



**North Liberty City Council  
Special Session  
Monday, July 3, 2023**



# **Agenda**



**CITY COUNCIL**

Monday, July 3, 2023

9:00 a.m.

Special Session

Council Chambers

1 Quail Creek Circle

1. Call to order
2. Roll call
3. Approval of the Agenda
4. Development Agreement
  - A. Public Hearing on Proposed Development Agreement with Pratt Real Estate Management, Inc.
  - B. Resolution Number 2023-78, A Resolution Approving Development Agreement with Pratt Real Estate Management, Inc., Authorizing Annual Appropriation Tax Increment Payments and Pledging Certain Tax Increment Revenues to the Payment of the Agreement
5. Adjournment



# Urban Renewal

## DEVELOPMENT AGREEMENT

This Agreement is entered into between the City of North Liberty, Iowa (the “City”) and Pratt Real Estate Management, Inc. (the “Developer”) as of the \_\_\_ day of \_\_\_\_\_, 2023 (the “Commencement Date”).

WHEREAS, the City has established the North Liberty Urban Renewal Area (the “Urban Renewal Area”), and has adopted a tax increment ordinance for the Urban Renewal Area; and

WHEREAS, the Developer owns certain real property which is situated in the Urban Renewal Area and is more specifically described on Exhibit A hereto (the “Property”); and

WHEREAS, the Developer has undertaken the development of an entertainment district (the “Project”) on the Property including the construction a 33,000 square-foot indoor recreation and sports center (the “Rec Center”) that will contain basketball, volleyball and pickle ball courts; and wrestling facilities; and the construction of a 33,000 square-foot fun center (the “Fun Center”) that will contain a bowling alley, an arcade, ax throwing space, billiards, shuffle board and a restaurant; and

WHEREAS, the Developer has requested that the City provide financial assistance in the form of incremental property tax payments to be used by the Developer in paying the costs of undertaking the Project; and

WHEREAS, for purposes of calculating Incremental Property Tax Revenues (as herein defined) under this Agreement and Section 403.19 of the Code of Iowa, the base valuation (the “Base Valuation”) of the Property shall be the assessed taxable valuation of the Property as of January 1, 2023; and

WHEREAS, Chapter 403 of the Code of Iowa authorizes cities to establish urban renewal areas and to undertake economic development projects; and

WHEREAS, Chapter 15A of the Code of Iowa authorizes cities to provide grants, loans, guarantees, tax incentives and other financial assistance to or for the benefit of private persons;

NOW THEREFORE, the parties hereto agree as follows:

**A. Developer’s Covenants**

**1. Project Construction.** The Developer agrees to construct or cause to be constructed the Project on the Property. The Developer has submitted a detailed site plan (the “Initial Site Plan”) for the development of the Project on the portion of the Property described as Lots 1 and 2 of Solomon’s Entertainment District to the City which was approved by the City Council on April 25, 2023. The Initial Site Plan is attached hereto as Exhibit B. The Developer agrees to submit a detailed site plan (the “Additional Site Plan”) to the City for the development of the Project on the portion of the Property described as Lot 3 of Solomon’s Entertainment District by December 31, 2023. Upon approval by the City Council, the Additional Site Plan shall be attached hereto as Exhibit B-1. The Developer agrees to construct the Project in substantial conformance with the Initial Site Plan, the Additional Site Plan and the City’s zoning,

land use, building and safety codes and regulations. The Developer agrees that the construction of the Project will minimally include the Rec Center and the Fun Center. The Developer further agrees to substantially complete such construction by no later than December 31, 2025.

Notwithstanding the foregoing, if the Developer shall be delayed, hindered in or prevented from completing acquisition or construction of the Project by reason of a Force Majeure Event, then the period to complete acquisition or construction of the Project shall be extended for a period equivalent to the period of such delay. As used in this Agreement, a “Force Majeure Event” means an act of God, strike, lockout, epidemic, pandemic, outbreak, unavailability of materials or services, failure of power, prohibitive governmental orders, laws or regulations, riot, insurrection, the act or failure to act of the City, adverse weather conditions preventing the performance of work, war or other reason beyond the Developer’s reasonable control.

