
AGENDA ITEM SUMMARY

Subject: Resolution No. 78-21 Set public hearing on Molstead 2021 Expansion - TIF rebate consideration

Background Summary:

Resolution 78-21 Sets the public hearing for the following development agreement with Mike Molstead Motors for July 6, 2021 at 6 p.m.

In May 2021 Mike Molstead Motors announced plans for expansion of the dealership located at 1501 South Grand Avenue. The expansion is to consist of the addition of 11,600 sq/ft of space that will expand the service department and parts area. In the attached packet the letter from CCADC Executive Director Tim Fox goes into detail of the expansion plans. Generally speaking, the project will add twelve new jobs starting at \$24/hour. The construction itself is anticipated to cost \$1,972,000 and will be completed by December 2021.

Based on the project's investment, added jobs and wages as well as added taxable valuation, it qualifies for a five year 85% TIF rebate from the South Grand UR Area. The agreement provides an aggregate rebate amount of \$110,000 over five years, or whichever comes first.

A draft agreement from bond council has been put together which is attached as well.

What we would look to do is set public hearing on June 21st for official consideration of the agreement at the July 6th council meeting.

RESOLUTION NO. 78-21

Resolution Setting a Date of Meeting at Which it is Proposed to Approve a Development Agreement with Mike Molstead Motors, Inc., Including Annual Appropriation Tax Increment Payments

WHEREAS, the City of Charles City, Iowa (the “City”), in cooperation with Floyd County, Iowa, 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 South Grand Urban Renewal Area (the “Urban Renewal Area”); and

WHEREAS, this City Council has adopted ordinances 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 for each of the Urban Renewal Area, 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, the City proposes to enter into a certain development agreement (the “Development Agreement”) with Mike Molstead Motors, Inc. (the “Company”) in connection with the expansion of the Company’s car dealership facilities, including the parts and services department, in the Urban Renewal Area; and

WHEREAS, the Development Agreement would provide financial incentives to the Company in the form of annual appropriation incremental property tax payments in an amount not to exceed \$110,000 under the authority of Section 403.9(1) of the Code of Iowa; and

WHEREAS, it is necessary to set a date for a public hearing on the Development Agreement, pursuant to Section 403.9 of the Code of Iowa;

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

Section 1. This City Council shall meet on July 6, 2021, at _____ o’clock _____.m., electronically and/or at the _____, in the City, at which time and place proceedings will be instituted and action taken to approve the Development Agreement and to authorize the annual appropriation incremental property tax payments.

Section 2. The City Clerk is hereby directed to give notice of the proposed action, the time when and place where said meeting will be held, by publication at least once not less than four days and not more than twenty days before the date of said meeting in a legal newspaper of general circulation in the City. Said notice shall be in substantially the applicable following form:

[NOTICE OF ELECTRONIC HEARING]

**NOTICE OF MEETING FOR APPROVAL OF DEVELOPMENT AGREEMENT WITH MIKE
MOLSTEAD MOTORS, INC. AND AUTHORIZATION OF ANNUAL APPROPRIATION
TAX INCREMENT PAYMENTS**

The City Council of the City of Charles City, Iowa, will meet on July 6, 2021, at _____ o'clock ____m., at which time proceedings will be instituted and action taken to approve a Development Agreement between the City and Mike Molstead Motors, Inc. (the "Company"), in connection with the expansion of the Company's car dealership facilities, including the parts and services department, in the City's South Grand Urban Renewal Area. The Development Agreement provides for certain financial incentives in the form of incremental property tax payments to the Company in a total amount not exceeding \$110,000 as authorized by Section 403.9 of the Code of Iowa.

The commitment of the City to make incremental property tax payments to Company will not be a general obligation of the City, but such payments will be payable solely and only from incremental property tax revenues generated within the South Grand Urban Renewal Area. Some or all of the payments under the Development Agreement may be made subject to annual appropriation by the City Council.

Due to federal and state government recommendations in response to COVID-19 pandemic conditions, the meeting will be held electronically via Zoom, which will be accessible at the following:

[Insert electronic access information]

In addition to electronic access, written comments may be filed or made prior to the meeting and will be recorded in the minutes.

At the meeting, the City Council will receive oral or written objections from any resident or property owner of the City. Thereafter, the Council may, at the meeting or at an adjournment thereof, take additional action to approve the Development Agreement or may abandon the proposal.

This notice is given by order of the City Council of Charles City, Iowa, in accordance with Section 403.9 of the Code of Iowa.

Trudy O'Donnell
City Clerk

Section 3. All resolutions or parts of resolutions in conflict herewith are hereby repealed.

