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FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: July 1, 2019

Re: Resolution for Internal Advance of TIF funds – 500 Mulberry Forgivable Loan

Introduction and Background:

Cities in Iowa are required to certify the amount of TIF funds to be claimed for each TIF district no later than December 1 of the year prior to the fiscal year for which the funds will be collected. The City must have incurred debt in order to claim the TIF funds to be certified. Debt certified can be in the form of general obligation bonds, tax increment revenue bonds, TIF rebate agreements, or internal advances (loans). In recent years the City has claimed less than the full amount of incremental taxes available in the City's TIF districts.

TIF Debt Certification Resolution:

At the June 6, 2019 City Council meeting the City entered into a Real Estate Purchase and Development Agreement (the "Agreement") with the Ramiro Vasquez, for the purchase of the property at 500 Mulberry Avenue from the City and for the rehabilitation of this property. The Agreement with Ramiro Vasquez includes the provision for the City to provide the Developer with a forgivable loan in the amount of \$135,000 to be forgiven over the next five years at 20 percent per year with the loan to be provided to the Developer not less than 45 days after execution of the Agreement and the execution of a promissory note.

The October 2016 Urban Renewal Plan Amendment identified the demolition and/or rehabilitation of this dilapidated structure as a future project with the cost of demolition and/or redevelopment of this property to be paid from incremental property taxes from the Urban Renewal Area. In order to cover the costs of the Forgivable Loan of \$135,000 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 for this project.

Recommendation:

Attached is the Resolution Authorizing the Internal Advance of Funds for the Dilapidated Building Redevelopment Forgivable Loan for the Property at 500 Mulberry Avenue. Please include this resolution on the agenda for the July 3, 2019 meeting. If there are any questions or if any additional information is needed, please contact me.

**"I remember Muscatine for its sunsets. I have never seen any
on either side of the ocean that equaled them" — Mark Twain**

RESOLUTION NO _____

AUTHORIZING INTERNAL ADVANCE
OF FUNDS FOR THE DILAPIDATED BUILDING REDEVELOPMENT
FORGIVABLE LOAN PROJECT (500 MULBERRY AVENUE)

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 Area Tax Increment Revenue Fund (the “Tax Increment Fund”) in connection therewith; and

WHEREAS, in October of 2016 the City’s Urban Renewal Plan was amended to include the Dilapidated Building Demolition Project for the building located at 500 Mulberry Avenue which has been in substantial disrepair, and the Amendment also provided that the City would consider providing direct financial incentives to private developers in connection with the redevelopment of the property; and

WHEREAS, in June of 2018 the City secured ownership of Parcel number 0835434031, commonly known as 500 Mulberry Avenue, under a court order under Iowa Code 657-A; and

WHEREAS, after an evaluation of the property was done to determine if the property could be rehabilitated or if demolition would be necessary, it was determined that the structure was sound and the building could be rehabilitated, and the City solicited proposals from private entities interested in rehabilitating this property, and

WHEREAS, two proposals were received for this project and the proposer originally selected by the City withdrew their proposal in May of 2019; and

WHEREAS, on June 6, 2019 the City entered into a Real Estate Purchase and Development Agreement with the 2nd proposer, Ramiro Vasquez, for the purchase of this property from the City and for the rehabilitation of this property; and

WHEREAS, the Real Estate Purchase and Development Agreement (the “Agreement”) with Ramiro Vasquez includes the provision for the City to provide the Developer with a forgivable loan in the amount of \$135,000 to be forgiven over the next five years at 20 percent per year with the loan to be provided to the Developer not less than 45 days after execution of the Agreement and the execution of a promissory note; and

WHEREAS, the Urban Renewal Plan Amendment provides that the cost of demolition and/or redevelopment of this property be paid from incremental property taxes from the Urban Renewal Area; and

WHEREAS, in order to cover the Costs of the Forgivable Loan of \$135,000 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;

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

Section 1. It is hereby directed that One Hundred Thirty-Five Thousand Dollars (\$135,000) be advanced from the General Fund (the "Advance") in order to fund the Costs of the Forgivable Loan. The Advance shall be repaid to the General Fund, out of future incremental property tax revenues received with respect to the Urban Renewal Area. The Advance shall not bear interest.

It is intended that the Advance, shall be repaid in one installment of \$135,000 on June 1, 2020.

Section 2. A copy of this Resolution shall be filed in the office of the County Auditor of Muscatine County, Iowa to evidence the Advance. Pursuant to Section 403.19 of the Code of Iowa, the City Clerk is hereby directed to certify, no later than December 1, 2019, the full amount of the Advance.

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

PASSED AND APPROVED this 3rd day of July, 2019.

Mayor

Attest:

City Clerk