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**FINANCE & RECORDS**

**MEMO**

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: April 15, 2019

Re: 1. Resolution to Approve Urban Renewal Plan Amendment  
2. 1<sup>st</sup> Reading of an Ordinance Providing for the Division of Taxes Levied on Property in the Consolidated Urban Renewal Area Pursuant to Section 403.19 of the Code of Iowa  
3. Resolution Setting a Date for a Public Hearing and for Approval of a Development Agreement with Hershey Building, LLC and Bush Development, LLC

**Introduction and Background:**

At the October 11, 2018 In Depth meeting, Bryce Henderson, of Bush Construction reviewed their plan for the redevelopment of the Hershey Building across the street from City Hall (216 Sycamore Street) and their request for a 10-Year, 100% TIF rebate for the proposed project. After discussion of this proposal, City Council gave approval by consensus to move forward with the process for a Development Agreement for this project.

There are a number of steps required to be taken prior to entering into a Development Agreement. At the March 21 meeting, the City Council approved the resolution setting a public hearing for April 18 on the needed amendment to the City's Urban Renewal Plan. The Urban Renewal Plan amendment includes the Hershey Building project as well as several other upcoming City projects. The City sent letters to set up a Consultation meeting with other taxing entities as required.

**Next Actions Needed:**

There will be four (4) items related to this project on the agenda for the April 18 meeting.

**Item #1 - Public Hearing on the Proposed Urban Renewal Plan Amendment**

**Item #2 – Resolution to Approve the Urban Renewal Plan Amendment**

**Item #3 – Ordinance on 1<sup>st</sup> Reading Establishing the Tax Increment District and Providing for the Division of Taxes Levied on Taxable Property in the Consolidated Muscatine Urban Renewal Area.**

**Item #4 – Resolution Setting a Date for a Public Hearing and for Consideration for Approval of a Development Agreement with Hershey Property, LLC and Bush Development, LLC**

The public hearing on the Development Agreement will be scheduled for May 2, 2019 at 7:00 in the City Hall Council Chambers. After the hearing, there will be a related agenda item for the Resolution Approving the Development Agreement. It is also requested that City Council consider approving the Ordinance creating the TIF District on 2<sup>nd</sup> and final reading at the May 2, 2019 meeting. Documents are then required to be filed with the County Auditor which will complete this process.

**Summary:**

Please include these items on the agenda for the April 18 meeting. The resolutions and ordinance listed will be prepared by Dorsey & Whitney, the City's bond attorneys. Please contact me if you have any questions or need additional information.

HEARING AND APPROVAL OF THE  
APRIL 2019 AMENDMENT TO THE  
URBAN RENEWAL PLAN FOR THE  
CONSOLIDATED MUSCATINE URBAN  
RENEWAL AREA

421464-57

Muscatine, Iowa

April 18, 2019

The City Council of the City of Muscatine, Iowa, met on April 18, 2019, at 7 o'clock, p.m., at the City Hall Council Chambers, in the City for the purpose of conducting a public hearing on a proposed urban renewal plan amendment. The Mayor presided and the roll being called the following members of the Council were present and absent:

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

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

The City Council investigated and found that notice of the intention of the Council to conduct a public hearing on the urban renewal plan amendment had been published according to law and as directed by the 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, comments, or evidence offered, the Mayor announced the hearing closed.

Council Member \_\_\_\_\_ moved the adoption of a resolution entitled "Resolution to Approve Urban Renewal Plan Amendment for the Consolidated Muscatine Urban Renewal Area," seconded by Council Member \_\_\_\_\_. After due

consideration, the Mayor put the question on the motion and the roll being called, the following named Council Members voted:

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

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

Whereupon, the Mayor declared the resolution duly adopted and signed approval thereto.