Section 4. This resolution shall be in full force and effect immediately upon its adoption and approval, as provided by law.

Passed and approved June 21, 2021.

Mayor

Attest:

City Clerk



24 May 2021

Steven T. Diers, ICMA-CM, Administrator
City of Charles City, Iowa
105 Milwaukee Mall
Charles City, Iowa 50616

Dear Administrator Diers:

Please accept this application for financial assistance on behalf of Mike Molstead Motors, Inc. Mike Molstead Motors has proven to be an exceptionally successful business enterprise at 1501 South Grand Avenue.

Not only do the jobs at Mike Molstead Motors pay very competitive wages with sound benefits packages, the quantity has proven stable over time. That is, there are certainties and consistencies in employment which are valuable from an economic development perspective.

The project arises due to rapid growth in the parts and service department, involving construction of an 11,600 sq. ft. addition. The service and parts addition will add eight service lifts – including two heavy duty truck lifts – and expand the parts department by 5,000 sq. ft. The proposed \$1,972,000 project will create 12 new jobs with starting wage of \$24.00 per hour. The project is anticipated to be completed by 31 December 2021.

Benefits to the community include the ability to more adequately provide service and parts to customers – many of which shop at Mike Molstead Motors from out of town and spend money about the community as part of their car buying experience. And, of course, any community would welcome a substantive job creation project alongside solid benefits packages.

Mike Molstead Motors, Inc. is seeking assistance in the form of property tax rebate upon new assessed valuation. Please note that the referenced new valuation is an estimate by the Floyd County Assessor; the annual and cumulative rebate amounts shall be predicated upon what this proves to be in actuality.

We have applied the Decision Matrix to the property tax rebate analysis. The calculations determine a property tax rebate schedule of: 5 years [levy minus debt] x .8501

Thank you.

Sincerely,

Timothy S. Fox, MPP, CED, EDFP, PCED, Executive Director

Mike Molstead Motors, Inc. 2021 Project Property Tax Rebate Calculations

1. Decision Matrix Points:
 - a. New Jobs = 12 = 200 points
 - b. Average Wage = \$24.00/hr. = 850 points
 - c. Capital Investment = \$1,972,000 = 450 points
 - d. New Valuation = \$750,890 = 500 points
 - e. $\Sigma = 2000 \div 4 = 500 = 5 \text{ years [levy minus debt]} \times .8501$

2. Annual consolidated new property tax burden under existent levy rate = \$750,890 x \$38.04259/ \$1000 valuation = \$28,566

