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FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: November 28, 2016

Re: Resolution for Internal Advance of TIF funds for Harrison Lofts, LLC Project

Introduction and Background:

At the October 20, 2016 meeting, City Council approved the Development Agreement with Harrison Lofts, LLC to assist in their development of an apartment complex with approximately 52 units including a minimum of 25% of the units priced at levels affordable to low and moderate income families. This development agreement provides for up to \$675,000 in annual appropriation tax increment payments over a 15-year period.

Additional Local Match Requested:

Harrison Lofts, LLC is in the process of finalizing the tax credit financing of their project with the Iowa Finance Authority. Due to increasing project costs, additional local funding of \$10,000 is needed to reach the required 7% local incentive match for this project. Their targeted closing date for the project is December 6, 2016.

Since the scheduled closing date did not allow sufficient time to amend the development agreement, it is proposed that the City make an economic development grant of \$10,000 to Harrison Lofts, LLC. There are sufficient funds in the Highway 38 Northeast as Amended TIF fund for this grant. In order to use TIF funds for the economic development grant, however, an internal advance of funds is needed.

Recommendation:

The attached resolution authorizing the Internal Advance of funds and the economic development grant to Harrison Lofts, LLC, was prepared by Dorsey & Whitney, the City's bond attorneys. Please include this item on the agenda for the December 1, 2016 Council meeting.

Please contact me if you have any questions or need additional information.

Memo

To: Mr. Gregg Mandsager
From: MV Affordable Housing LLC
Date: 11/22/2016
Re: Harrison Lofts – Commitment of Local Incentives

During the 2016 LIHTC Allocation Round, IFA greatly encouraged developers to pursue financial incentives from the local government. Twenty-one (21) points were awarded to any project in which a qualified government entity committed to provide incentives greater than or equal to 7% of total development cost. Achieving the maximum amount of points in this category was critical to submitting a competitive application.

At the time that Harrison Lofts was submitted, the City of Muscatine's commitment of \$675,000 in Tax Increment Financing was sufficient to meet this requirement. However, due to rising construction costs, the final cost estimate for Harrison Lofts is approximately \$142,000 higher than what was initially proposed at application. Thus, in order to continue meeting its scoring obligations to IFA, the project requires an additional \$10,000 in incentives. Combined with the \$675,000 already committed, these incentives will equal more than 7% of the total development cost.

If you have any questions, please feel free to contact Pete Schwiegeraht at 513-259-7657.

MINUTES PROVIDING FOR ADOPTION
OF RESOLUTION APPROVING
INTERNAL ADVANCE

421464-50

Muscatine, Iowa

December 1, 2016

The City Council of the City of Muscatine, Iowa met on December 1, 2016, at 7:00o'clock p.m., at the City Hall Council Chambers, in the City. The meeting was called to order by the Mayor, and the roll was called showing the following Council Members present and absent:

Present: _____

Absent: _____.

After due consideration and discussion, Council Member _____ introduced the following resolution and moved its adoption, seconded by Council Member _____. The Mayor put the question upon the adoption of said resolution, and the roll being called, the following Council Members voted:

Ayes: _____

Nays: _____

Whereupon, the Mayor declared the resolution duly adopted, as hereinafter set out.

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At the conclusion of the meeting and upon motion and vote, the Council adjourned.

Mayor

Attest:

City Clerk

RESOLUTION NO _____

AUTHORIZING INTERNAL ADVANCE FOR FUNDING OF URBAN
RENEWAL PROJECT

WHEREAS, the City of Muscatine, Iowa (the “City”), has established the Consolidated Muscatine Urban Renewal Area (the “Urban Renewal Area”) and has created the Urban Renewal Tax Increment Revenue Fund (the “Tax Increment Fund”) in connection therewith; and

WHEREAS, the City has approved the Harrison Lofts, LLC Low and Moderate Income Housing Project as an urban renewal project in the Urban Renewal Area consisting of funding economic development payments to Harrison Lofts, LLC (the “Developer”) in connection with the construction and development of a new apartment complex with units affordable to families of low and moderate income (the “Project”); and

WHEREAS, the City will fund an economic development grant (the “Grant”) to the Developer in support of the development of the Project; 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, 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 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; and

WHEREAS, in order to cover the costs of funding of the Grant and to make such costs eligible to be recouped from future incremental property tax revenues, it is necessary to facilitate an internal advance of funds (the “Advance”);

NOW, THEREFORE, IT IS RESOLVED by the City Council of the City of Muscatine, Iowa, as follows:

Section 1. It is hereby directed that Ten Thousand Dollars (\$10,000) be advanced from the General Fund (the “Source Fund”) in order to fund the Grant. The Advance shall be repaid to the Source Fund, without interest, out of incremental property tax revenues received with respect to the Urban Renewal Area.

It is intended that the Advance shall be repaid to the Source Fund on or before June 1, 2017, provided, however, that repayment of the Advance is subject to the determination of the City Council that there are incremental property tax revenues available for such purpose which have been allocated to or accrued in the Tax Increment Fund relative to the Advance, and the City Council reserves the right to appropriate funds to the repayment of the Advance, or to withhold such appropriation at its discretion.

Section 2. 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 Muscatine and Iowa economies;

b) The Project will generate public gains and benefits, particularly in the creation of new jobs and the provision of housing for families of low and moderate income, which is warranted in comparison to the amount of the proposed Grant;

Section 3. The City Council further finds that a public purpose will reasonably be accomplished by making the Grant to the Developer.

Section 4. The Grant to the Developer in the amount of \$10,000 is hereby approved. All documents related to the Grant are hereby approved. The City Administrator is hereby authorized and directed to prepare any documentation necessary to carry out the purposes of this Resolution, and the Mayor and the City Clerk are hereby authorized to execute such documents as may be necessary to implement the Grant approved herein. All actions heretofore taken in this regard are hereby ratified and affirmed.

Section 5. All resolutions or parts thereof in conflict herewith, are hereby repealed, to the extent of such conflict.

PASSED AND APPROVED this 1st day of December, 2016.

Mayor

Attest:

City Clerk

November 23, 2016

Gregg Mandsager
City Administrator/City Hall
City of Muscatine
Via Email

Re: Internal TIF Advance Resolution
Our File No. 421464-50

Dear Gregg:

We have prepared and attach an Internal TIF Advance/Chapter 15A Compliance Resolution for use by the City Council at their meeting on December 1. Please review the details in the Resolution to ensure that they match the City's current circumstances, including conformity with the current budget.

Please call Amy Bjork or me with any questions you might have regarding this matter.

Best regards,

John P. Danos

Attachment

cc: Nancy Lueck