RESOLUTION NO. \_\_\_\_\_

Resolution to Approve Urban Renewal Plan Amendment for the Consolidated Muscatine Urban Renewal Area

WHEREAS, as a preliminary step to exercising the authority conferred upon Iowa cities by Chapter 403 of the Code of Iowa (the "Urban Renewal Law"), a municipality must adopt a resolution finding that one or more slums, blighted or economic development areas exist in the municipality and that the rehabilitation, conservation, redevelopment, development or a combination thereof, of such area or areas is necessary in the interest of the public health, safety or welfare of the residents of the municipality; and

WHEREAS, this City Council of the City of Muscatine, Iowa (the "City"), by prior resolution established the Consolidated Muscatine Urban Renewal Area (the "Urban Renewal Area") and adopted an urban renewal plan (the "Plan") for the governance of projects and initiatives therein; and

WHEREAS, an amendment (the "Amendment") to the Plan has been prepared which would facilitate the undertaking of new urban renewal projects in the Urban Renewal Area consisting of (1) providing tax increment financing support to Bush Construction in connection with the redevelopment of the former Hershey Building into a mixed-use building; (2) using tax increment financing to pay the costs of the redevelopment of the former IDOT building for use as a fire station, police substation, and public works building; (3) using tax increment financing to pay the costs of constructing street, sidewalk, storm water drainage, and streetscaping improvements in the City's downtown; (4) using tax increment financing to pay the costs of the Downtown Façade Improvement Program; and (5) using tax increment financing to pay the costs of planning, designing, site preparation and environmental remediation of certain real property situated along the Mississippi River south of Hershey Avenue/Mississippi Drive; and

WHEREAS, notice of a public hearing by the City Council on the proposed Amendment was heretofore given in strict compliance with the provisions of Chapter 403 of the Code of Iowa, and the Council has conducted said hearing on April 18, 2019; and

WHEREAS, copies of the Amendment, notice of public hearing and notice of a consultation meeting with respect to the Amendment were mailed to Muscatine County and the Muscatine Community School District; the consultation meeting was held on the 2nd day of April, 2019; and responses to any comments or recommendations received following the consultation meeting were made as required by law;

NOW, THEREFORE, It Is Resolved by the City Council of the City of Muscatine, Iowa, as follows:

Section 1. The Amendment, attached hereto and made a part hereof, is hereby in all respects approved.

Section 2. It is hereby determined by this City Council as follows:

A. The activities proposed under the Amendment conform to the general plan for the development of the City;

B. The activities proposed under the Amendment are necessary and appropriate to facilitate the proper growth and development of the City in accordance with sound planning standards and local community objectives.

C. It is not intended that families will be displaced as a result of the City's undertaking under the Amendment. Should such issues arise with future projects, then the City will ensure that a feasible method exists to carry out any relocations without undue hardship to the displaced and into safe, decent, affordable and sanitary housing.

Section 3. All resolutions or parts thereof in conflict herewith are hereby repealed, to the extent of such conflict.

Passed and approved April 18, 2019.

\_\_\_\_\_  
Mayor

Attest:

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

**(Attach copy of the urban renewal plan amendment to this resolution.)**

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Upon motion and vote, the meeting adjourned.

\_\_\_\_\_  
Mayor

Attest:

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

STATE OF IOWA  
COUNTY OF MUSCATINE  
CITY OF MUSCATINE

SS:

I, the undersigned, do hereby certify that I am the duly appointed, qualified and acting City Clerk of the City of Muscatine, and that as such I have in my possession or have access to the complete corporate records of the City and of its officers; and that I have carefully compared the transcript hereto attached with the aforesaid records and that the attached is a true, correct and complete copy of the corporate records relating to the action taken by the City Council preliminary to and in connection with approving the urban renewal plan amendment for the Consolidated Muscatine Urban Renewal Area in the City of Muscatine, Iowa.

WITNESS MY HAND this \_\_\_\_ day of \_\_\_\_\_, 2019.

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

**CITY OF MUSCATINE, IOWA**  
**URBAN RENEWAL PLAN AMENDMENT**  
**CONSOLIDATED MUSCATINE URBAN RENEWAL AREA**

April, 2019

The Urban Renewal Plan (the “Plan”) for the Consolidated Muscatine Urban Renewal Area (the “Urban Renewal Area”) is being amended for the purpose of identifying new urban renewal projects to be undertaken therein.

**1) Identification of Projects.** By virtue of this amendment, the list of authorized urban renewal projects in the Plan is hereby amended to include the following project descriptions:

**A.**

**Name of Project:** Hershey Building Redevelopment Project

**Name of Urban Renewal Area:** Consolidated Muscatine Urban Renewal Area

**Date of Council Approval of Project:** April 18, 2019

**Description of Project and Project Site:** Bush Construction (the “Developer”) has proposed to undertake the redevelopment of the former Hershey Building situated at 216 Sycamore Street in the Urban Renewal Area (the “Hershey Redevelopment Property”) into a mixed-use building, including multiresidential units and commercial units (the “Hershey Redevelopment Project”).

