

# “MedQuarter Regional Medical District” Frequently Asked Questions

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<b>1. What’s a Medical District?</b>	<p>A Medical District is a revitalization partnership committed to promoting a dynamic urban medical community to improve the quality of life, advocate for new business and jobs in the Medical District.</p> <p>The major medical providers in Cedar Rapids are committed to developing Cedar Rapids as a regional medical destination.</p> <p>A Medical District is where many healthcare needs are met in one area of downtown. It helps create activity, vitality and acts as a catalyst for business growth such as hotels, shops, restaurants, etc.</p> <p>Cedar Rapids has been recognized as one of the top ten cities in the nation that delivers high quality, low cost health care by the Institute for Health Care Improvement. The desire is to continue medical excellence and develop a medical destination similar to what the Cleveland Clinic has established.</p>
<b>1. Didn’t City Council already approve the district?</b>	<p>No, you may be referring to the fact that the City entered into a development agreement with PCI and approved changes of infrastructure to accommodate the development of the Medical Mall project within the proposed district. However it did not create the Medical District. The District is distinct from the Mall; though the Mall is the largest project announced within the boundaries of the District, it is only one project. The hope is that thru this catalyst the district will see more projects of all sizes be announced..</p>
<b>2. What are its objectives?</b>	<ol style="list-style-type: none"><li>1. Facilitate business reinvestment that compliments existing medical service providers</li><li>2. Improve streetscape, pedestrian orientation, access, circulation, boundary identification, transit, and workforce affordable housing options in the district, parking and enhanced security to promote reinvestment.</li><li>3. Create a nationally competitive Regional Medical destination.</li></ol>
<b>3. What is a Self Supporting Municipal Improvement District (SSMID)?</b>	<p>A SSMID is a financing mechanism for a defined district used to provide revenue for a variety of local improvements and services that enhance, not replace, existing municipal services.</p> <p>It is an area of contiguous properties within a city that are all related in some manner or purpose and designated as a “SSMID” by action of the City Council.</p> <p>A designated district is self-imposed and self-governing. The district has the ability to levy taxes on real properties within its boundaries that are zoned commercial, industrial and/or are properties within a duly designated historic district. Properties that are Exempt can voluntarily be assessed.</p> <p>The proceeds of the tax levies are to provide for public</p>

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	improvements and enhanced services in the district and/or to provide for the district's existence and operation.
4. <b>What will the new district be called?</b>	Officially, it will be know as the "Cedar Rapids Medical Self Supporting Municipal Improvement District". However it will more commonly do business and market itself as the "MedQuarter Regional Medical District".
5. <b>How large is the Medical District? What are the boundaries of the District?</b>	The official boundaries include approximately 55 square blocks; see the District Boundary map to see what is within the district boundaries.
6. <b>Why form a Medical Self Supporting Municipal Improvement District?</b>	<p>The Self Supporting Municipal Improvement District mechanism is a more efficient way to organize to put the big picture in place and to empower an organization to get it done.</p> <p>The creation of the Medical District will provide the infrastructure and organization needed to make the District a desired health care services destination by:</p> <ul style="list-style-type: none"> <li>• Providing a first of its kind <b>patient-friendly environment</b> in Eastern Iowa with easier access, parking, and improved service located in a high-tech, high-touch, and high-service atmosphere.</li> <li>• Creating an environment that attracts and supports new investment.</li> <li>• Ensuring that the Medical District is attractive, safe and clean.</li> <li>• Establishing and nurture working partnerships with the City, Chamber and other agencies to leverage Medical District funds and keep the Medical District a top civic priority.</li> <li>• Establish programs that add value for and are accountable to District ratepayers.</li> <li>• Increase traffic to district for lodging, restaurants, etc.</li> <li>• Be seen as a one-stop shop for healthcare needs.</li> </ul> <p>The District also can use resources better to further its own interests than relying solely on individual contacts with the city. It also can provide better focus on the issues facing the district.</p>
7. <b>I already pay Taxes! Why support a SSMID!</b>	We all pay city taxes that are used for priorities all over the city, not just in the Medical District area. Legally, funds raised by a SSMID must be used in the same area that is being assessed – in this case SSMID fund can be used only for improvement and service that benefit the defined Medical District SSMID boundaries In the area represent in the attached map. SSMID supported services must not replace existing City services; rather they are in addition to existing services. Property and business owners, ensuring a high degree of accountability, make SSMID budget decisions.
8. <b>Why establish this new district now?</b>	The creation of a SSMID is an economic development tool that can provide critical stimulus for current and future development and provide a long term means to promote further development, recruit