The Developer agrees to ensure that the Rec Center and the Fun Center remain operational as a Rec Center and a Fun Center (the “Operational Requirement”) throughout the Term (as hereinafter defined) of this Agreement.

The Developer agrees to maintain, preserve, and keep the Property, including but not limited to the Rec Center and Fun Center, useful and in good repair and working order, ordinary wear and tear excepted, and from time to time will make all necessary repairs, replacements, renewals, and additions. Further, the Developer agrees to maintain compliance with local zoning, land use, building and safety codes and regulations.

**2. Entertainment District Permitted Uses.** The Developer acknowledges that it is intended that the Property be developed specifically for use as an entertainment district in the Urban Renewal Area and will include establishments (“Entertainment Establishments”) that are similar in nature to the following:

- i. Outdoor amusement and recreational enterprise, such as an amusement, recreational or theme park, an amphitheater, golf driving range, miniature golf course, picnic area, mechanical ride, or attraction;
- ii. Indoor amusement and recreational enterprise, such as arcade, arena, bowling alley, skating rink, movie theater;
- iii. Special retail business, such as antique shop, art gallery, delicatessen, handicraft shop, souvenir and curio shops;
- iv. Clothing boutiques;
- v. Restaurants, bars, lounges and breweries; and
- vi. Hotels;

The Developer acknowledges that if convenience stores, pharmacy/drug stores and other establishments not considered to be Entertainment Establishments, as determined by the City, are constructed on the Property, then the assessed taxable valuation of such establishments shall not

be included in the calculation of Incremental Property Tax Revenues (as hereinafter defined) for purposes of determining the Developer's Estimate (as hereinafter defined).

**3. Developer's Operational Certifications.** The Developer agrees to certify (the "Operational Certification") to the City by no later than October 15 of each year during the Term commencing October 15, 2025, the Developer is in compliance with the Operational Requirement and the Permitted Uses Requirement. Each Operational Certification shall be accompanied by documentation demonstrating, to the satisfaction of the City, that the Developer is in compliance with the Operational Requirement and the Permitted Uses Requirement.

**4. Property Taxes.** The Developer agrees to make or take all reasonable steps to cause timely payment of all property taxes as they come due with respect to the Property with the completed Project thereon throughout the Term (as hereinafter defined) and to submit a receipt or cancelled check in evidence of each such payment.

**5. Property Tax Payment Certification.** The Developer agrees to certify to the City by no later than October 15 of each year, commencing October 15, 2025, an amount (the "Developer's Estimate") equal to the estimated Incremental Property Tax Revenues anticipated to be paid in the fiscal year immediately following such certification with respect to the taxable valuation of the Property. In submitting each such Developer's Estimate, the Developer will complete and submit the worksheet (the "Worksheet") attached hereto as Exhibit C. The City reserves the right to review and request revisions to each such Developer's Estimate to ensure the accuracy of the figures submitted.

For purposes of this Agreement, Incremental Property Tax Revenues are calculated by: (1) determining the consolidated property tax levy (city, county, school, etc.) then in effect with respect to taxation of the Property; (2) subtracting (a) the debt service levies of all taxing jurisdictions, (b) the school district instructional support and physical plant and equipment levies and (c) any other levies which may be exempted from such calculation by action of the Iowa General Assembly; (3) multiplying the resulting modified consolidated levy rate times any incremental growth in the taxable valuation of the Property, as shown on the property tax rolls of Johnson County, above and beyond the Base Valuation; and (4) deducting any property tax credits which shall be available with respect to the incremental valuation of the Property.

Upon request, the City staff shall provide reasonable assistance to the Developer in completing the Worksheet required under this Section A.5.

**6. Default Provisions.**

**a. Events of Default.** The following shall be "Events of Default" under this Agreement, and the term "Event of Default" shall mean, whenever it is used in this Agreement (unless otherwise provided), any one or more of the following events:

- i. Failure by the Developer to submit the Additional Site Plan, pursuant to the terms and conditions of this Agreement.