3. Consolidated debt service levy rate: \$4.28178/\$1000 valuation

4. Capturable levy rate: \$38.04259 - \$4.28178 = \$33.76081/\$1000 valuation

5. Capturable levy rate x .8501: \$33.76081 x .8501 = \$28.70006/\$1000 valuation

6. Annual rebated amount = \$750,890 x \$28.70006/\$1000 valuation = \$21,551

7. Total rebated amount over 5 years = \$107,755

8. Consolidated rate new property tax payments, 5 years: \$142,830

9. Net new taxes to South Grand Tax Increment Financing District, 5 years: \$35,075



LOGO



OWNER ADDRESS

MIKE
MOLSTEAD
MOTORS INC.
1501 S GRAND AVE.
CHARLES CITY, IA

SEAL

DRAWING ISSUE INFORMATION

DATE: 8/2/21

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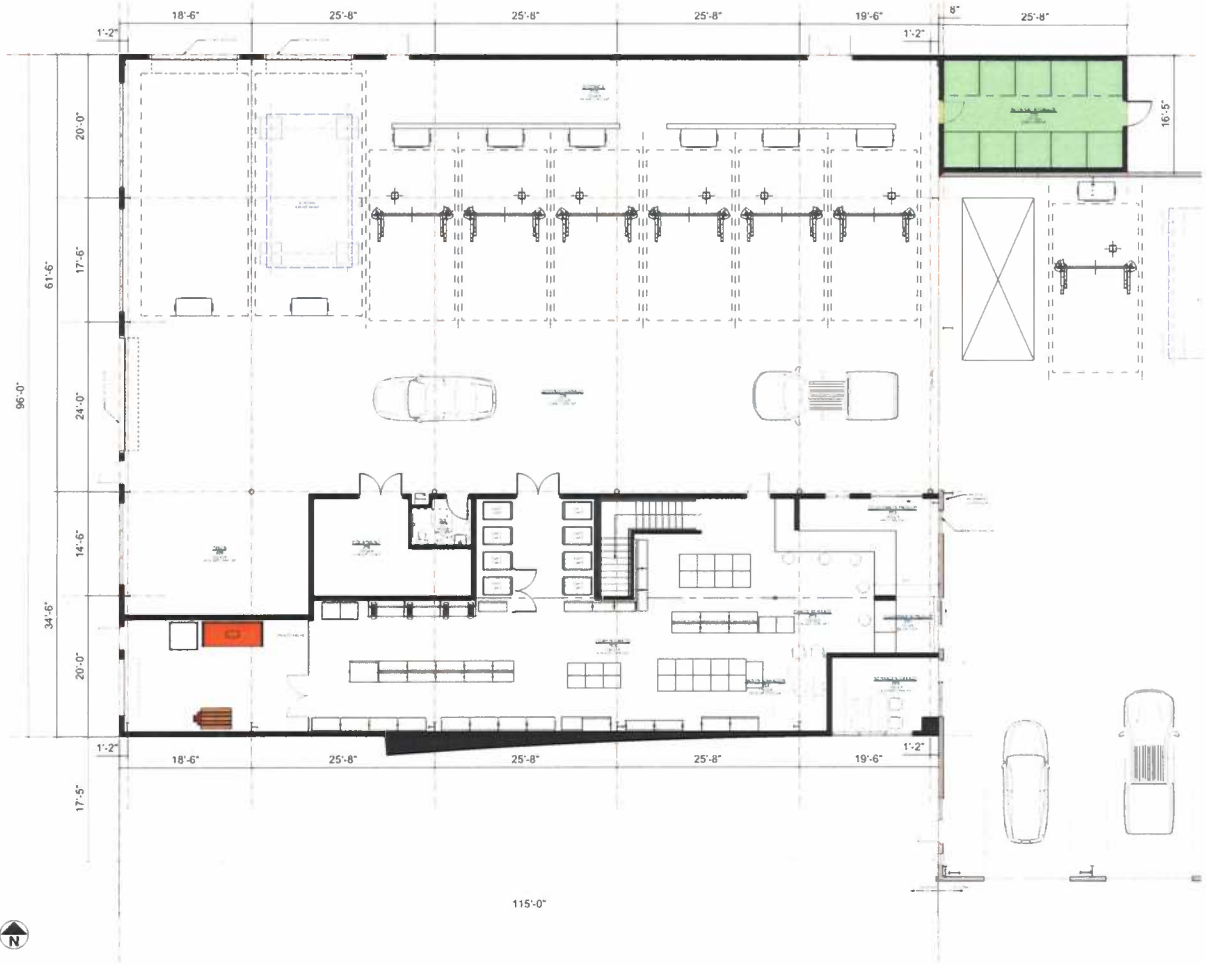
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2021 NEW BUILDING ADDITION - 11,560 SQ FT (TOTAL AREA)
(11,110 SQ FT (FRONT SHOP) + 480 SQ FT (BULK OIL STORAGE))



1 MAIN DESIGN PLAN
Scale: 1/8" = 1'-0"

115'-0"

