



City of Muscatine



AGENDA ITEM SUMMARY

City Council

DATE:

July 15, 2021

STAFF

Jodi Royal-Goodwin, Community Development Director

SUBJECT

Approval of Developer Agreement with the Community Foundation of Greater Muscatine

EXECUTIVE SUMMARY

The City has taken ownership of 704 Spring Street as the result of a notice to abate an unsafe structure. This property has been donated to the Community Foundation of Greater Muscatine for the development of a single-family home to be sold to a moderate income family. The attached development agreement provides \$10,000 to off-set the costs of demolition of the unsafe structure.

STAFF RECOMMENDATION

Staff recommends Council approve the development agreement.

BACKGROUND/DISCUSSION

Under a previous agenda item the City has taken ownership of the property located at 704 Spring Street. The property has been vacant for several years and the structure and has deteriorated to the point where it is an unsafe structure. A notice to abate by demolition or repair was issued by the City to the property owners, who determined repair of this structure was not financially viable and demolition costs would exceed the likely fair market value of this parcel as a vacant lot. As a result the owners offered to Quit Claim Deed the property to the City.

The CFGM approached the City last year about partnering to pilot a Homes for Iowa project. After looking at lots appropriate for development. In February Council approved donating a parcel located between Bond and Taylor streets adjacent to Taylor Park for this project. Unfortunately development issues prevent the CFGM from utilizing this site at this time. The City and CFGM have been cooperating to find another suitable location for the placement of the Homes for Iowa unit. Both the City and CFGM are in agreement, the property located at 704 Spring Street would be suitable for such a development.

Partnering with the Foundation on this project supports the City's goals to increase the supply and quality of housing, support investment in a target neighborhood, and demonstrating the use of the Homes for Iowa Program to meet the demand for homeownership units all of which support a vibrant community. The home will be sold to a family earning not more than 100% of the area median income (\$91,654 for a family of 4).

In the Fiscal Year 2021-2022 Budget, \$100,000 was budgeted for the demolition of dangerous and unsafe buildings. The severe state of deterioration of the house at 704 Spring Street made this structure

a priority for demolition once the funds became available. The estimated cost demolition at this site is more than \$15,000. The attached development agreement provides \$10,000 to off-set the Foundations cost to demolish the structure, save the City money, and allow the project to proceed immediately.

CITY FINANCIAL IMPACT

Funding will come from those allocated for demolition and there will be no financial impact to the general fund.

ATTACHMENTS

Development Agreement

DEVELOPMENT AGREEMENT

This Development Agreement made and entered into this 15th day of July, 2021, by and between the City of Muscatine, Iowa, hereinafter called "CITY", and the Community Foundation of Greater Muscatine, hereinafter called "Developer".

WITNESSETH:

WHEREAS, the CITY is a duly organized and a body politic and incorporated under the laws of the State of Iowa, with lawful power and authority to enter into this Development Agreement;

WHEREAS, the CITY owns the following legally described property, also known as 704 Spring Street, PIN# 08-35-284-021 situated in the City of Muscatine, Muscatine County, Iowa, described as:

Lot five (5) in Block one hundred fifty (150) in the City of Muscatine, situated in Muscatine County, Iowa.

Subject only to easements, restrictions and covenants of record (collectively referred to as the "Property");

WHEREAS, the CITY and Developer desire to enter into this Development Agreement for redevelopment in the removal of blighted and substandard conditions in the City of Muscatine.

WHEREAS, the CITY has approved the Project as defined in Section 2.02.

WHEREAS, the Plan provides for the clearance of a deteriorated structure and construction of one housing unit on the Property in order to eliminate blight and prevent recurrence of blight and substandard conditions on the Property;

WHEREAS, the CITY has determined the fair value of the real estate has been taken into account and given consideration to the uses and purposes required by the Plan, the restrictions upon, and the covenants, conditions, and obligations assumed by the Developer of such property and the objectives of the Plan for the prevention or recurrence of substandard and blighted conditions;

NOW, THEREFORE, in consideration of the premises and the covenants and agreements herein set forth, the CITY and Developer do hereby agree as follows:

SECTION 1. OBLIGATIONS OF THE CITY

Section 1.01 Financial Assistance

The CITY will provide \$10,000 to assist the Developer with clearance of the deteriorated structure(s) on the property. Funds will be provided in the form of a forgivable loan.

