



City of Muscatine



AGENDA ITEM SUMMARY

DATE: 9-17-20

City Council

STAFF

Andrew Fangman, Assistant Community Development Director

SUBJECT:

Resolution Creating the Arbor Common Sewer Extension Benefit District and Approving a Sanitary Sewer Connection Fee

EXECUTIVE SUMMARY:

With the completion of the Arbor Commons Subdivision and the acceptance of the associated sewer infrastructure, the attached resolution will execute the June 2019 agreement with NSPW by establishing the sewer extension benefit district and associated connection fee.

STAFF RECOMMENDATION

Staff recommends approval of this resolution as a necessary step to implement the sewer extension benefit district establishment and lift station enhancement agreement with NPSW.

BACKGROUND/DISCUSSION

On June 20, 2019 the City Council approved a sewer extension benefit district establishment and lift station enhancement agreement with NPSW. Said agreement and explanatory memo is attached to this memo. As per this agreement NPSW constructed the sewer infrastructure serving the new Arbor Commons subdivision, 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 of \$298,500, and establish a sewer extension benefit district which will create a connection fee of \$2,000, paid to the City of Muscatine, for each home connecting to the new sewer infrastructure.

CITY FINANCIAL IMPACT

Payment to NSPW of \$298,500

Establishment of a \$2,000 Sewer Connection Fee for the Arbor Commons Subdivision

ATTACHMENTS

1. Memo
2. Resolution Creating the Arbor Common Sewer Extension Benefit District and Approving a Sanitary Sewer Connection Fee
3. Sewer Extension Benefit District Establishment and Lift Station Enhancement Agreement with NPSW
4. June 2020 Memo Sewer Extension Benefit District Establishment and Lift Station Enhancement Agreement



COMMUNITY DEVELOPMENT DEPARTMENT

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

To: Mayor and City Council Members
Cc: Carol Webb, City Administrator
Jodi Royal-Godwin, Community Development Director
From: Andrew Fangman, Assistant Community Development Director
Date: September 17, 2020
Re: Resolution Creating the Arbor Common Sewer Extension Benefit District and Approving a Sanitary Sewer Connection Fee

NPSW, LLC has completed construction of Arbor Commons, a 62-lot subdivision, located at the southwest corner of the Duncan Drive and West Fulliam Avenue intersection. This subdivision is comprised of 48 standalone single-family homes, 4 duplexes and 2 triplexes. Two additional 2 additional outlots would be dedicated to the City of Muscatine and would accommodate a sewage lift station and a multi-use trail.

On June 20, 2019 the City Council approved a sewer extension benefit district establishment and lift station enhancement agreement with NPSW. Said agreement and explanatory memo is attached to this memo. As per this agreement NPSW constructed the sewer infrastructure serving the new Arbor Commons subdivision, 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 NSPW of \$298,500, and establish a sewer extension benefit district which will create a connection fee of \$2,000, paid to the City of Muscatine, for each home connecting to the new sewer infrastructure.

With the completion of this subdivision and the acceptance of the associated sewer infrastructure, the attached resolution will execute the June 2019 agreement with NPSW by establishing the sewer extension benefit district and associated connection fee.

Staff recommends approval of this resolution as a necessary step to implement the sewer extension benefit district establishment and lift station enhancement agreement with NPSW.

- BACKUP INFORMATION:**
1. Resolution Creating the Arbor Common Sewer Extension Benefit District and Approving a Sanitary Sewer Connection Fee
 2. Sewer Extension Benefit District Establishment and Lift Station Enhancement Agreement with NSPW
 3. June 2020 Memo Sewer Extension Benefit District Establishment and Lift Station Enhancement Agreement

RESOLUTION NO. _____

**A RESOLUTION CREATING THE ARBOR COMMON SEWER EXTENSION
BENEFIT DISTRICT AND APPROVING A SANITARY SEWER CONNECTION
FEE**

WHEREAS, the City of Muscatine on September 17, 2020 accepted, from NPSW Enterprises, LLC, the dedication as public infrastructure, the Arbor Commons Sanitary Sewer. Said sewer serves the area encompassed within the Arbor Commons Subdivision within the existing corporate limits of the City of Muscatine; and

WHEREAS, a sanitary sewer benefit district is hereby established and indicated on the attached Exhibit A for the purpose of establishing a connection fee for property development within the identified benefit district; and

WHEREAS, as per an agreement, approved by City Council on June 19, 2019, between the City of Muscatine and NPSW Enterprises LLC, the City of Muscatine agreed to provide a payment of \$298,500 to NPSW Enterprises LLC, in order to assist in the construction of the Arbor Commons Sanitary Sewer; and

WHEREAS, as per an agreement, approved by City Council on June 19, 2019, between the City of Muscatine and NPSW Enterprises LLC, the City of Muscatine shall City shall establish a sewer extension benefit district which shall create sewer connection fee that shall be \$2,000 per each originally platted lot, if a dwelling unit is built on a parcel, comprised of more than one originally platted lot, the connection fee shall be \$2,000 multiplied by the number of originally platted, either in whole or part;

NOW, THEREFORE, BE IT RESOLVED, that the City Council for the City of Muscatine, Iowa a sanitary sewer benefit district is hereby established and indicated on the attached Exhibit A; and that there shall be a fee of \$2000.00 per connection to the Arbor Commons Sanitary Sewer. If a structure is built on a parcel, comprised of more than one originally platted lot, the connection fee shall be \$2,000 multiplied by the number of originally platted parcels, either in whole or part.