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additional health care related organizations and professionals.

There has been a vision of Cedar Rapids becoming a Health Care destination growing within the Cedar Rapids Medical and Business Community for a number of years.

In 2007, the City of Cedar Rapids along with the Downtown District, Chamber of Commerce, Linn County and Alliant Energy created the City's Vision Cedar Rapids Plan with the help of JLG Group. The plan created areas of focus for development; one of the areas was recommended as a priority was titled the "medical park"

The catastrophic floods in June 2008 led to the creation of a neighborhood reinvestment plan to provide a framework for redevelopment and reinvestment in the 10 square miles that were flooded. That planning process reaffirmed the need for creation of a medical district.

But now anticipated changes to the US health care paradigm requiring greater coordination and integration of patient care along with the planned investments of PCI, St Luke's and Mercy Medical Center in health care facilities are providing a needed catalyst for change that will make the Cedar Rapids Medical Community competitive with other growing regional healthcare providers for patients and service providers.

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**9. Why should I participate in the Medical District?**

As a property owner in a district that participation will demonstrate your desire to see the success of the district goals to increase economic development and the financial success of businesses that reside within it. And selfishly you are protecting if not improving the value of your real estate investment.

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**10. As a property owner in the Medical District, how do I get involved?**

In addition to the appointed SSMID Commission terms. There will be working committees that will assist in the planning and execution of District initiatives. Periodically there will be meetings schedule to give updates and get input on the development of the Medical District. Participation on those working committees and at those meetings by property owners/business owners(renters) are encouraged to help develop a dynamic plan for the future.

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**11. How is the new district established?**

The formation of a SSMID per Iowa statutes requires:

- Submission of petitions to Council from owners of real property representing 25% of total value of the proposed Medical District and 25% of the property owners within the proposed MID,
- A recommendation from the City Planning Commission that City Council consider establishing the Medical District, and
- A public hearing and subsequently the approval of an ordinance forming the Medical District by City Council.

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**12. What must be specified in the petition to the City in**

The petition must specify:

- The official name of the district. The name must include "Self

<b>order for it to be considered?</b>	<p>Supporting Municipal Improvement District”,</p> <ul style="list-style-type: none"> <li>• The purpose of the District.</li> <li>• The boundaries of the District.</li> <li>• The maximum rate of tax, which may be imposed upon property in the district.</li> <li>• A statement that taxes levied for the operations fund shall be used for the purpose of paying maintenance expenses for the improvements for a specified period along with any options to renew if used for maintenance purposes.</li> </ul>
<b>13. How will the boundaries of the district and the scope of improvements and services be determined?</b>	<p>The Medical District steering committee has conducted a strategic planning process that will include substantial stakeholder outreach to determine:</p> <ol style="list-style-type: none"> <li>1. the proposed boundaries of the district,</li> <li>2. the type and level of improvements, amenities and services that will be undertaken within the district and</li> <li>3. the tax rate necessary to support them.</li> <li>4. Governance/Accountability</li> </ol> <p>Stakeholders will include District Property Owners, District Business Owners, Other business and medical community leaders.</p>
<b>14. Who makes up the Medical District Steering Committee?</b>	<p>The Steering Committee currently is comprised of seven representatives of businesses and property owners within the district along with the CEO of the Downtown District and CR Neighborhood Development Corporation. They include the CEO’s of the three anchor healthcare organizations as well as representatives of other district businesses both medically related and other services.</p>
<b>15. How long will it take to create the Medical District and when will it actually impact tax bills?</b>	<p>We are hopeful that the creation of the district will be completed by July 2011; with assessments starting in 2012 at the absolute earliest. Therefore Tax bills will not be impacted until that time..</p>
<b>16. Once the District is established will it last forever?</b>	<p>The District will have a twenty year term beginning in 2011 and ending in 2032.. At the end of that period those owning property within the District at that time may re-establish the Medical District. Reestablishing the Medical District will necessitate the same petition and approval process as was required to establish it the first time.</p>
<b>17. What can the taxes collected be used for?</b>	<p>Per Iowa statutes the funds can be used to provide for:</p> <ol style="list-style-type: none"> <li>1. The district’s existence and operation, including parking fee abatements (District Operation Fund),</li> <li>2. To provide for improvements or self-liquidating improvements for the district (District Capital Improvement Fund),</li> <li>3. Cover the debt service for any authorized and issued bonds for the purposes of the district, (District Debt Service Fund)</li> </ol>
<b>18. Who will determine how the funds are to be used</b>	<p>A Commission of district property owners, appointed by the Mayor with the advise and consent of City Council, will determine how the</p>

