Muscatine Reinvestment District

Iowa Reinvestment District Program Final Application
Muscatine
Iowa Reinvestment District Program
Final Application
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Section A: Project & Eligibility
# Section A: Project & Eligibility

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<td>Contact:</td>
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<td><a href="mailto:gmandsager@muscatineiowa.gov">gmandsager@muscatineiowa.gov</a></td>
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<td>Rebecca Howe</td>
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<td>Riverview Hotel Developers</td>
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SECTION A.1: CITY OF MUSCATINE RESOLUTION FOR IRD

RESOLUTION NO. 92768-0314

A RESOLUTION AUTHORIZING THE SUBMISSION OF A PREAPPLICATION FOR CONSIDERATION UNDER THE IOWA REINVESTMENT DISTRICT PROGRAM

WHEREAS, pursuant to the authority of 2013 Iowa Code section 15.105A and 2013 Iowa Acts, the Economic Development Authority has established and adopted rules to administer the "Iowa Reinvestment Act"; and

WHEREAS, the administrative rules provide for the submission of a preapplication to the Iowa Economic Development Authority and Board for evaluation and scoring under the Program; and

WHEREAS, it is necessary for the City of Muscatine, an Iowa municipality to submit a preapplication with a declaration of intent to:

1) Establish an Iowa Reinvestment District
2) Approve the District Plan; and
3) Find that the area of the proposed District is an area suitable for development.

NOW, THEREFORE, BE IT RESOLVED by the City Council for the City of Muscatine Iowa that this Council intends to establish an Iowa Reinvestment District, approve a plan for the District, and finds that the area within the proposed District is suitable for development.

BE IT FURTHER RESOLVED that City Council authorizes and directs that a preapplication be submitted in accordance with the administrative rules for the Iowa Reinvestment District Program.

PASSED, APPROVED, AND ADOPTED by the City Council for the City of Muscatine, Iowa on this, the 13th day of March, 2014.

(City Seal)

DeWayne Hopkins, Mayor

Gregg Mandsager, City Clerk
A.2: Enterprise Zone/Urban Renewal Documentation

A.2.1: Urban Renewal Map
A.2.2: Urban Renewal Resolution

RESOLUTION NO. 01641-0511

A resolution to declare necessary and establish an urban renewal area, pursuant to Section 403.4 of the Code of Iowa and approve urban renewal plan amendment.

WHEREAS, the City Council (the “Council”) of the City of Muscatine (the “City”) has previously established the Original Muscatine Urban Renewal Area, the Muscatine Downtown Urban Renewal Area, the South End Urban Renewal Area, the Northeast Urban Renewal Area, the Muscatine Mall Urban Renewal Area, the Highway 38 - Northeast Urban Renewal Area, and the 2010 Industrial Urban Renewal Area (collectively hereinafter the “Urban Renewal Areas”); and

WHEREAS, studies have been conducted the results of which indicate that conditions of blight (the “Blighted Conditions”), as described in Section 403.17(5) of the Code of Iowa, continue to exist on various parcels of ground (the “Blighted Properties”) in the City, such properties being described on Exhibit C to the Restated Urban Renewal Plan (as hereinafter defined); and

WHEREAS, it has been proposed that the Council take action to consolidate the City’s urban renewal policies, projects and initiatives under the governance of a single urban renewal plan; and

WHEREAS, it has been further proposed that the Council amend the urban renewal plans for the Urban Renewal Areas to (1) update the legal description of the Urban Renewal Areas to include all real property (the “Property”) in the City as set forth on Exhibit A hereto; (2) to consolidate the Urban Renewal Areas into a single Consolidated Muscatine Urban Renewal Area (the “Consolidated Area”); (3) to update and reaffirm findings of a need for economic development and slum and blight alleviation with respect to various properties within the Urban Renewal Areas; (4) to adopt a restated and updated urban renewal plan (the “Restated Plan”) for the continued undertaking and operation of projects and initiatives within the Consolidated Area; and (5) to specifically identify new projects to be undertaken within the Consolidated Area; and