- ii. Failure by the Developer to complete or cause to be completed the construction of the Project pursuant to the terms and conditions of this Agreement.
- iii. Failure by the Developer to maintain compliance with the Operational Requirement pursuant to the terms and conditions of this Agreement.
- iv. Failure by the Developer to fully and timely remit payment of property taxes when due and owing.
- v. Failure by the Developer to comply with Sections A.3 and A.5 of this Agreement.
- vi. Failure by the Developer to observe or perform any other material covenant on its part, to be observed or performed hereunder.

**b. Notice and Remedies.** Whenever any Event of Default described in this Agreement occurs, the City shall provide written notice to the Developer describing the cause of the default and the steps that must be taken by the Developer in order to cure the default. The Developer shall have thirty (30) days after receipt of the notice to cure the default or to provide assurances satisfactory to City that the default will be cured as soon as reasonably possible. If the Developer fails to cure the default or provide assurances, the City shall then have the right to:

- i. Pursue any action available to it, at law or in equity, in order to enforce the terms of this Agreement.
- ii. Withhold the Payments provided for under Section B.1 below.

**7. Legal and Administrative Costs.** The Developer hereby acknowledges that the City will cover the initial payment of legal fees and administrative costs (the “Actual Admin Costs”) incurred by the City in connection with the drafting, negotiation and authorization of this Agreement, including the necessary amendment to the Urban Renewal Area. Furthermore, the Developer agrees that the City shall withhold an amount (the “Admin Withholding Amount”) equal to the lesser of (1) \$10,000 or (2) the Actual Admin Costs from the initial Payments, as hereinafter set forth in order to recover some or all of the Actual Admin Costs.

**B. City’s Obligations**

**1. Payments.** In recognition of the Developer’s obligations set out above, the City agrees to make eight (8) annual economic development tax increment payments (the “Payments” and, individually each, a “Payment”) to the Developer during the Term pursuant to Chapters 15A and 403 of the Code of Iowa, provided however that the aggregate, total amount of the Payments to be made under this Agreement during the Term shall not exceed \$7,500,000 (the “Maximum Payment Total”). All Payments under this Agreement shall be subject to annual appropriation by the City Council, as provided hereunder.

The Payments shall not constitute general obligations of the City, but shall be made solely and only from Incremental Property Tax Revenues received by the City from the Johnson County Treasurer attributable to the taxable valuation of the Property.



Prior to funding any Payments hereunder, the City shall retain an amount equal to the Admin Withholding Amount from the Incremental Property Tax Revenues received with respect to the Property. Once such amount has been withheld, the Payments shall be funded as described herein.

Each Payment shall not exceed an amount which represents the amount of Incremental Property Tax Revenues available to the City with respect to the Property during the twelve (12) months immediately preceding each Payment date.

It is assumed that the new valuation from the Project will go on the property tax rolls as of January 1, 2025. Accordingly, the Payments will be made on June 1 of each fiscal year, beginning on June 1, 2027 and continuing to, and including, June 1, 2034, or until such earlier date upon which total Payments equal to the Maximum Payment Total have been made.

**2. Annual Appropriation.** Each Payment shall be subject to annual appropriation by the City Council. Prior to December 1 of each year during the Term of this Agreement, beginning in calendar year 2025, the City Council of the City shall consider the question of obligating for appropriation to the funding of the Payment due in the following fiscal year, an amount (the “Appropriated Amount”) of Incremental Property Tax Revenues to be collected in the following fiscal year equal to or less than the most recently submitted Developer’s Estimate.

In any given fiscal year, if the City Council determines to not obligate the then-considered Appropriated Amount, then the City will be under no obligation to fund the Payment scheduled to become due in the following fiscal year, and the Developer will have no rights whatsoever to compel the City to make such Payment, to seek damages relative thereto or to compel the funding of such Payments in future fiscal years. A determination by the City Council to not obligate funds for any particular fiscal year’s Payment shall not render this Agreement null and void, and the Developer shall make the next succeeding submission of the Developer’s Estimate as called for in Section A.5 above, provided however that no Payment shall be made after June 1, 2034.

**3. Payment Amounts.** Each Payment shall be in an amount equal to the corresponding Appropriated Amount (for example, for the Payment due on June 1, 2027, the amount of such Payment would be determined by the Appropriated Amount determined for certification by December 1, 2025) provided, however, that no Payment shall exceed an amount which represents the Incremental Property Tax Revenues available to the City with respect to the Property during the twelve (12) months immediately preceding each Payment date.

