

**City of North Liberty  
North Liberty Area Development Corporation  
U of I Community Credit Union  
Partnership Project**

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***Frequently Asked Questions***  
***Presented by the North Liberty City Council***

**What is this project?**

The City and the North Liberty Area Development Corporation have agreed in principle to purchase 64 acres of land on the west side of North Liberty, adjacent to Interstate 380. After purchasing the property, the North Liberty Area Development Corporation will transfer 24 acres to the credit union to be used as the location of its new customer service support campus.

**Why transfer the property to the credit union instead of selling it to them?**

It is very common for cities and economic development organizations to partner with private businesses in large-scale economic development projects. This case is no different. In order to make this project happen in North Liberty, the City needed to provide this incentive to the credit union.

**What are the benefits to North Liberty from this investment?**

The credit union has agreed to build a 100,000-square foot office, valued at \$20 million. This facility will generate approximately \$600,000 per year in property taxes. In addition, eventually this office will house 400 jobs. With more jobs in the community, more people will be spending money at North Liberty businesses, and further development of new homes and businesses is more likely.

**What safeguards are in place to protect the City's investment?**

The credit union will sign a "minimum assessment agreement," so even if it doesn't build, North Liberty will be collecting substantial taxes. In 2012, the ground will be taxed on \$5 million worth of value, which equates to \$150,000 in property taxes annually. In 2013, that

number increases to \$10 million and in 2014 to \$20 million, resulting in \$300,000 and \$600,000 in property taxes generated respectively. Also, because the City is borrowing money through the credit union, if the project does not move forward for some unforeseen reason, the credit union will forgive \$6.5 million of the loan value.

**Why is the City borrowing the money through the credit union rather than selling the bonds on the competitive market?**

The terms of the loan are favorable to the City. A portion of the loan is an annual appropriations TIF bond, meaning that the City does not have to count the entire \$6.5 million against its debt capacity, which would impact our ability to undertake other projects. Rather, only the payment due in the current fiscal year is counted against the debt capacity. As mentioned above, if the credit union did not move forward with the project, which is highly unlikely, it will forgive the \$6.5 million loan. Last, the loan is not subject to a prepayment penalty, which allows us to repay the loan as properties sell, without penalty. If these bonds were sold on the competitive market, they would be subject to prepayment penalties. This loan arrangement was part of our negotiation position with the credit union.

**What is TIF and how does it work?**

Tax increment financing allows cities to use future gains in property tax to finance current projects. Normally, property taxes are split among taxing authorities: the school district, city, county, community college and state. TIF allows the City to collect most of the additional taxes generated by the increased value that development or redevelopment creates, and to use them for specific purposes, such as economic development. In this case, Clear Creek Amana School District and Johnson County

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will continue to receive taxes as they have in the past for the land's current value, and the school district will collect additional taxes that can be used for building improvements and maintenance and debt repayment. After the TIF district expires in 20 years or when the economic development agreement is completed, the total tax revenues will be shared by the normal taxing authorities.

**Will my property taxes increase as a result of this purchase?**

No. The loan payments will be made with property tax revenues generated from the credit union building as well as with other available TIF revenues. This purchase will not have a negative impact on North Liberty's tax rate.

**What will this project do to the school district's property tax revenues?**

This project will increase the taxable value and property tax revenues within the district immediately. While the incremental taxes are being received by the City, the school will receive an estimated \$174,000 from property taxes and state aid related to TIF, based on the current year's tax rate. This figure includes funding for the district's general obligation bond payments. When incremental revenues are no longer collected by the City, the district will receive more than \$300,000 in property tax revenues from the proposed facility.

**What is the history of the land's cost?** The current owner paid \$6 million for this undeveloped, 64-acre piece of ground. After purchasing the property the owners improved the land by installing the necessary infrastructure, including a street and all required utilities. In addition, the landowners are bearing other holding costs including interest, maintenance, insurance and taxes.

**What is the City and the North Liberty Area Development Corporation paying for the property?**

The City has agreed to grant the North Liberty Area Development Corporation funding to pay \$4 per square foot for this property. The professional independent appraisal for the property, which compares similar land sales, reported a value of \$5 per square foot. The

property is valued at \$1.76 million more than the City and the North Liberty Area Development Corporation is paying for it.

**Why did the City and the North Liberty Area Development Corporation buy the other 40 acres not being used by the credit union?**

It was necessary to purchase the entire piece of property because the credit union required it as a term of its agreement to build at this location. The property currently is zoned for very high density multifamily and the owner is unwilling to consider rezoning to the more compatible office and commercial zones being considered by the City. Because the sellers are unwilling to voluntarily rezone and rezoning the land without the owner's consent is impractical, the best solution is for the City and the North Liberty Area Development Corporation to partner in the purchase of the entire 64 acres.

**What will be the impact for local commercial land owners?**

The City is planning to rezone the property to Office Research Park (ORP) and a newly created commercial zone. The proposed commercial zone will be much more restrictive than normal commercial zones, which presents an advantage for other commercial land owners. The ORP zone is only located one other place in North Liberty (next to this property). In addition, we believe the businesses that will eventually locate on this property will complement other commercial businesses within the community.

**What will be the impact for local residents?**

There will be a number of benefits to local residents. Some of the more notable benefits include an increase in local job opportunities as the credit union adds to its workforce; additional commercial retail and service businesses locating to North Liberty as the area develops; mitigation of potential future traffic flow issues related to the current high density zoning, and; the tax base will increase substantially, which will help maintain the services provided by North Liberty at the lowest possible tax burden to the citizens.

*For additional information about this project, please contact City Hall at 626-5700.*