PASSED, APPROVED, AND ADOPTED this 17th day of September 2020.

CITY COUNCIL OF THE CITY OF
MUSCATINE, IOWA

Attest:

Diana L. Broderson, Mayor

Carol Webb, City Clerk

SEWER EXTENSION BENEFIT DISTRICT ESTABLISHMENT AND LIFT STATION ENHANCEMENT AGREEMENT

This Agreement is entered into between the City of Muscatine, Iowa (the "City") and NPSW Enterprises, LLC (the "Developer") as of the 20 day of June, 2019 (the "Commencement Date").

WHEREAS, the Developer owns certain property in the City of Muscatine, the legal description of which is set out in Exhibit A hereto (the "Property"), and the Developer has undertaken the development of sixty-two market-rate, single-family homes (the "Housing Project") on the Property, including the construction of certain public sewer infrastructure improvements in connection therewith (the "Sewer Infrastructure Project"); and

WHEREAS, the Developer has requested that the City provide sewer extension benefit district funding for a portion of the Sewer Infrastructure Project costs; and

WHEREAS, the City Council is willing to provide direct financial assistance to the Developer in order to assist in paying a portion of the cost of the Sewer Infrastructure Project; and

WHEREAS, the City Council declares its intent to utilize connection fees to recover a the direct financial assistance, given by the City to the Developer, from property owners who connect to the Sewer Infrastructure Project subsequent to its construction; and

WHEREAS, establish upon completion of the Sewer Infrastructure Project, a sewer extension benefit district and establish a connection fee under the provisions of Section 384.38(3) of the Code of Iowa; and

WHEREAS, during the subsequent design review process the Water Pollution Control Director recommend a number of upgrades, based on experience with existing lift stations, that increased the cost of the lift station by \$148,500.

NOW THEREFORE, the parties hereto agree as follows:

A. Developer's Covenants:

1. Infrastructure Project Construction and Costs. The Developer agrees to cause the construction of the Sewer Infrastructure Project in accordance with the timeline and specifications set forth on Exhibit B hereto. Prior to constructing the Sewer Infrastructure Project, the Developer will submit copies of all engineering documents related to the proposed Infrastructure Project to the City.

The City shall retain all rights to inspect the Sewer Infrastructure Project for quality of work and full compliance with City Code. Nothing in this subsection shall be interpreted as

limiting the City's rights to not accept the work if the Sewer Infrastructure Project is not completed to the satisfaction of the City.

2. Sewer Infrastructure Project to be Dedicated as Public Infrastructure.

Upon completion of the Sewer Infrastructure Project the developer shall dedicate it as public infrastructure to the City of Muscatine. Said dedication shall meet all the requirements for the dedication and acceptance of public infrastructure contained in Title 11 of City Code.

3. Establishment of a Sewer Extension Benefit District.

The developer consents to the establishment of a sewer extension benefit district and the resulting sanitary sewer connection fees.

A. City's Covenants:

1. Acceptance of Sewer Infrastructure Project.

The city shall accepted dedication of the Sewer Infrastructure Project as public infrastructure; if the City Engineer deems the complete work satisfactory and meeting all specifications contained in Exhibit B.

1. **City Payment to Developer.** Upon the acceptance of the Sewer Infrastructure Project as public infrastructure the City shall pay the Developer \$298,500, which includes \$148,5000 for the lift station enhancements recommended by the City.

2. **Establishment of Sewer Extension Benefit District.** The City shall establish a sewer extension benefit district which shall create sewer connection fee that shall be \$2,000 per each originally platted lot, if a dwelling unit is built on a parcel, comprised of more than one originally platted lot, the connection fee shall be \$2,000 multiplied by the number of originally platted, either in whole or part.

C. Administrative Provisions

1. **Assignment.** Neither party shall have the right to cause the 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 Developer's rights to receive the payment hereunder may be assigned by the Developer to a private lender, as security on a credit facility taken in connection with the Housing Project and/or the Sewer Infrastructure 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. **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 Developer 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.



Attest:

[Signature]
City Clerk

CITY OF MUSCATINE, IOWA

By: [Signature]
Mayor

NPSW ENTERPRISES, LLC

By: [Signature]
Jeff Sorensen
Managing Partner



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COMMUNITY DEVELOPMENT

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

To: Mayor and City Council Members
From: Andrew Fangman, City Planner
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 task that must be completed prior to commencement of construction on this subdivision is the execution of an agreement between NSPW and the City of Muscatine regarding Sewer Extension Benefit District funding assistance and the additional funding request discussed below.

Under the proposed agreement NSPW 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 NSPW, 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 City staff has given its recommendations to changes to final design of the sanitary sewage lift station that is necessary to serve this new neighborhood. Upon acceptance of dedication of the lift station which the City will assume all responsibility for the operation and maintenance of upon acceptance as public infrastructure. The approved final design of this lift station is significantly different than the initial estimate of the cost of a lift station which was based on constructing it using previous City standards for lift stations. 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 are 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 - \$65,10
- Bigger Wet Well - \$ 9,250.00
- 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. Both the original sewer extension benefit district funding of \$1500, and the addition request for the lift station upgrades and propose to be funding from available funds in the Sewer Extension and Improvement Reserve.

It is the recommendation of City Staff that additional funding requested by the developer be given. 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. That these added cost are significant enough to make additional Sewer funding for the overall project to remaining financially viable. That ensuring that this this new 62 home subdivision gets built helps fulfil 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 barrier towards achieving a more vibrant and health community.