certification and the idea of requiring a minimum number of LEED points towards energy efficiency.

Below are the TIF Policy focus areas, as refined, any remaining considerations for each, and staff recommendations. After your discussion on May 25<sup>th</sup>, staff will draft policy language and present at the proceeding meeting.

## **Goals:**

Alignment with the Council's Strategic Planning Priorities will provide the first indicator about whether a project may be eligible for TIF. To the extent that a project helps achieve the City Council's Strategic Priorities and is located within an established Urban Renewal Area (Exhibit A), it may be eligible to be considered for TIF.

## **Council Strategic Priorities, 2016 – 2017**

With an overarching goal intended to foster a more **inclusive, just** and **sustainable** Iowa City

- a) Promote a strong and resilient local economy
- b) Encourage a vibrant and walkable urban core
- c) Foster healthy neighborhoods throughout the City
- d) Maintain a solid financial foundation
- e) Enhance community engagement and intergovernmental relations
- f) Promote environmental sustainability
- g) Advance social justice and racial equity

In addition, Staff recommends continuing to seek projects that diversify existing uses including Class A office and hotel and entertainment uses, provided market studies and analysis support such investment.

## **1. TIF Policy: Sustainability**

Policy focus: New residential and mixed use building projects in the City-University Project 1 Area shall be LEED Silver certified (this area is also referred to as downtown & Riverfront Crossings -- see Exhibit B). Building renovation projects would not be required to be LEED certified.

Remaining considerations: During the policy review process, a local architect specializing in LEED suggested that TIF projects be required to achieve at least 8 of their LEED points in the Energy and Atmosphere<sup>1</sup> category, noting that a new building located downtown could fairly easily achieve LEED Silver without having earned any points from the Energy and Atmosphere category. Following the committee's discussion on LEED, staff was directed to research the impact of requiring 8 points in Energy and Atmosphere.

Staff met with the above mentioned and two additional local architects, whose firms have built many LEED certified buildings in the region. Of the three, two think LEED silver certification is appropriate and one thinks that money saved by not certifying would allow the developer to purchase even greater energy efficient heating, cooling, windows and lighting packages. A summary of our questions and the answers follow.

### 1. Why 8 points vs. fewer or more?

Each of the three architects thought 8 points was a reasonable stretch goal. Since this is the Energy and Atmosphere category, and MidAmerican is the local energy provider, they can model the cost/benefit in the conceptual design phase, providing an estimate of the initial cost and long term benefit. Within the Energy and Atmosphere category (LEED v.4), there are a total of 33 LEED points possible, 18 of which are available in the 'Optimize Energy Performance' subcategory; similarly, up to 3 points are available in the 'on site renewable energy' subcategory; thus, 8 points seems appropriate if we are interested in modifying a nationally accepted standard for downtown Iowa City.

LEED is intended to be a holistic approach to sustainability, with categories already weighted in the scoring mechanism. It is possible that requiring additional investment in one subcategory may divert investment in a different LEED scoring category. However, if this is the priority of the EDC, it appears to be an achievable goal.

### 2. How expensive for developers is it to implement energy savings elements?

Lighting, heating, cooling and window "packages" are part of any building project. Any combination of low to high energy savings on these project components can be bundled together and modeled for the owner to understand the impact and return on investment any of the packages would have on the project. Per our architect sources, and in generalized terms, energy efficiency packages pay for themselves in 5-7 years.

One local architect said the long term benefits include the energy savings in operating the building, and perhaps more importantly, the higher value commanded by an energy efficient building. An energy efficient building will be more attractive to investors in the future.

### 3. What are the costs of the LEED certification process?

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<sup>1</sup> There are seven categories from which buildings score points toward LEED, LEED silver, LEED gold or LEED platinum certification. Those categories include a) sustainable sites, b) water efficiency, c) energy and atmosphere, d) materials and resources, indoor environmental quality, e) innovation and design process, and f) regional priority credits.

The short answer is “it depends on the project.” One local architect estimated for Silver, the costs can be 0.5% to 1% of the total development cost (TDC) and for Gold – 1% to 2.5% of TDC. Another local architect estimated costs for Silver range from 0.5% to 0.75% of TDC.