**4. Certification of Payment Obligation.** In any given fiscal year, if the City Council determines to obligate the then-considered Appropriated Amount, as set forth in Section B.2 above, then the City Clerk will certify by December 1 of each such year to the Johnson County Auditor an amount equal to the most recently obligated Appropriated Amount.

**C. Administrative Provisions**

**1. Amendment and Assignment.** Neither party may cause this Agreement to be amended, assigned, assumed, sold or otherwise transferred without the prior written consent

of the other party. However, the City hereby gives its permission that the Developer's rights to receive the Payments hereunder may be assigned by the Developer to a private lender, as security on a credit facility taken with respect to the Project, without further action on the part of the City.

2. **Successors.** This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

3. **Term.** The term (the "Term") of this Agreement shall commence on the Commencement Date and end on June 1, 2034 or on such earlier date upon which the aggregate sum of Payments made to the Developer equals the Maximum Payment Total.

4. **Choice of Law.** This Agreement shall be deemed to be a contract made under the laws of the State of Iowa and for all purposes shall be governed by and construed in accordance with laws of the State of Iowa.

The City and the Developer have caused this Agreement to be signed, in their names and on their behalf by their duly authorized officers, all as of the day and date written above.

**5. Additional Incentives.** To the extent that the Developer plans to construct additional Entertainment Establishments not contemplated by this Agreement on the Property and such additional Entertainment Establishments will increase the assessed taxable valuation of the Property by an amount equal to at least \$10,000,000, the City shall consider, in good faith, the negotiation of a subsequent development agreement with respect to the construction of such additional improvements and the corresponding provision of incentives to the Developer including additional economic development tax increment payments funded with Incremental Property Tax Revenues to be derived from such additional improvements.

CITY OF NORTH LIBERTY, IOWA

By: \_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

PRATT REAL ESTATE MANAGEMENT,  
INC.

By: \_\_\_\_\_  
[Name, Title]

**EXHIBIT A**

**LEGAL DESCRIPTION OF THE PROPERTY**

RESUBDIVISION OF LOTS 1-3 OF SOLOMON'S LANDING ENTERTAINMENT DISTRICT TO NORTH LIBERTY, IOWA IN ACCORDANCE WITH THE PLAT THEREOF RECORDED IN PLAT BOOK 66 AT PAGE 232 OF THE RECORDS OF THE JOHNSON COUNTY RECORDER'S OFFICE, SAID RESULTANT TRACT CONTAINS 8.82 ACRES AND IS SUBJECT TO EASEMENTS AND RESTRICTIONS OF RECORD.

**EXHIBIT B**

**INITIAL SITE PLAN**

**EXHIBIT B-1**

**ADDITIONAL SITE PLAN**

**EXHIBIT C**

**DEVELOPER’S ESTIMATE WORKSHEET**

- (1) Date of Preparation: October \_\_\_\_\_, 20\_\_\_\_.
- (2) Assessed Taxable Valuation of Property as of January 1, 20\_\_\_\_:  
\$ \_\_\_\_\_.
- (3) Base Taxable Valuation of Property (January 1, 2023):  
\$ \_\_\_\_\_.
- (4) Incremental Taxable Valuation of Property (2 minus 3):  
\$ \_\_\_\_\_ (the “TIF Value”).
- (5) Current City fiscal year consolidated property tax levy rate for purposes of calculating Incremental Property Tax Revenues (the “Adjusted Levy Rate”):  
\$ \_\_\_\_\_ per thousand of value.
- (6) The TIF Value (4) factored by the Adjusted Levy Rate (5).  
\$ \_\_\_\_\_ x \$ \_\_\_\_\_ /1000 = \$ \_\_\_\_\_ (the “Developer’s Estimate”)

HOLD HEARING ON AND APPROVE  
DEVELOPMENT AGREEMENT AND TAX  
INCREMENT PAYMENTS

(Pratt Real Estate Management, Inc.)

