
AGENDA ITEM SUMMARY

Subject: Public Hearing for South Grand Urban Renewal plan amendment and set public hearing on development agreement with MM Real Estate Holdings, LLC

Background Summary:

Tonight a public hearing for amendment of the South Grand Urban Renewal Area plan to add a new project will be held.

M&M Real Estate Holdings is developing the vacant lot located at 1413 and building a Dental Center. In October Tim Fox of CCADC proposed the project and the request for Urban Renewal Tax Incentives for the project which included a five-year tax rebate of 86.68% of the additional property tax being generated from the project. That equates to an annual rebate just under \$25,000 per year for five years. Total incentive is \$125,000 over the five years. Once the \$125,000 total is achieved the rebate would end.

We have the ability to offer the tax rebate via our South Grand Urban Renewal area, and to do so we must amend the project into the South Grand Urban Renewal Plan. After the public hearing tonight, we can approve the amendment to the urban renewal plan. We can then set the public hearing for the development agreement for the January 19 council meeting.

We recommend approval of both resolutions.

CITY OF CHARLES CITY

RESOLUTION NO.01-2022

Resolution to Approve Urban Renewal Plan Amendment for the South Grand 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, the City Council of the City of Charles City, Iowa (the "City"), by prior resolution established the South Grand 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 facilitates the undertaking of a new urban renewal project in the Urban Renewal Area consisting of providing tax increment financing support to MM Real Estate Holdings, LLC in connection with the construction of a new building for use in the business operations of a dental clinic; 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 January 3, 2022; and

WHEREAS, copies of the Amendment, notice of public hearing and notice of a consultation meeting with respect to the Amendment were mailed to Floyd County and the Charles City Community School District the consultation meeting was held on the 17th day of December, 2021; 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 Charles City, 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 initiatives and projects 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 anticipated that families will be displaced as a result of the City's undertakings 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 January 3, 2022.

Mayor

Attest:

City Clerk

CITY OF CHARLES CITY, IOWA

URBAN RENEWAL PLAN AMENDMENT
SOUTH GRAND URBAN RENEWAL AREA

January, 2022

The Urban Renewal Plan (the “Plan”) for the South Grand Urban Renewal Area (the “Urban Renewal Area”) is being amended for the purpose of identifying a new urban renewal project to be undertaken in the Urban Renewal Area.

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 description:

Name of Project: Office Building Construction Project

Name of Urban Renewal Area: South Grand Urban Renewal Area

Date of Council Approval of Project: January 3, 2022

Description of the Project and Project Site: MM Real Estate Holdings, LLC (the “Developer”) has proposed to undertake the construction of a new building (the “Project”) on certain real property situated at 1413 South Grand in the Urban Renewal Area (the “Property”) for use in the business operations of a dental clinic.

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 \$7,500.

Description of Use of TIF: The City intends to enter into a development agreement (the “Agreement”) with the Developer with respect to the construction and use of the completed Project and to provide annual appropriation economic development payments (the “Payments”) to the Developer thereunder. The Payments will be funded with incremental property tax revenues to be derived from the Property. It is anticipated that the City’s total commitment of incremental property tax revenues with respect to the Project will not exceed \$125,000, plus the Admin Fees.

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>\$ 22,147,600</u>
Outstanding general obligation debt of the City:	<u>\$</u>
Proposed debt to be incurred under the January, 2022 Amendment*:	<u>\$ 132,500</u>

*It is anticipated that some or all of the debt incurred hereunder will be subject to annual appropriation by the City Council.

RESOLUTION NO. 02-2022

Resolution Setting a Date of Meeting at Which it is Proposed to Approve a Development Agreement with MM Real Estate Holdings, LLC, Including Annual Appropriation Tax Increment Payments

WHEREAS, the City of Charles City, Iowa (the "City"), 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 an ordinance 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, 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 MM Real Estate Holdings, LLC (the "Company") in connection with the construction of a new building for use in the business operations of a dental clinic 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 \$125,000 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 January 19, 2022, at 6:00 o'clock p.m., at the council chambers, 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 following form:

NOTICE OF MEETING FOR APPROVAL OF DEVELOPMENT AGREEMENT WITH MM
REAL ESTATE HOLDINGS, LLC AND AUTHORIZATION OF ANNUAL
APPROPRIATION TAX INCREMENT PAYMENTS

The City Council of the City of Charles City, Iowa, will meet at the council chambers, on January 19, 2022, at 6:00 o'clock p.m., at which time and place proceedings will be instituted and action taken to approve a Development Agreement between the City and MM Real Estate Holdings, LLC (the "Company"), in connection with the construction of a new building for use in the business operations of a dental clinic in the 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 \$125,000 as authorized by Section 403.9 of the Code of Iowa.

The commitment of the City to make incremental property tax payments to Company under the Development Agreement will not be a general obligation of the City, but such payment 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.

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 January 3, 2022.

Mayor

Attest:

City Clerk

DEVELOPMENT AGREEMENT

This Agreement is entered into between the City of Charles City, Iowa (the "City") and MM Real Estate Holdings, LLC (the "Company") as of the ___ day of _____, 2022 (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 construction of a new 3,500 square feet commercial building on the Property (the "Project") for use in the business operations of a dental clinic; 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 \$ _____ (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. The Company expects to invest approximately \$1,250,000 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 _____, 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, 2022. Further, the Company agrees to maintain compliance with local zoning, land use, building and safety codes and regulations.

The Company agrees to ensure that the completed Project is being used in the business operations of a dental clinic (the "Operational Requirement") throughout the Term (as hereinafter defined).

The Company agrees to maintain, preserve, and keep the Property, including but not limited to the Project, useful and in good repair and working order, ordinary wear and tear excepted, and from time to time will make all necessary repairs, replacements, renewals, and additions.

2. **Company's Operational Certifications.** The Company agrees to certify (the "Operational Certification") to the City by no later than October 15 of each year during the Term (as hereinafter defined) commencing October 15, 2023, that the Company is in compliance with the Operational Requirement. Each Operational Certification shall be accompanied by documentation demonstrating, to the satisfaction of the City, that the Company is in compliance with the Operational Requirement.

3. **Property Taxes.** The Company agrees to make or ensure 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.

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, 2023, 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 86.68% (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 agrees to establish and maintain at least ten (10) full-time equivalent employment positions each at a wage level not less than thirty dollars (\$30) 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, 2023, 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.1 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 Company to complete construction of the pursuant to the terms and conditions of this Agreement.
- ii. Failure by the Company to maintain compliance with the Operational Requirement set forth in Section A.1 of this Agreement.
- iii. Failure by the Company to fully and timely remit payment of property taxes when due and owing.
- iv. Failure by the Company to maintain compliance with the Workforce Requirements pursuant to the terms and conditions of this Agreement.
- v. Failure by the Company to comply with Sections A.2, A.4 and A.6 of this Agreement.
- vi. Failure by the Company 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 Company describing the cause of the default and the steps that must be taken by the Company in order to cure the default. The Company 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 Company 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) of this Agreement pursuant to Chapters 15A and 403 of the Code of Iowa, provided however that the aggregate, total amount of the Payments shall not exceed \$125,000 (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, 2023. Accordingly, Payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2024, and continuing through and including June 1, 2029, 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 2023, 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, 2029.

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, 2024 and on June 1, 2025, the aggregate maximum amount of such Payments would be determined by the Appropriated Amount determined for certification by December 1, 2023). Furthermore, the amount of each such Payment shall not exceed the Annual Percentage 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, 2029 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

MM REAL ESTATE HOLDINGS, LLC

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

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 .8668 (86.68%) = Company's Estimate (\$ _____)