WHEREAS, the Council intends that this consolidating action shall not alter the original base valuations, time restrictions and debt certifications for the City’s tax increment financing districts that have been established from time-to-time by ordinances in respect to the financing of projects in the Urban Renewal Areas; and

WHEREAS, this Council is desirous of obtaining as much information as possible from the residents of the City before making this decision; and

WHEREAS, an amendment (the “Amendment”) to the urban renewal plans for the Urban Renewal Areas which carries out this proposal has been prepared; and

WHEREAS, notice of a public hearing by the City Council of the City on the question of establishing the area shown in Exhibit A hereto as an urban renewal area and on the proposed Amendment was heretofore given in strict compliance with the provisions of Chapter 403 of the Code of Iowa, and the City Council has conducted said hearing on May 5, 2011; and

DORSEY & WHITNEY LLP, ATTORNEYS, DES MOINES, IOWA
WHEREAS, the Planning and Zoning Commission of the City has reviewed and
commented on the proposed Amendment and Restated Plan; and

WHEREAS, copies of the Amendment and the Restated Plan, notice of public hearing
and notice of a consultation meeting with respect to the Amendment were mailed to Muscatine
County, Muscatine Community School District and Muscatine Community College; the
consultation meeting was held on the 15th day of April, 2012; 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. An economic development area as defined in Chapter 403 of the Code of
Iowa, is found to exist in the City of Muscatine on the Property. The Council hereby
acknowledges this finding to be a reaffirmation of findings made with respect to the portions of
the Property previously included in the Urban Renewal Areas.

Section 2. A blighted area resulting from the Blighted Conditions as defined in
Section 403 of the Code of Iowa is hereby found to exist on the Blighted Properties.

Section 3. The portion of the Property not previously contained within the Urban
Renewal Areas is hereby declared to be an urban renewal area, in conformance with the
requirements of Chapter 403 of the Code of Iowa, and, together with the portions of the Property
previously contained within the Urban Renewal Areas is hereby designated as the Consolidated
Muscatine Urban Renewal Area.

Section 4. The rehabilitation, conservation, redevelopment, development or a
combination thereof, of the Consolidated Muscatine Urban Renewal Area is necessary in the
interest of the public health, safety or welfare of the residents of the City.

Section 4. It is hereby determined by this Council as follows:

A. It is not anticipated that families will be displaced with respect to any
urban renewal projects to be carried out on the Blighted Property, but, if the need arises, a
feasible method exists for the location of families who will be displaced from the urban
renewal area into decent, safe and sanitary dwelling accommodations within their means
and without undue hardship to such families;

B. The Restated Plan as amended covering the Property conforms to the
general plan of the municipality as a whole,

C. Proposed development on the Property is necessary and appropriate to
facilitate the proper growth and development of the City in accordance with sound
planning standards and local community objectives.

Section 5. The Amendment and the Restated Plan, attached hereto and made a part
hereof, are hereby in all respects approved. The Urban Renewal Areas are hereby consolidated

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into a single Consolidated Muscatine Urban Renewal Area, and the Restated Plan is hereby adopted to govern future urban renewal activity therein.

Section 6. It is hereby declared that this consolidating action shall not alter the original base valuations, time restrictions and debt certifications for the City's tax increment financing districts that have been established from time-to-time by ordinances with respect to the financing of projects in the Urban Renewal Areas. Furthermore, nothing in this consolidating action shall in any way interfere with the carrying out of ongoing urban renewal projects previously undertaken or the payment of obligations previously incurred in connection therewith.

Section 7. All resolutions or parts thereof in conflict herewith are hereby repealed, to the extent of such conflict.

Passed and approved May 5, 2011.