421033-90

North Liberty, Iowa

July 3, 2023

A meeting of the City Council of the City of North Liberty, Iowa, was held at 9:00 a.m., on July 3, 2023, at the Council Chambers, North Liberty, Iowa, pursuant to the rules of the Council.

The Mayor presided and the roll was called, showing members present and absent as follows:

Present: \_\_\_\_\_

Absent: \_\_\_\_\_.

The City Council investigated and found that notice of the intention of the Council to conduct a public hearing on a Development Agreement between the City and Pratt Real Estate Management, Inc. had been published according to law and as directed by the City Council and that this is the time and place at which the Council shall receive oral or written objections from any resident or property owner of the City. All written objections, statements, and evidence heretofore filed were reported to the Council, and all oral objections, statements, and all other exhibits presented were considered.

The following named persons presented oral objections, statements, or evidence as summarized below; filed written objections or statements, copies of which are attached hereto; or presented other exhibits, copies of which are attached hereto:

**(Here list all persons presenting written or oral statements or evidence and summarize each presentation.)**

There being no further objections or comments, the Mayor announced that the hearing was closed.



Council Member \_\_\_\_\_ introduced the resolution next hereinafter set out and moved its adoption, seconded by Council Member \_\_\_\_\_; and after due consideration thereof by the City Council, the Mayor put the question upon the adoption of said resolution, and the roll being called, the following named Council Members voted:

Ayes: \_\_\_\_\_

Nays: \_\_\_\_\_.

Whereupon, the Mayor declared said resolution duly adopted, as follows:

**Resolution 2023-78**

**RESOLUTION APPROVING DEVELOPMENT AGREEMENT WITH PRATT REAL ESTATE MANAGEMENT, INC., AUTHORIZING ANNUAL APPROPRIATION TAX INCREMENT PAYMENTS AND PLEDGING CERTAIN TAX INCREMENT REVENUES TO THE PAYMENT OF THE AGREEMENT**

**WHEREAS**, the City of North Liberty, Iowa (the "City"), pursuant to and in strict compliance with all laws applicable to the City, and in particular the provisions of Chapter 403 of the Code of Iowa, has adopted an Urban Renewal Plan for the North Liberty Urban Renewal Area (the "Urban Renewal Area"); and

**WHEREAS**, this City Council has adopted an ordinance providing for the division of taxes levied on taxable property in the Urban Renewal Area pursuant to Section 403.19 of the Code of Iowa and establishing the fund referred to in Subsection 2 of Section 403.19 of the Code of Iowa (the "Urban Renewal Tax Revenue Fund"), which fund and the portion of taxes referred to in that subsection may be irrevocably pledged by the City for the payment of the principal of and interest on indebtedness incurred under the authority of Section 403.9 of the Code of Iowa to finance or refinance in whole or in part projects in the Urban Renewal Area; and

**WHEREAS**, an agreement between the City and Pratt Real Estate Management, Inc. (the "Developer") has been prepared (the "Agreement"), pursuant to which the Developer would undertake the development of an entertainment district in the North Liberty Urban Renewal Area (the "Project"); and

**WHEREAS**, under the Agreement, the City would provide annual appropriation tax increment payments to the Developer in a total amount not exceeding \$7,500,000; and

**WHEREAS**, this City Council, pursuant to Section 403.9 of the Code of Iowa, has published notice, has held a public hearing on the Agreement on July 3, 2023, and has otherwise complied with statutory requirements for the approval of the Agreement; and

**WHEREAS**, Chapter 15A of the Code of Iowa ("Chapter 15A") declares that economic development is a public purpose for which a City may provide grants, loans, tax incentives, guarantees and other financial assistance to or for the benefit of private persons; and

**WHEREAS**, Chapter 15A requires that before public funds are used for grants, loans, tax incentives or other financial assistance, a City Council must determine that a public purpose will reasonably be accomplished by the spending or use of those funds; and

**WHEREAS**, Chapter 15A requires that in determining whether funds should be spent, a City Council must consider any or all of a series of factors;

**NOW, THEREFORE, IT IS RESOLVED** by the City Council of the City of North Liberty, Iowa, as follows:

Section 1. Pursuant to the factors listed in Chapter 15A, the City Council hereby finds that:

(a) The Project will add diversity and generate new opportunities for the North Liberty and Iowa economies;

(b) The Project will generate public gains and benefits, particularly in the creation of new jobs and income, which are warranted in comparison to the amount of the proposed property tax incentives.