Mike Molstead Sheet 2021 Addition (3 of 21) Rev

SHEET TITLE

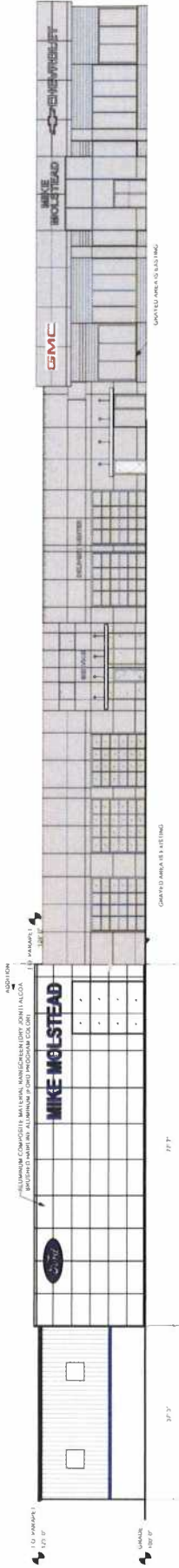
DESIGN PLAN

SHEET NO

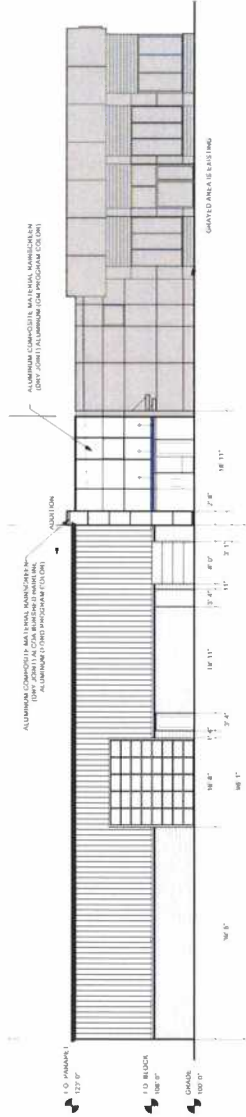
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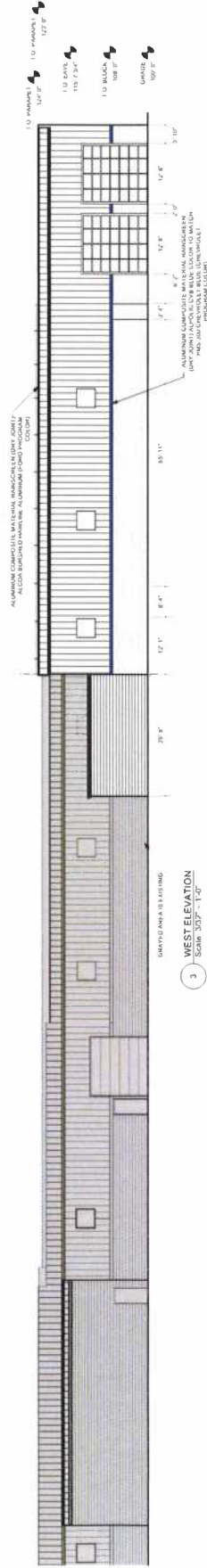
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1 EAST ELEVATION
 Scale: 3/32" = 1'-0"



2 SOUTH ELEVATION
 Scale: 3/32" = 1'-0"



3 WEST ELEVATION
 Scale: 3/32" = 1'-0"

DEVELOPMENT AGREEMENT

This Agreement is entered into between the City of Charles City, Iowa (the “City”) and Mike Molstead Motors, Inc. (the “Company”) as of the ___ day of _____, 2021 (the “Commencement Date”).

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

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

WHEREAS, the Company has proposed to undertake the expansion of its car dealership facilities on the Property, including the construction of a 11,600 square foot building addition with eight service lifts, two heavy duty truck lifts and an expanded parts department (the “Project”) for use in its business operations on the Property; and

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

WHEREAS, the taxable base valuation of the Property for purposes of this Agreement and Section 403.19 of the Code of Iowa is \$2,362,230 (the “Base Valuation”); 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. Company’s Covenants

1. Project Construction and Operation. The Company agrees to construct the Project on the Property and to maintain and use the completed Project as part of its business operations throughout the Term, as hereinafter defined. Furthermore, the Company expects to invest approximately \$1,972,000 into capital improvements for the Project, including construction work, equipment, furnishings and other capital improvements. The Company has submitted detailed plans and application for financial assistance (collectively, the “Project Plans”) for the development of the Project to the City which were approved by the City Council on June 21, 2021 and are attached hereto as Exhibit B. The Company agrees to construct the Project in accordance with the Project Plans and to substantially complete such construction by no later than December 31, 2021. Further, the Company agrees to maintain compliance with local zoning, land use, building and safety codes and regulations.

2. Property Taxes. The Company agrees to make 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.

3. Company's Certifications. The Company agrees to submit documentation to the satisfaction of the City by no later than each October 15 during the Term, as hereinafter defined, commencing October 15, 2022, demonstrating that the completed Project is being used as part of the Company's business operations.

4. Property Tax Payment Certification. Furthermore, the Company agrees to certify to the City by no later than October 15 of each year during the Term, as hereinafter defined, commencing October 15, 2022, an amount (the "Company'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 factored by 85% (the "Annual Percentage"). In submitting each such Company's estimate, the Company will complete and submit the worksheet attached hereto as Exhibit C. The City reserves the right to review and request revisions to each such Company'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 Floyd County, above and beyond the Base Valuation; and (4) deducting any property tax credits which shall be available with respect to the taxable incremental valuation of the Property.

Upon request, the City staff shall provide reasonable assistance to the Company in completing the worksheet required under this Section A.4.

5. Legal and Administrative Costs. The Company 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 Company agrees that the City shall withhold an amount (the "Admin Withholding Amount") equal to the lesser of (1) \$8,000 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.