[Signatures]

(Attach copy of the urban renewal plan amendment to this resolution.)
A.3: Map of Muscatine Reinvestment District
### A.4: Property Owner Information

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*Issued: 12/31/2014*
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<td>115</td>
<td>2nd St E</td>
<td>W-A Ltd</td>
<td>115 2nd St E</td>
<td>Muscatine</td>
<td>IA</td>
<td>52761</td>
</tr>
<tr>
<td>085480615</td>
<td>180</td>
<td>2nd St E</td>
<td>WSM LLC</td>
<td>5111 Trenton Ave</td>
<td>Davenport</td>
<td>IA</td>
<td>52807</td>
</tr>
</tbody>
</table>

Revised: 12/31/2014
NOTE:

Parcel ids with Deed Information but with missing addresses are due to:

1) Parcel has no structures on the lots (i.e. parking lots, railroad tracks, parkland, etc.) and therefore contains no address.

2) Parcel contains a building that straddles a parcel line. in such cases only the parcels that contains the majority of the building is addressed.

Parcel ids 1302226000 and 1302205000 contain multiple deed owners.

A.5: Legal Description of IRD District Boundary

That territory bounded by a line extended as follows: Beginning at a point at the center of the intersection of the east right-of-way line of Pine Street and the south right-of-way line of Alley #2; thence northeasterly along the south right-of-way line of Alley #2 to an intersection with the west right-of-way line of Walnut Street; thence southeasterly along the west right-of-way line of Walnut Street to an intersection with the north right-of-way line of 2nd Street; thence southwesterly along the north right-of-way line of 2nd Street to an intersection with the west right-of-way line of Cedar Street; thence southeasterly along the west right-of-way line of Cedar Street to an intersection with the north right-of-way line of Mississippi Drive; thence southwesterly along the north right-of-way line of Mississippi Drive to intersection with the west right-of-way line of Sycamore Street; thence southeasterly along the west right-of-way line of Sycamore Street and then an extension of the west right-of-way line of Sycamore Street to the intersection with the west bank of the Mississippi River; thence southwesterly along the west bank of the Mississippi River to intersection with an extension of the east right-of-way line of Chestnut Street and then the east right-of-way line of Chestnut Street to an intersection with the north right-of-way line of Mississippi Drive; thence southwesterly along the north right-of-way line of Mississippi Drive to the intersection with the west line of parcel described as Lots 4 & 5 of Block 8 of Original Town; thence northwesterly along the west line of said parcel to intersection with the south right-of-way line of Alley #1; thence northeasterly along the south right-of-way line of Alley #1 to an intersection with east right-of-way line of Pine Street; thence northwesterly along the east right-of-way line of Pine Street to the point beginning.
A.6: Documentation of Benefit to Real Property

A.6.1: Summary of Properties
The project consists of 3 main parcels of property that will undergo renovations.

**Hotel Property**
The hotel property will reside at 119 Mississippi Drive West, Muscatine, IA. This property, identified by parcel id. 1302226031, consists of 0.45 acres of land and a 8750 square foot metal building built in 1975. It is considered a blighted area within the downtown community, as the building is currently uninhabited. The Project intends to tear down the 39 year old metal structure and build a 4-star luxury boutique hotel and conference center in its place.

**Parking Structure Property**
The parking structure property will reside at 112 2nd Street, Muscatine, IA. This parcel, identified by parcel ids 13022260006, 1302226009, 1302226012 (partial), and 1302226014 (partial), consists of an asphalt parking lot with 66 rentable parking spaces. The project intends to resurface the current lot and add a 1.5 story controlled access parking structure with an estimated 106 spaces.

**Parking Lot Property**
The parking lot property will reside at 215 Mississippi Drive West. Muscatine, IA. This property, identified by parcel ids. 1302205019 and 1302205035, consists of 0.69 acre lot and 15,720 square foot concrete/brick building and concrete lot which is also considered blighted. Currently, the Chophouse restaurant resides in this building but is failing and not expected to survive past 2nd quarter 2015. The Project intends to resurface the parking lot, add landscaping and install parking barriers creating an estimated 59 space controlled access parking structure. Possible future uses for the building are (1) an extension of the hotel should demand exceed supply or (2) mixed use building containing riverfront condos, additional parking, restaurant and retail.