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**and provide oversight on how it is actually spent?**

funds shall be used to further the purpose of the Medical District.

The Commission will submit a requested budget for its operation and the operation of the district annually to the City Auditor or City Council.

The Commission will be authorized to receive monies, accept donations, and to otherwise raise funds by solicitation and contributions.

All monies of the district will be maintained in one or more special funds in the City Treasurer's office with expenditures from those funds to be made by the City Treasurer upon authorization and direction by the Commission and approval by the City Council. In addition, the Commission will have authority to expend the funds as may be authorized by the City Council.

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**19. How will the Medical District Commission be established?**

A slate of nominees for the Medical District Commission will be submitted by the MID Steering Committee to the Mayor who shall either appoint the Commission or return the slate to the Nominating Committee for further consideration. The Mayor's appointments must have the advice and consent of City Council.

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**20. Who will be on the Medical District Commission Board of Directors?**

The Medical District Commission is recommended to have 11 to 13 Commission members, all of whom shall be property owners and Medical District ratepayers or designated representatives of those property owners. It is also recommended that the Medical District strive for diverse Medical District representation, and should represent the following interests:

- Large and small property ownership
- Diverse business types (Hospitals, Clinics, Physician Groups, Healthcare service providers, hospitality, etc.,)

The Mayor and City Manager are ex-officio members of the commission.

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**21. How will my property taxes change as a result of the Medical District?**

There are two ways that property taxes may change depending on the scope of improvements. The first will be the SSMID annual assessment. The second may be a onetime special assessment for infrastructure improvements if enough of the owners support the improvement.

**SSMID annual assessment:** This assessment will be added to your property taxes that will cover the costs of Medical District Improvements and enhanced services that generally benefit all property owners within the district. They provide benefits considered common to the whole district..

The proposed assessment methodology is based on the following formula and parameters:

Assessment Rate = Annual **Cost Allocation of Improvements and Services** / Total **Assessed Value**.

- **Benefits Received:** By improving Medical District image, marketability, security and appearance, Medical District services provide uniform benefit to all ratepayers in the District.
- **Cost Allocation of Improvements and Services:** Services that provide uniform benefit to all ratepayers are distributed equally to all ratepayers.
- **Assessed Value:** Assessed value will be utilized as the primary assessment variable

Based upon the preceding methodology parameters, the costs of Medical District improvements and services are allocated to the assessed value of the entire Medical District. Utilizing a budget based on the District objectives, and assessed value data from November of 2010, the resulting calculation for program year 2012-13 provides the following estimated assessment rates:

**\$3.75 per \$1,000 of assessed value**

**Onetime Special Assessment:** An assessment could be added to the property taxes as a one time special assessment. This assessment is for benefits and improvements that are specific to a property and do not directly benefit all District owners. The assessment can typically be paid over a 10-year period. City Council sets the terms.

