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COMMUNITY DEVELOPMENT

Planning,
Zoning,
Building Safety,
Construction Inspection Services,
Public Health,
Housing Inspections,
Code Enforcement

To: Mayor and City Council Members

From: Andrew Fangman, Assistant Community Development Director
Nancy Lueck, Finance Director

Cc: Gregg Mandsager, City Administrator

Date: June 13, 2019

Re: Arbor Commons Subdivision Sewer Extension Benefit District and Additional Funding Request.

At the August 16, 2018 City Council meeting, Mike Nolan with NPSW Enterprises, LLC reviewed their request for Tax Increment Financing (TIF) assistance and Sewer Extension Benefit District funding assistance for the Arbor Commons Subdivision, a proposed development of up to 62 new homes in a new subdivision located off of West Fulliam Avenue. City Council, by consensus, gave approval for this project to proceed. On December 6, 2018 City Council approved the development agreement for the TIF financing. The preliminary plat for this subdivision was approved by City Council on January 17, 2019. The final tasks that must be completed prior to commencement of construction on this subdivision is the execution of an agreement between NPSW and the City of Muscatine regarding Sewer Extension Benefit District funding assistance and the additional funding request discussed below.

Under the proposed agreement NPSW will construct the sewer infrastructure serving the new Arbor Commons neighborhood, including a lift station, and then dedicate it to the City of Muscatine as public infrastructure. Upon acceptance of the sewer improvements as public infrastructure the City of Muscatine would then make a payment to NPSW, and establish a sewer extension benefit district which will create a connection fee, paid to the City of Muscatine, for each home connecting to the new sewer infrastructure.

Recently, Director Koch and City staff have been discussing/reviewing the proposed design of the sanitary sewer lift, station that is necessary to serve this new neighborhood. Upon acceptance of dedication of the lift station, the City will assume all responsibility for the operation and maintenance as public infrastructure. The approved final design cost of this lift station is significantly different than the initial estimate of the cost for a "canned" or basic lift station which was used at the start of the project. This estimate was used at the time of the original request for assistance from Council in August. During the subsequent design review process the Water Pollution Control Department requested a number of changes, based on experience with existing lift stations, that increased the cost of the lift station by \$148,500. These changes will create a more reliable lift station that is cheaper and easier for the City of Muscatine to operate and maintain over the long haul and as such is in the opinion of City staff worth investing in. Following is a breakdown of these changes.

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

Added Cost

- Building - \$42,000- no building in original (CMU building)
- Added FRP Doors \$7,000
- New Top mount pumps spec'd by the City - \$65,100
- Bigger Wet Well - \$ 9,250
- Back up gas Generator & Gas Service - \$25,150

Total Additional Cost since preliminary cost estimate: \$148,500

In order to make the proposed subdivision financially viable and to allow for it to get built, the developer is asking for funding of \$148,500 in addition to the \$150,000 from the sewer benefit district that was discussed with Council in August of 2018. The developer is requesting that the connection fee that is to be established with the creation the sewer extension benefit district be set at \$2,000, as a higher amount would make it difficult for a new home in Arbor Commons to be purchased for around their target price of \$250,000 or less as sewer connection fees are directly added to the cost of each new home. The additional request for the lift station upgrades (at city staff's recommendation) are proposed to be funded from available funds in the Sewer Extension Reserve Fund.

It is the recommendation of City Staff that the additional funding requested by the developer be approved. This recommendation is based on three factors. The additional lift stations items being requested by City Staff will result in a more reliable lift station that is cheaper and easier for the City of Muscatine to operate over the long haul. These additional costs taken from the Sewer Extension Reserve Fund will help make the overall project remain financially viable. That ensuring that this new 62 home subdivision gets built helps fulfill a critical community need.

The need for improved housing stock has been identified as one of the most pressing problems the community must address for Muscatine to be a thriving community. As a step towards addressing this issue, in 2017 the City of Muscatine commissioned RDG Inc. to conduct a Housing Market and Demand Study. This study evaluated and identified strategies to address housing issues throughout the city; and through community engagement, identified the market gaps and desires of residents and stakeholders. The study summarized these opportunities and identifies potential strategies. One of the key findings of the study is the following: "A limited lot supply presents the most significant challenge to overcome. The construction of new homes meets an immediate need for households who can afford homes above \$200,000. Additionally, new construction indirectly alleviates other housing challenges by opening existing housing and rental units at more affordable prices."

The proposed Arbor Commons Subdivision is a direct and impactful step towards addressing this issue. It has now been more than a decade since a new single-family home subdivision has been constructed in the City of Muscatine. The resulting shortage of suitable lots for the construction of a significant number of single-family homes is a barrier towards achieving a more vibrant and health community.