**Green Space Property (Potential)**
There is a potential for green space property to be included within the project. This property consists of a dated two-tier parking lot located between the Hotel Property and the current Pearlview Condominiums. The Pearlview Condo Association currently owns the property and the Project is currently in talks with the Association over its acquisition. The Project’s intent with this property would be to convert the existing parking lot into ADA parking, new parking spaces, a covered, heated walkway to connect the Pearlview Condominiums (which contains 2 restaurant sites and a bar) with the new hotel and conference center. In addition, part of the parking lot will be converted into a green space with a planned sculpture park on the riverside of the lot. This will result in enhanced beautification of the Mississippi Drive corridor, ADA parking, and year round access from hotel to restaurant and bar facilities located in the Pearlview Condominiums.
Benefits to the Project’s real properties can be identified via County Assessor Property Tax Assessment and Appraised Assessment.

### A.6.2: County Assessor Property Tax Assessment Post-Enhancement

**Property Values & Tax Rates**

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>CURRENT</th>
<th>POST ENHANCEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hotel Property</strong></td>
<td><strong>Tax Assessment Value:</strong> $192,360</td>
<td><strong>Tax Assessment Value:</strong> $12,245,280</td>
</tr>
<tr>
<td></td>
<td><strong>Annual Property Taxes:</strong> $6375</td>
<td><strong>Annual Property Taxes:</strong> $442,993</td>
</tr>
<tr>
<td><strong>Parking Structure Property</strong></td>
<td><strong>Tax Assessment Value:</strong> $102,000</td>
<td><strong>Tax Assessment Value:</strong> $3,406,700</td>
</tr>
<tr>
<td></td>
<td><strong>Annual Property Taxes:</strong> $3630</td>
<td><strong>Annual Property Taxes:</strong> $123,293</td>
</tr>
<tr>
<td><strong>Parking Lot Property</strong></td>
<td>n/a&lt;sup&gt;1&lt;/sup&gt;</td>
<td>n/a&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Green Space Property</strong></td>
<td>n/a&lt;sup&gt;2&lt;/sup&gt;</td>
<td>n/a&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

1 Parking Lot Property is not part of the TIF and therefore we currently do not have a current tax assessed value. Phase I enhancements will be minimal to include resurfacing, landscaping and parking control. This property was purchased to reduce the cost of the parking garage and create a more economical design for required hotel and conference center parking. Future plans include an adaptive reuse of the building on this property at a later date.

2 Green Space Property is a potential property that would add future enhancement to not only The Project but also the downtown riverfront. These enhancement include: green space, sculpture garden, ADA parking and heated, covered walkway between The Stanley Hotel and the Pearlview Condos (which include 2 restaurants and 1 bar facility). The Project is currently in initial negotiations with the condo association at the Pearlview Condos.

**NOTES:**

1: Current tax assessment values and annual property taxes were taken from current appraisals created in 2014 by Koestner, McGivern & Associates of Davenport, Iowa (EXHIBIT A: PROPERTY APPRAISALS).

2: Post enhancement tax assessment values were taken from Muscatine County Assessor document dated 10/10/2014 (EXHIBIT D.3 COUNTY ASSESSOR TAX ASSESSED LAND VALUATION).

3: Annual Property Taxes were derived using the property tax rate of .04019622. (Tax Assessed Building Value * .90 * .401622)
<table>
<thead>
<tr>
<th>ANTICIPATED PROPERTY TAXES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>20 YEAR SPAN</strong></td>
<td></td>
</tr>
<tr>
<td>Hotel Property 20 year anticipated property taxes</td>
<td>8,859,860.00</td>
</tr>
<tr>
<td>Parking Structure 20 anticipated property taxes</td>
<td>2,465,860.00</td>
</tr>
<tr>
<td><strong>TOTAL 20 ANTICIPATED PROPERTY TAXES</strong></td>
<td>$11,325,720.00</td>
</tr>
<tr>
<td>Less TIF</td>
<td>6,000,000.00</td>
</tr>
<tr>
<td><strong>TOTAL 20 YR ANTICIPATED PROPERTY TAX AFTER TIF</strong></td>
<td>$5,325,720.00</td>
</tr>
</tbody>
</table>

A.6.3: Appraised Value Post Enhancement

Three methods were used to estimate the value of the properties post enhancement. These methods were then averaged.