This assessment methodology is based on the following formula and parameters:

$$\text{Assessment Rate} = \frac{\text{Total Cost Allocation of Improvements}}{\text{Total length of Street Frontage improvements}} = \$/\text{Linear Foot.}$$

- **Benefits Received:** By improving marketability and appearance, Medical District streetscape improvements provide a specific benefit to those ratepayers whose property frontage is being improved.
- **Cost Allocation of Improvements:** Streetscape Improvements are applied uniformly along designated streets, costs are distributed equally to ratepayers directly benefiting.
- **Linear Footage:** Linear footage of property frontage along improvements will be utilized as the primary assessment variable

Total assessment to a property will be the \$/Linear foot \* Length of Property Frontage benefiting.

**22. Will the impact be consistent over the term of the District?**

The assessment rate is capped over the twenty-year life of the SSMID. However the actual amount collected may change from year to year based on any increase or decrease in property values

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within the District. In addition the SSMID Commission may assess a lower rate based on any specific years programming needs.

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**23. Will the impact be consistent across the entire district?**

The Medical District assessment rate and supported improvements are proposed to be uniform across the entire district if the improvements or services are uniform across the district.

However, Iowa law does provide that the ordinance creating the district may provide for the division of all of the property within the district into two or more zones based upon a reasonable difference in the relationship of the property or the interest of its owners, whether the difference is qualitative or quantitative.

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**24. What happens to my current property tax dollars? Will this assessment simply increase the cost for City services I currently receive and I already pay for in City taxes?**

No, A base level of services agreement will outline the City's current level of services in Medical District area and the City will maintain its existing level of service in the Medical District, which are supported by current tax assessments. *Medical District services funded by the special assessment will be in addition to City services currently provided to the area.*

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**25. What will this additional tax pay for?**

The additional tax will pay for such things as public improvements, distinctive Medical District wayfinding, maintenance of District amenities and business and economic development services. The exact nature of which have yet to be decided. The SSMID commissioners appointed after the District is created will determine them.

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**26. Are there other similar districts in Cedar Rapids or in other parts of Iowa?**

Yes, the Downtown District has been a Self Supporting Municipal Improvement District since 1987. The City of Des Moines' Operation Downtown SSMID, The City of Fort Dodge Downtown District, Webster City and many other communities utilize this mechanism.

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**27. Are there other such districts that focus on Medical Commerce?**

None in Iowa that we are aware. However, there are medical "districts" or similar constructs in other parts of the country to further similar objects. Cambridge MA (MASCO), Austin TX Medical District, Springfield IL Medical Center of Excellence, Grand Rapids Medical Mile, Illinois Medical District (Chicago), a Medical District in Detroit, a newly created district in Akron OH and a Regional Medical District in New Orleans are a few examples.

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**28. What if I currently am located in an area that is not proposed to be in the district?**

A property located outside, but contiguous to, the current proposed boundaries, and is currently conducting or planning to conduct business related to health care/medical services may request to be included by contacting any Steering Committee member. A determination will be made as to the technical feasibility of supporting that request.

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**29. How does this impact a Residential property owner?**

Residential property owners are exempt from paying any Medical District assessments.