6. Employment Requirements. The Company hereby acknowledges that as of the Commencement Date of this Agreement, the Company has sixty-six (66) employees in connection with its business operations on the Property. The Company hereby agrees to add at least twelve (12) employment positions each at a wage level not less than \$24 per hour (the "Workforce Requirement") in connection with the Company's business operations on the Property. The Company agrees to demonstrate to the satisfaction of the Charles City Area Development Corporation, by no later than October 15 of each year, commencing October 15, 2022, the number of employees hired and the number of employment positions being maintained by the Company in connection with the Company's business operations on the Property. Charles

City Area Development Corporation will communicate and detail to the City any and all failures by the Company to comply with the Workforce Requirement. Any such failure will give the City the right to withhold any or all Payments, as defined in Section B, below. To the extent that the Company is able to demonstrate that it has subsequently resumed compliance with the Workforce Requirement, the City may, at its discretion resume funding the Payments.

7. 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 complete construction of the Project and to use the completed Project in its business operations pursuant to the terms and conditions of this Agreement.
- II. Failure by the Developer to fully and timely remit payment of property taxes when due and owing.
- III. Failure by the Developer to maintain compliance with the Workforce Requirements pursuant to the terms and conditions of this Agreement.
- IV. Failure by the Developer to comply with Sections A.3, A.4 and A.6 of this Agreement.
- V. 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, 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 Payments provided for under Section B.1 below.

B. City’s Obligations

1. Payments. In recognition of the Company’s obligations set out above, the City agrees to make ten (10) semiannual economic development tax increment payments (the “Payments” and each, individually a “Payment”) to the Company during the Term, as hereinafter defined, pursuant to Chapters 15A and 403 of the Code of Iowa, provided however that the aggregate, total amount of the Payments shall not exceed \$110,000 (the “Maximum Payment Total”), and 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 Floyd County Treasurer attributable to the taxable valuation of the Property.

Each Payment shall not exceed an amount which represents the Annual Percentage of the Incremental Property Tax Revenues available to the City with respect to the Property during the six (6) months immediately preceding each Payment date.

Prior to funding any Payments under this Agreement, the City will first withhold from the Incremental Property Tax Revenues an amount equal to the Admin Withholding Amount. Once an amount equal to the Admin Withholding Amount has been withheld by the City, the Payments shall be made as hereinafter set forth.

This Agreement assumes that the new valuation from the Project will go on the property tax rolls as of January 1, 2022. Accordingly, Payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2023, and continuing through and including June 1, 2028, 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, commencing in calendar year 2022, the City Council of the City shall consider the question of obligating for appropriation to the funding of the Payments 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 Company’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 Payments scheduled to become due in the following fiscal year, and the Company will have no rights whatsoever to compel the City to make such Payments or 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 Payments shall not render this Agreement null and void, and the Company shall make the next succeeding submission of the Company’s Estimate as called for in Section A.4 above, provided however that no Payment shall be made after June 1, 2028.

3. Payment Amounts. The aggregate Payments to be made in a fiscal year shall not exceed an amount equal to the corresponding Appropriated Amount (for example, for the Payments due on December 1, 2023 and on June 1, 2024, the aggregate maximum amount of such Payments would be determined by the Appropriated Amount determined for certification by December 1, 2022). Furthermore, the amount of each such Payment shall not exceed the amount of Incremental Property Tax Revenues (excluding allocations of “back-fill” or “make-up” payments from the State of Iowa for property tax credits or roll-back) actually received by the City from the Floyd County Treasurer attributable to the taxable incremental valuation of the Property in the six months immediately preceding the extant Payment due 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 Floyd 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 Company's rights to receive the Payments hereunder may be assigned by the Company 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, 2028 or on such earlier date upon which the aggregate sum of Payments made to the Company 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 Company 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.

CITY OF CHARLES CITY, IOWA

By: _____
Mayor

Attest:

City Clerk

MIKE MOLSTEAD MOTORS, INC.

By: _____

EXHIBIT A
LEGAL DESCRIPTION OF THE PROPERTY

Certain real property situated in the City of Charles City, Floyd County, State of Iowa bearing Floyd County Property Tax Parcel Identification Number 111320005700 and more particularly described as:

PARCEL K LOCATED IN PART OF THE EAST HALF OF THE NORTHEAST QUARTER (E ½ NE ¼) OF SECTION THIRTEEN (13), TOWNSHIP NINETY-FIVE (95) NORTH, RANGE SIXTEEN (16) WEST OF THE 5TH P.M., FLOYD COUNTY, IOWA, AS DESCRIBED AND DEPICTED ON PLAT OF SURVEY FILED MAY 26, 2015 AS INSTRUMENT NO. 2015-1146 IN THE OFFICE OF THE FLOYD COUNTY RECORDER.

EXHIBIT B
PROJECT PLANS

EXHIBIT C
COMPANY'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:
\$_____.
- (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 "TIF Estimate")
- (7) TIF Estimate (\$_____ x .82 (85%) = Company's Estimate (\$_____)