**Method 1**
Replacement Value Approach

| Project Construction Costs | $41,000,000 |
| Hotel Property Value       | ($380,000)  |
| Parking Structure Property Value | ($350,000)  |
| Parking Lot Property Value  | ($150,000)  |
| **Total Est. Project Replacement Value** | $40,120,000 |

**NOTES:**
1: Property Values are based on 2014 Appraisals prepared by Koestner, McGivern&Associates of Davenport, IA. (EXHIBIT A: PROPERTY APPRAISALS)
2: Land values were deduced from the Project Costs (lines 2-4)
3: Parking Lot Property has a land valued at $150K within current appraisal and a building value of 660K. Therefore, line 4 of table shows 150K rather than the full appraised value of $810K.
4: Hotel Property currently has metal building erected on property. However appraisal does not break out appraised value at land vs. property. It is believed that the metal building hold little value and therefore conservatively the full appraised value was defined as land value as seen in Line 2 of table.

**Method 2:**
Income Value Approach

| Cash Flow From Operations – Year 3 | $2,831,244 |
| Capitalization Rate                | 8%         |
| **Est. Income Approach Value**     | $35,390,550 |

**NOTES:**
1: Cash Flow From Operations take from Income Proforma – Year 3 (See B.4.11.3)
2: Year 3 is considered stabilization year for operations
3: 8% capitalization rate based on current proforma. (Conservative approach).
Method 3:
Market Value Approach

<table>
<thead>
<tr>
<th>Cash Flow From Operations – Year 3</th>
<th>$2,831,244</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalization Rate</td>
<td>7%</td>
</tr>
<tr>
<td>Est. Market Approach Value</td>
<td>$40,446,340</td>
</tr>
</tbody>
</table>

NOTES:
1: Cash Flow From Operations taken from Income Proforma – Year 3 (B.4.11.3)
2: Year 3 is considered stabilization year for operations
3: 7% capitalization rate based on what current similar properties are trading at for last 12 months.

Conclusion:
Post Enhancement Market Appraisal Value of Land

<table>
<thead>
<tr>
<th>Replacement Approach</th>
<th>$40,120,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Approach</td>
<td>$35,180,163.00</td>
</tr>
<tr>
<td>Market Value Approach</td>
<td>$40,446,340.00</td>
</tr>
<tr>
<td>Post Enhancement Market Appraisal Value</td>
<td>$38,582,170.00</td>
</tr>
</tbody>
</table>

NOTES:
1: Post Enhancement Market Appraisal Value = Average of the 3 above 3 methods
2: Current 2014 Appraised Market Value of the 4 Properties (including land & buildings) = $1,690,000 (including 150K allocated for the purchase of the Green Space Property which is currently in negotiations).

A.6.4: Benefit to IRD District Properties Outside Defined Project

In addition to the increased value in the properties that The Project intends to purchase and renovate, it is expected that property values overall within downtown Muscatine to also increase once The Project is completed and stabilized. The hotel is expected to bring in approximately 80+ additional people into the downtown community per day (at 72% occupancy). Note that this does not include additional headcount that will be associated with the conference center. These additional people will pull revenues into downtown and create additional demand for food/bar revenue, entertainment, and retail thereby lifting the property values of the downtown community via the newly created demand within the area. The additional business and recreational activity drawn to downtown Muscatine will increase demand for properties within the IRD district thereby increasing property values through property renovations and enhancements to meet the new food/beverage, entertainment, and retail demand that the Project will create (EXHIBIT E: COUNTY TAX ASSESSOR LETTER).