It has been requested that the City provide tax increment financing assistance to the Developer in support of the efforts to complete the Hershey Redevelopment Project. The costs incurred by the City in providing tax increment financing assistance to the Developer will include legal and administrative fees (the “Admin Fees”) in an amount not to exceed \$8,500.

The Hershey Redevelopment Project will facilitate economic development in the Urban Renewal Area and help alleviate the blighted conditions in the Urban Renewal Area.

**Description of Public Infrastructure:** It is not anticipated that the City will install public infrastructure in connection with the Hershey Redevelopment Project.

**Description of Properties to be Acquired in Connection with Project:** It is not anticipated that the City will acquire real property in connection with the Hershey Redevelopment Project.

**Description of Use of TIF for Project:** The City intends to enter into a development agreement (the “Development Agreement”) with the Developer with respect to the

Hershey Redevelopment Project and to provide economic development payments (the "Payments") thereunder in a principal amount not to exceed \$500,000. The Payments will be funded with the incremental property tax revenues to be derived from the Hershey Redevelopment Property. It is anticipated that the Payments will be made subject to annual appropriation by the City Council.

**B.**

**Name of Project:** Municipal Building Project

**Name of Urban Renewal Area:** Consolidated Muscatine Urban Renewal Area

**Date of Council Approval of Project:** April 18, 2019

**Description of Project and Project Site:** The Municipal Building Project will include the redevelopment of the former IDOT Building situated at 417 Lake Park Boulevard in the Urban Renewal Area (the "Municipal Building Property") for use by the City as a fire station, police substation, and public works building.

**Description of Public Infrastructure:** It is not anticipated that the City will install public infrastructure in connection with the Municipal Building Project.

**Description of Properties to be Acquired in Connection with Project:** It is not anticipated that the City will acquire real property in connection with the Municipal Building Project.

**Description of Use of TIF for Project:** It is anticipated that the City will pay for the Municipal Building Project with borrowed funds and/or the proceeds of an internal advance of City funds on-hand. In any case, a portion of the City's obligations incurred will be repaid with incremental property tax revenues derived from the Urban Renewal Area. It is anticipated that the City's use of incremental property tax revenues for the Municipal Building Project will not exceed \$1,000,000.

**Analysis of Use of TIF:** In accordance with the requirement of Section 403.5(2)(b)(1) of the Code of Iowa, the City has analyzed its proposed use of incremental property tax revenues for the funding of the Municipal Building Project and alternative development and funding options for the Municipal Building Project. The results of that analysis are summarized as follows:

1) Alternate Development Options: The City Council has determined that a need exists for the provision of new and improved fire, police, and public works facilities in the Urban Renewal Area. The City's ability to fulfill its duty of fire protection services, police protection services, and maintenance of public infrastructure and public property in the Urban Renewal Area is diminished by inadequate, outdated and undersized administrative facilities. There is no conceivable way for the City to outsource or privatize fire and police protection or services provided by the City's public works department, and the use of the former IDOT Building as the site of the Municipal

Building Project is an optimal use for such building. Promoting other types of development on the Municipal Building Property will not meet the public need being addressed by the Municipal Building Project.

**2) Alternate Financing Options:**

\* **Local Option Sales and Services Tax Revenues:** The Local Option Sales and Services Tax Revenues are authorized to be used exclusively by the City for sanitary sewer system and street improvement projects.

\* **General Fund:** The City is at its \$8.10 per thousand levy limit for the General Fund, and the annual proceeds from this levy are fully committed to maintain the operational integrity of the City. The City cannot access its General Fund reserves to aid in the Municipal Building Project funding without risking unsound fiscal practice.

\* **Capital Improvements Levy:** The City does not have a Capital Improvements Levy available, and the imposition of such additional levy would require a successful referendum, which is not feasible at this time.