Facilities.net cites a 2003 study by KEMA, an energy consulting company, on new construction costs of four project types in California. Despite the age and limitations of project type in the study, they continue to be among the most commonly cited, where TDC premiums to achieve the four certification levels are as follows: LEED Certified: 0% – 2.5%; LEED Silver: 0% – 3.3%; LEED Gold 0.3% – 5%; LEED Platinum 4.5% – 8.5% (all of which average 3% including Platinum and 1.85% including all levels except Platinum).

The Facilities.net information summarizes the answer to how much the LEED premium costs, by saying that if LEED certification is pursued from the project beginning, developers should conservatively budget 2% for construction costs and \$150,000 in soft costs for LEED Certified, LEED Silver and LEED Gold.

Staff recommends that all TIF funded new construction in the City-University Project 1 Urban Renewal Area (C-U area) be LEED Silver certified. For all renovation projects and projects outside of the C-U area, LEED certification and/or other efforts to help the City meet its stated carbon emission reduction goals will be highly desired, but not required if other factors provide sufficient community benefit. Staff is hesitant to recommend modifying the weighting of a national certification tool, but should Council want to require it, it does appear doable.

## **2. TIF Policy: Downtown building heights**

Substantial weight will be given to whether the project seeking TIF is in line with the desired heights shown on the Downtown and Riverfront Crossings Master Plan’s building height map shown on p. 106 of the Plan (Exhibit C attached to this document). However, the Council will identify those factors present in a project that will allow deviation from the heights shown on the map.

Staff recommends a) maintaining some degree of flexibility in the height policy and b) determining the circumstances under which taller buildings may be considered.

## **3. TIF Policy: Historic preservation**

Policy focus: Projects will be designed in a manner that is sensitive and complementary to adjacent properties designated as IC landmarks or registered on the national register of historic places. This standard is not intended to impose any particular architectural style, but rather to foster a harmonious rhythm and proportion of building elements along a street frontage and ensure that differences in mass and scale are mitigated through façade articulation and upper story step backs.

The City University Project 1 Urban Renewal Plan, Amendment #9, 2001, states:

Plans and specifications for proposed exterior renovations to historic or architecturally significant structures must be submitted to the Iowa City Historic Preservation Commission for review and approval prior to issuance of a building permit in order for the improvements to qualify for tax increment financing. New construction that requires the demolition of structures identified in this Urban Renewal Plan as historic and/or architecturally significant is not eligible for either tax increment financing or the exclusion from property taxation during construction.

All rehabilitation to historic or architecturally significant structures shall be done in such a manner as to preserve or restore any historic structure to productive use in order to be eligible. The guidelines for determining if rehabilitation does preserve or restore the structure shall be those set forth in the 1990 revised edition of the Secretary of Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings. All additions to historically or architecturally significant structures shall be developed in such a manner as to be architecturally compatible with existing development.

Staff has used the 2001 Historic Property Survey of the downtown to help determine which buildings are architecturally significant. Specifically, properties listed as eligible for designation to the National Register have met this standard.

Staff recommendation: The existing City University Project 1 Urban Renewal Plan already reflects the Council's desire to preserve the community's historic assets in that district. Staff further recommends a) including structures identified as historic through the most recent historic survey, and b) allowing for the consideration of district-wide increment to incentivize historic renovation projects that may not add enough taxable value to rely solely on the subject property's increment. This is discussed in more detail below.

#### **4. TIF Policy: Affordable housing**

Policy focus: In May of 2016, TIF Policy was amended to include an affordable housing requirement. It requires that a TIF project with housing provide a minimum of 15% of the units as affordable to tenants at or < 60% AMI (area median income), which could be negotiated to a lower AMI. Additionally, if a developer is building units for sale, those units will be targeted to households at or < 110% AMI. Developers could also negotiate a fee-in-lieu of providing on site affordable housing, or provide affordable housing elsewhere in the community, subject to the City's approval.

The Riverfront Crossings zoning code requires that 10% affordable housing is required in any housing project in the district. The new TIF policy will add a clarification that the first 10% of affordable housing units in RFC are the financial responsibility of the developer and any affordable housing above the 10% required in RFC could be TIF eligible, if the financial analysis determined a gap.

Staff recommends maintaining the existing policy with the clarifications noted in the paragraphs above.