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<p><b>30. If Residential properties are exempt from the assessments are they included in the base number of properties and base number of total valuation?</b></p>	<p>No, by Iowa law they are excluded from being assessed the annual Medical District assessment, therefore they are not an entity in the district's base of property owners.</p>
<p><b>31. What about those property owners that are exempt from property taxes?</b></p>	<p>All tax-exempt properties within the Medical District are encouraged to financially contribute to support the Medical District improvements and Economic Development.</p> <p>Currently the two largest institutions, Mercy Medical Center and St Luke's Hospital, have agreed to voluntarily enter into a Memorandum of Agreement to pay amounts equal to the application of Medical District assessment rates on the valuation of the exempt property.</p>
<p><b>32. Once a property is in the District can the owner get the property out at a later date?</b></p>	<p>Once in an established district, a property owner can petition City Council to be removed, but must obtain signatures on the petition from 25% of the Property Owners representing 25% of the total property value within the established district. The same process must be followed as was followed to establish the district.</p>
<p><b>33. Once the district is officially established can the boundaries of the District be changed to include additional properties?</b></p>	<p>Once established as a district, changes and/or additions to the District will require a petition be presented to City Council. The petitioners must obtain signatures on the petition from 25% of the Property Owners representing 25% of the total property value within the established district. The same process must be followed as was followed to establish the district.</p>
<p><b>34. Can the district be dissolved prior to the expiration of the term?</b></p>	<p>The Medical District may be dissolved prior to the expiration of the ten-year term by action of three-quarters of the voting members of the City Council.</p>
<p><b>35. Who will actually do the "day to day" delivery of services funded by the Medical District?</b></p>	<p>The Strategic Planning Process will provide the Steering Committee with options as to how best to carry out the objectives of the Medical District. City staff will deliver some of the services, while the governing body of the Medical District itself could deliver others. A decision will be made prior to the presentation of the petition to Council as to how the Medical District will be managed.</p>
<p><b>36. What is the focus of the SSMID for 2011?</b></p>	<p>The focus in 2011 will be to get the Medical Improvement District established and to finish planning for the long-term redevelopment plan for the district.</p>
<p><b>37. What will be the focus of the SSMID beyond 2011?</b></p>	<p>The focus of the Medical District when it gets established will be to implement the improvements and services defined through the Strategic Planning Process.</p>
<p><b>38. Rent is maxed - so what's the incentive?</b></p>	<p>Commercial property rents are based on a number of factors including the quality of the property, the attractiveness of the location, the ability to draw traffic to businesses and the efficiency</p>

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of doing business at that location. It is anticipated that the creation of the District and resulting improvements will make the location more desirable to do business thus warrant a premium in rent.

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**39. Are the Hospitals paying this tax? Aren't they tax exempt?**

Roughly half of the Hospitals' property is classified as exempt, but both hospitals have signed agreements to voluntarily pay the SSMID tax on all their accessed exempt property for the entire term of the SSMID.

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**40. Does the District intend to force me to sell my property?**

No, A district cannot force anyone to sell against there will. Iowa law does not provide a District with the power of eminent domain.

The City of Cedar Rapids has the ability to use eminent domain. However, creation of a SSMID does not impact that authority either way.

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**41. Why pick a rate of \$3.75?**

The rate selected will be the maximum for the entire period of the SSMID. In this case 20 years. So thought was given to what the long-term needs would be to support the district.

Consideration was given to the experience of the Downtown District and its operations. Though similar in size, the needs of each district differ in a number of respects, they are in a different position in respect to their developments and program needs. However their experience does provide a basis for the medical district projections.

The medical district considered that the operations, marketing and day-to-day support would be similar to the downtown district. Thus an estimated \$300,000 per year is projected for operations, marketing and maintenance.

An additional amount will be needed to amortize the debt which finances the wayfinding and signage and other related district wide capital improvements.

A significant difference is the desire by the neighborhood to provide additional security. Thus an estimate was provided for additional security patrol coverage.

The table on the next page summarizes some of the assumptions used in preparing the budgetary estimates and projections for the cap. The actual budgets may vary based on the district's needs at that time.

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	Estimated Budget With Public Art	Without Public Art
Total Assessed Value Basis approx 55 Sq Blocks (Est. For Medical District 2013-2014)	\$164,500,000	\$164,500,000
<b>Projected Expense Basis:</b>		
SSMID Operations & Maintenance, Economic Development Programs	\$300,000	\$300,000
Marketing	\$30,000	\$30,000
Security	\$107,750	\$107,750
Wayfinding with or wo/Public Art (10 Year Amortization)	\$142,770	\$97,561
Total	\$580,520	\$535,311
<b>Projected Assessment Cap:</b>		
Range of projected Annual Assessment in 2010 dollars	\$3.529	\$3.254
Annual Inflation Adjustment Factor of 0.75% over 19 years used to estimate long-term cap.		<b>\$3.751</b>