\* **Debt Service Levy:** The City does not have authority to levy a debt service tax for general obligation indebtedness for the Municipal Building Project. It is not feasible for the City to acquire the authority, either through full referendum or reverse referendum, to issue general obligation indebtedness for the Municipal Building Project without the ability to assure the voting public that tax increment financing will be available to assist with the funding. The use of tax increment financing will lessen the burden on individual tax payers that would result from a spike in the debt service levy rate and will shift that burden onto valuation increases resulting from the City's successful economic development initiatives in the Urban Renewal Area.

\* **Utility Surpluses:** The City does not have identified surpluses in its sewer utility fund that could aid in the funding of the Municipal Building Project.

**C.**

**Name of Project:** Downtown Street Improvements Project

**Name of Urban Renewal Area:** Consolidated Muscatine Urban Renewal Area

**Date of Council Approval of Project:** April 18, 2019

**Description of Project and Project Site:** The Downtown Street Improvements Project (the "Street Project") will consist of constructing street, sidewalk, storm water drainage, and streetscaping improvements; and the incidental utility, landscaping, site clearance and related cleanup work situated on the real property in the Urban Renewal Area that is bounded on the west by Pine Street, on the north by 3<sup>rd</sup> Street, on the east by Mulberry Avenue and on the south by Mississippi Drive.

It is anticipated that the Street Project will enhance the City's downtown and other

commercial areas, thereby resulting in increased tourism and commercial and residential growth in the Urban Renewal Area and in the City.

**Description of Properties to be Acquired in Connection with Project:** The City will acquire easement territory and rights-of-way as are necessary to successfully undertake the Street Project.

**Description of Use of TIF for Project:** It is anticipated that the City will pay for the Street Project with either borrowed funds and/or the proceeds of an internal advance of City funds on-hand. In any case, the City's obligation will be repaid with incremental property tax revenues derived from the Urban Renewal Area. It is anticipated that the City's use of incremental property tax revenues for the Street Project will not exceed \$3,100,000.

**D.**

**Name of Project:** Downtown Façade Improvement Program

**Name of Urban Renewal Area:** Consolidated Muscatine Urban Renewal Area

**Date of Council Approval of Project:** April 18, 2019

**Description of Program:** The City acknowledges the importance of a vibrant downtown to the promotion of economic development in the Urban Renewal Area. Under the Downtown Façade Improvement Program (the "Program"), the City will fund economic development grants to eligible, local commercial business owners to assist such local business owners with paying the costs of undertaking building façade improvement projects and other projects approved by the City Staff. The City Staff will develop appropriate materials, including agreements and applications, for the administration of the Program.

**Description of Use of TIF for Program:** It is anticipated that the City will pay for Program with either borrowed funds and/or the proceeds of an internal advance of City funds on-hand. In any case, the City's obligation will be repaid with incremental property tax revenues derived from the Urban Renewal Area. The amount of incremental property tax revenues to be expended by the City in connection with Program will not exceed \$500,000 over the course of the City's 2020 through 2024 fiscal years.

**E.**

**Name of Project:** Carver Corner Development Project

**Name of Urban Renewal Area:** Consolidated Muscatine Urban Renewal Area

**Date of Council Approval of Project:** April 18, 2019

**Description of Project and Project Site:** Certain real property situated along the Mississippi River south of Hershey Avenue/Mississippi Drive (the "Development

Property”) has been identified by the City Council as a property in need of development and economic development initiatives (the “Development Project”). The City will hire the necessary consultants and professionals or conduct a Request for Proposals with developers to undertake the planning and design of the Development Project and will also undertake environmental remediation measures and site preparation activities on the Development Property.

**Description of Use of TIF for Project:** It is anticipated that the City will pay for the Development Project with either borrowed funds and/or the proceeds of an internal advance of City funds on-hand. In any case, the City’s obligations will be repaid with incremental property tax revenues derived from the Urban Renewal Area. It is anticipated that the City’s use of incremental property tax revenues for the initial phase of the Development Project will not exceed \$2,000,000.

**2) Required Financial Information.** The following information is provided in accordance with the requirements of Section 403.17 of the Code of Iowa:

Constitutional debt limit of the City:	<u>\$69,930,487</u>
Outstanding general obligation debt of the City:	<u>\$14,390,000</u>
Proposed debt to be incurred under this April, 2019 Amendment*:	<u>\$ 6,108,500</u>

\*Some or all of the debt incurred hereunder may be subject to annual appropriation by the City Council.