#### **5. TIF Policy: Social Justice**

Policy focus: In November of 2015, Council adopted a resolution aimed at ensuring the City will not contract with or provide any economic development incentives to any person or entity who has participated in Wage Theft by violation of the Iowa Wage Payment Collection law, the Iowa Minimum Wage Act, the Federal Fair Labor Standards Act (FLSA) or any comparable state statute or local ordinance, which governs the payment of wages. Misclassification of employees as independent contractors is a violation of the FLSA and is specifically called out as "wage theft" in the resolution. In accordance with this resolution the Development Agreement will obligate the Developer to commit to and sign an affidavit attesting to these obligations.

Remaining considerations: Several points regarding contractors on TIF projects were brought to the committee's attention by the representatives of a local labor union. Staff worked with the City Attorney's Office who developed new contract language that attempts to address the points presented by the local labor advocates. Should the Development Agreement require that the contract for the



construction of the Minimum Improvements between the Developer and the General Contractor include the following written provisions, proof of which must be provided to City prior to the start of construction?

- a) Agreement by the General Contractor to comply with all state, federal and local laws and regulations, including, but not limited to the requirements of Iowa Code Chapter 91C (Contractor Registration with the Iowa Division of Labor), Iowa Code Chapter 91A (Iowa Wage Payment Collection Law), Iowa Code Chapter 91D (Minimum Wage), the Federal Fair Labor Standards Act, and the Internal Revenue Code.
- b) Agreement by the General Contractor to provide to the Developer and the City no later than the filing of an application for issuance of a building permit, the names and addresses of each subcontractor and the dollar value of the work the subcontractor is expected to perform.
- c) Demonstration by the General Contractor that it has the capacity to meet all performance, and labor and material payment, bonding requirements relative to the Minimum Improvements.
- d) Providing to the City a certificate by the General Contractor's insurer that it has in force all insurance coverages required with respect to construction of the Minimum Improvements.
- e) Demonstration by the General Contractor that it has required all subcontractors to agree, in writing, that the subcontractor will comply with all state, federal and local laws and administrative rules and regulations, including, but not limited to the requirements of Iowa Code Chapter 91C (Contractor Registration with the Iowa Division of Labor), Iowa Code Chapter 91A (Iowa Wage Payment Collection Law), Iowa Code Chapter 91D (Minimum Wage), the Federal Fair Labor Standards Act, and the Internal Revenue Code.

Staff recommends adoption of the above stated contract language for future Development Agreements.

#### **6. TIF Policy: Quality jobs**

Policy focus: If TIF is used as an incentive to create or retain jobs, certain wage thresholds must be met to help ensure the City's financial participation only serves to increase the average area wage.

Committee members stated they approved using the State of Iowa<sup>2</sup> standards when providing jobs-based incentives, shown below.

- 1) Must meet wage threshold requirements:
  - Created jobs must pay at least 100% of the qualifying wage threshold at the start and 120% of the qualifying wage threshold by project completion and through the maintenance period unless in a distressed area
  - Retained jobs must pay at least 120% of the qualifying wage threshold by project completion and through the maintenance period
- 2) Must provide a sufficient benefits package to all full-time employees, which includes at least one of the following:
  - Business pays 80% of medical premiums for single coverage plans, OR

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<sup>2</sup> Iowa Economic Development Authority, <https://www.iowaeconomicdevelopment.com/WageRequirements>

- Business pays 50% of medical premiums for family coverage plans, OR
- Business pays for some level of medical and dental coverage and provides the monetary equivalent value through other employee benefits

FY17 - Iowa Economic Development Authority					
Laborshed Number	Laborshed	County	120% Wage	100% Wage	90% Wage
61	Iowa City	Johnson	\$24.17	\$20.14	\$18.13

Staff recommends using the State’s wage thresholds as shown above for jobs related incentives.

**7. TIF Policy: Other Public Interests**

TIF Policy focus: Recognizing that some non-profit activity and/or investment in public infrastructure may influence additional private economic development activity, TIF may be an appropriate tool to further investment in Iowa City’s cultural and/or natural assets. Understanding that TIF is made possible by the increased value in real property, and that most cultural organizations and public lands are generally tax exempt, a TIF project would only be possible by using increment from the district. Examples include:

- Arts and cultural activities or facilities
- Historic Preservation
- Public Improvements that serve as a catalyst for the economic development of the urban renewal area.