Section 2. The City Council further finds that a public purpose will reasonably be accomplished by entering into the Agreement and providing the incremental property tax payments to the Developer.

Section 3. The Agreement is hereby approved, and the Mayor and City Clerk are hereby authorized and directed to execute and deliver the Agreement on behalf of the City, in substantially the form and content in which the Agreement has been presented to this City Council. Such officers are also authorized to make such changes, modifications, additions or deletions as they, with the advice of bond counsel, may believe to be necessary, and to take such actions as may be necessary to carry out the provisions of the Agreement.

Section 4. All payments by the City under the Agreement shall be subject to annual appropriation by the City Council, in the manner set out in the Agreement. As provided and required by Chapter 403 of the Code of Iowa, the City's obligations under the Agreement shall be payable solely from a subfund (the "Pratt Real Estate Management, Inc. Subfund") which is hereby established, into which shall be paid that portion of the income and proceeds of the Urban Renewal Tax Revenue Fund attributable to property taxes derived from the property described as follows:

RESUBDIVISION OF LOTS 1-3 OF SOLOMON'S LANDING ENTERTAINMENT DISTRICT TO NORTH LIBERTY, IOWA IN ACCORDANCE WITH THE PLAT THEREOF RECORDED IN PLAT BOOK 66 AT PAGE 232 OF THE RECORDS OF THE JOHNSON COUNTY RECORDER'S OFFICE, SAID RESULTANT TRACT CONTAINS 8.82 ACRES AND IS SUBJECT TO EASEMENTS AND RESTRICTIONS OF RECORD.

Section 5. The City hereby pledges to the payment of the Agreement the Pratt Real Estate Management, Inc. Subfund and the taxes referred to in Subsection 2 of Section 403.19 of the Code of Iowa to be paid into such Subfund, provided, however, that no payment will be made under the Agreement unless and until monies from the Pratt Real Estate Management, Inc. Subfund are appropriated for such purpose by the City Council.

Section 6. After its adoption, a copy of this resolution shall be filed in the office of the County Auditor of Johnson County to evidence the continuing pledging of the Pratt Real Estate Management, Inc. Subfund and the portion of taxes to be paid into such Subfund and, pursuant to the direction of Section 403.19 of the Code of Iowa, the Auditor shall allocate the taxes in accordance therewith and in accordance with the tax allocation ordinance referred to in the preamble hereof.

Section 7. All resolutions or parts thereof in conflict herewith are hereby repealed.

**APPROVED AND ADOPTED** this 3rd day of July, 2023.

**CITY OF NORTH LIBERTY:**

\_\_\_\_\_  
CHRIS HOFFMAN, MAYOR

ATTEST:

I, Tracey Mulcahey, City Clerk of the City of North Liberty, hereby certify that at a meeting of the City Council of said City, held on the above date, among other proceedings, the above was adopted.

\_\_\_\_\_  
TRACEY MULCAHEY, CITY CLERK

••••

On motion and vote the meeting adjourned.

\_\_\_\_\_  
CHRIS HOFFMAN, MAYOR

Attest:

\_\_\_\_\_  
TRACEY MULCAHEY, CITY CLERK



STATE OF IOWA

SS:

COUNTY OF JOHNSON

I, the undersigned, County Auditor of Johnson County, in the State of Iowa, do hereby certify that on the \_\_\_\_ day of \_\_\_\_\_, 2023, the City Clerk of the City of North Liberty filed in my office a certified copy of a resolution of the City shown to have been adopted by the City Council and approved by the Mayor thereof on July 3, 2023, entitled: "Resolution Approving Development Agreement with Pratt Real Estate Management, Inc., Authorizing Annual Appropriation Tax Increment Payments and Pledging Certain Tax Increment Revenues to the Payment of the Agreement," and that I have duly placed the copy of the resolution on file in my records.

WITNESS MY HAND this \_\_\_\_ day of \_\_\_\_\_, 2023.

\_\_\_\_\_  
County Auditor