Section 1.02 Support Services

The Housing Department will assist in identifying a qualified first-time homebuyer to purchase the constructed unit.

The CITY makes no warranties with regard to the condition of the Property or the structure located thereon, unless otherwise provided herein. The Developer expressly acknowledges and agrees that the CITY, and their officials, officers, employees, or agents have not made any representations or warranties concerning the Property or Project of any kind, including but not limited to, the rental or resale value of the Property, the economic or market conditions affecting the Project, or that the Property is suitable for the Project. The Developer takes title to the Property "AS IS."

SECTION 2. OBLIGATIONS OF THE DEVELOPER

Section 2.01 Evidence of Financial Capacity

Developer shall provide evidence of commitment of financial resources to the project.

Section 2.02 Construction of Project

Developer shall construct one single-family home within 12 months of date of execution of this agreement. Home shall be sold to a first-time homebuyer. Completion of such Project is a material element of this Agreement.

Developer shall be solely responsible for obtaining all approvals and permits, which the CITY requires concerning the Project. Developer agrees to comply with the CITY's development procedures and regulations, and understands and acknowledges that the Project is subject to review and approval of the CITY. Developer shall carry out and complete the Project in a good workmanlike manner free of material defects and in full compliance with all applicable federal, state and local laws, regulations and ordinances.

At all times, the Property shall be in compliance with applicable federal, state and local laws, regulations and ordinances.

The City Administrator may grant a single extension of up to 180 days to this deadline, upon making a determination that the Developer is making a good faith effort to complete the project. Any subsequent extension, or any extension longer than 180 days, shall require approval by City Council.

Section 2.03 Compliance

Developer will comply with all applicable federal, state and local laws including obtaining all permits required related to the Project.

SECTION 3: FORGIVABLE LOAN

CITY shall provide Developer with a forgivable loan in the amount of \$10,000 to be disbursed not less than 30 days after execution of this agreement and a promissory note. Loan shall be forgivable upon project completion and sale to a qualified homebuyer. If the Developer defaults, defined as failing to complete the project as

identified above, failing to maintain the Property in compliance with building codes, sells the Property to an unqualified household, or any other breach of the terms of this Agreement within the loan period, the balance shall be due and payable to the CITY.

SECTION 4: TERMINATION & REVERSION

Developer shall have the right to terminate this Agreement, without liability, by giving notice to CITY prior to receipt of funding and within 30 days of final execution of this Agreement. After such time, if Developer should fail to undertake and complete its obligations as described in this Agreement the CITY may take any enforcement action necessary to secure compliance. Developer shall be required, at CITY's written request, to re-convey the property to the CITY free and clear of liens and encumbrances.

SECTION 4. APPROVAL

Developer agrees and understands that this Development Agreement is subject to approval of the governing body of the City of Muscatine, and that in the event such approval is not obtained, that this Agreement is null and void.

SECTION 5. COUNTERPARTS

This Agreement may be signed in one or more counterparts, which shall be as binding and effectual as the original.

SECTION 6. ASSIGNMENT

It is agreed that this agreement shall not be assigned by the Developer without the written consent of the CITY.

SECTION 7. ENTIRETY

This Agreement constitutes the entire Agreement between the Parties, and any other Agreements between the parties, unless in writing and executed by the Parties shall be null and void.

SECTION 8. INDEMNIFICATION

The Developer shall indemnify and hold the CITY harmless from any and against all claims, demands, disputes, damages, costs, expenses, (to include attorneys' fees whether or not litigation is necessary and if necessary, both at trial and on appeal), incurred by the CITY as a result, directly or indirectly, of the use or development of the Property and the Project, except those claims or liabilities caused by or arising from the negligence or intentional acts of the CITY, or its employees or agents.

SECTION 9. GOVERNING LAW

This Agreement shall be governed and construed in accordance with the laws of the State of Iowa.

IN WITNESS WHEREOF, the parties have set their hands to this Agreement the date and year first above written.

Mayor
Diana L. Broderson, City of Muscatine, Iowa

By: _____

On this _____ day of _____, 2021, the foregoing instrument was acknowledged before me by _____, in the City of Muscatine, Iowa.

Notary Public

Developer
Richard Dwyer, Chair
Community Foundation of Greater Muscatine

By: _____

On this _____ day of _____, 2021, the foregoing instrument was acknowledged before me by _____, in the City of Muscatine, Iowa.

Notary Public