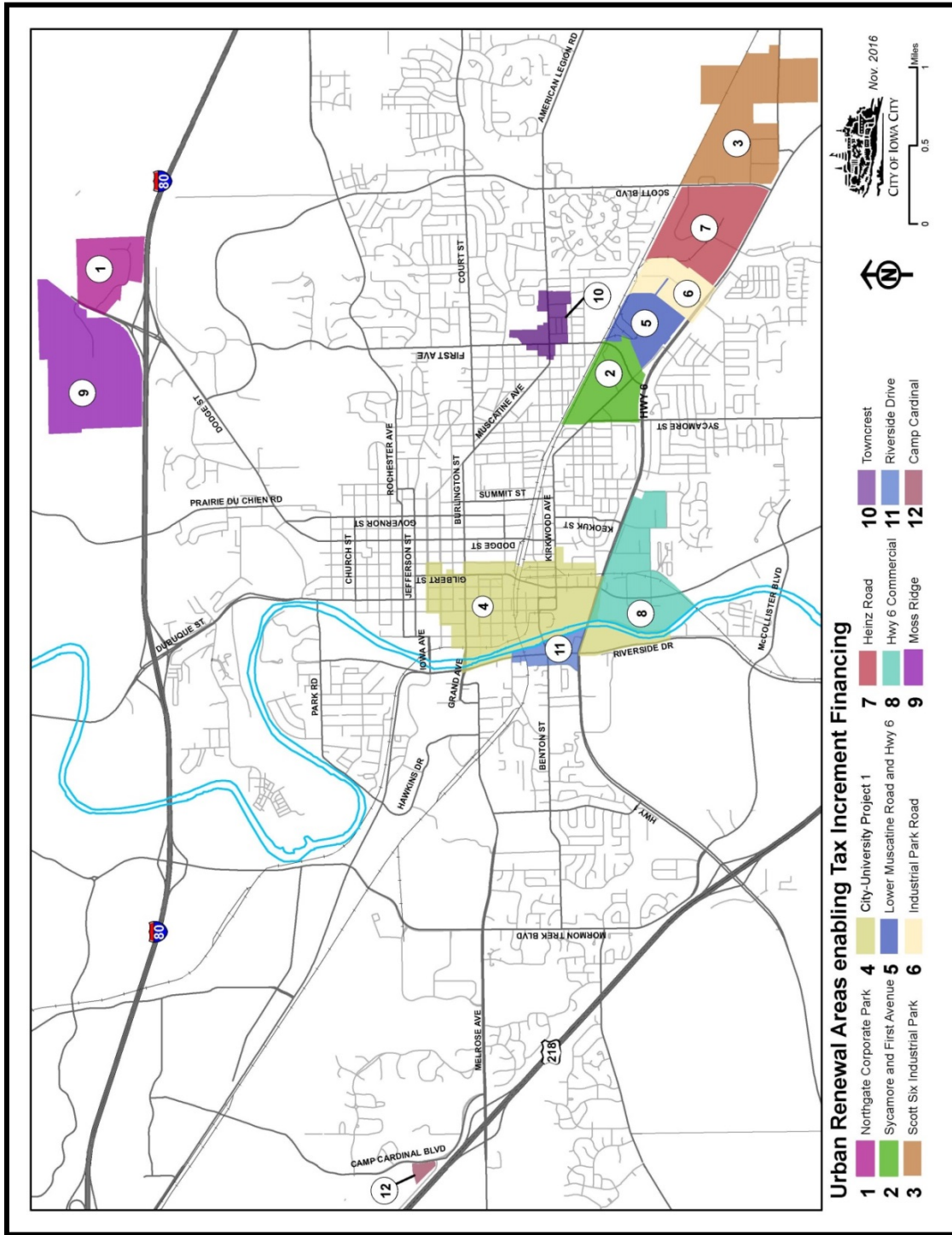
Staff recommends that projects enhancing Iowa City’s cultural and/or natural assets may be considered for district-wide TIF financing.

**8. TIF Policy: Underwriting and Application**

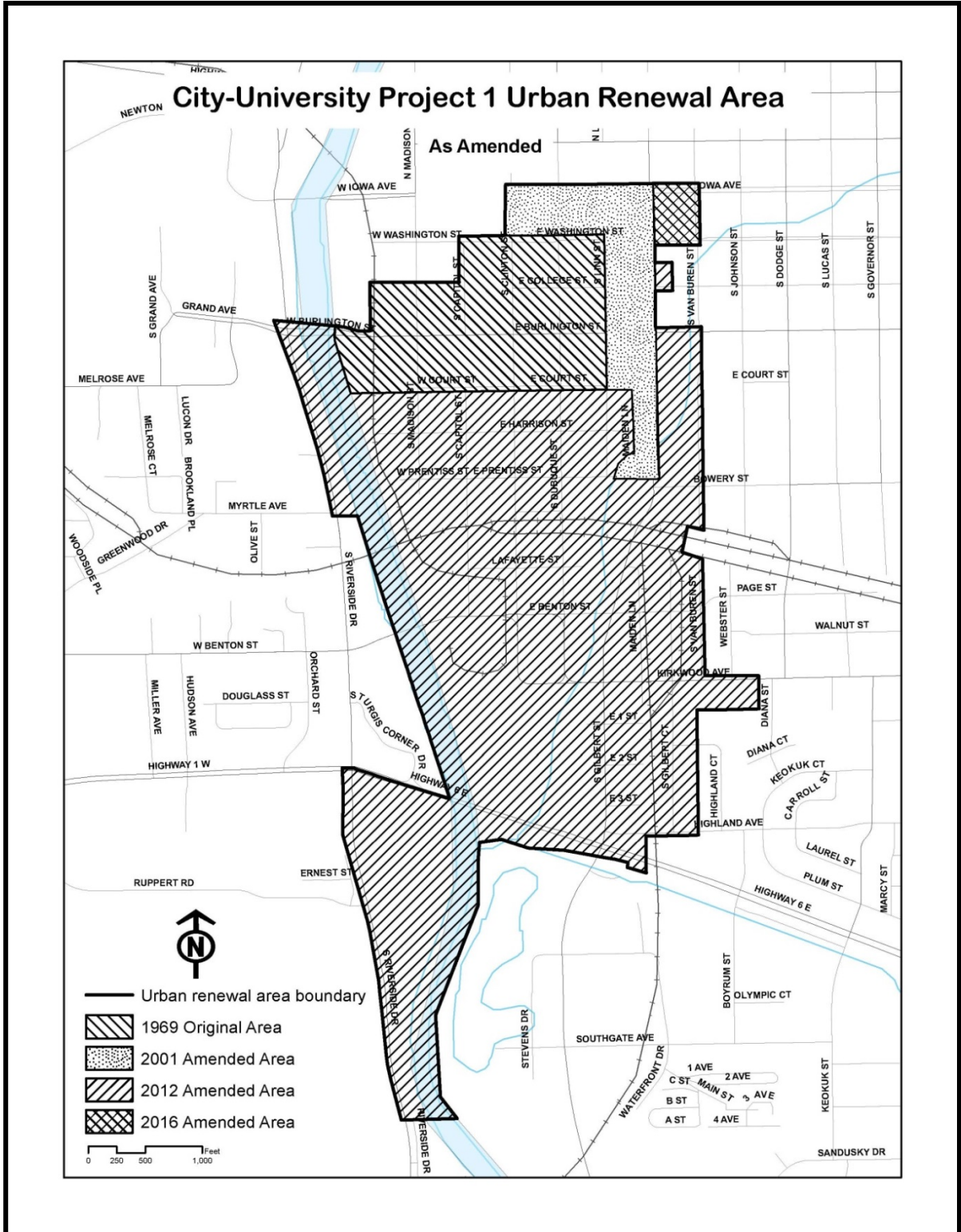
The following policies are designed to provide a consistent and transparent process for the review and analysis of all applications for TIF assistance.

- “But for” standard: Each project must demonstrate sufficient need for the City’s financial assistance, such that without it, the project would not occur. Every other financial piece of the project must be in place prior to the consideration of TIF. TIF assistance will be used as gap financing as determined through gap analysis.
- Method of TIF financing: The City reserves the right to determine the method of TIF financing that is in the best interests of the taxpayer. As such, the City strongly prefers the use of TIF rebates over the shortest term possible.
- Developer equity: Developer Equity must be equal to or greater than City funding. TIF assistance shall not exceed the amount of equity provided by the Developer. Equity is defined as cash, unleveraged value in land, or prepaid costs attributable to the project.
- Project based TIF: TIF for private developments must generate TIF increment sufficient to be self-supporting. Only in exceptional cases, will the City consider using district-wide increment.

## Exhibit A Urban Renewal Areas Enabling Tax Increment Financing



### Exhibit B City-University Project 1 Urban Renewal Area



### Exhibit C Downtown and Riverfront Crossings Master Plan Building Heights map

