

**January 5, 2015**

**To: Mayor Bemrich and City Council**  
**From: David Fierke, City Manager**  
**Subject: Development Agreement**  
**Josephson Manufacturing Company**

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**ACTION: Set Public Hearing for January 26, 2015**

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**Brief History**

Josephson Manufacturing Company is planning a \$6.5 million investment at their current Fort Dodge facility. The investment includes the purchase of new equipment and the construction of additions to the north and the west of their existing facility. As part of the project, they also intend to add 10 FTE employees to their staff.

**Analysis of Issue**

Josephson Manufacturing Company is eligible for tax increment financing support to help defray the costs of the Project.

**Budget Impact**

The total incentive payments would be the lesser of \$50,000 or 3 years worth of 80% of the increment produced from their project.

**Strategic Plan Impact**

Policy C.1.6: City government shall be an active participant, facilitator and partner in the creation of large and small business and industrial development opportunities capitalizing upon the unique human and economic resources of the area.

Policy C.2.1: The important economic, tourism, and community image benefits of attractive major travel corridors through the area shall be recognized. Such entryway corridors shall receive priority attention for improved appearance and development standards, including landscaping, signage, tree preservation, underground utilities, streetlights, and sidewalks.

Policy D.4.2: Advanced planning for all infrastructure facilities shall be supported and routinely updated. Facilities benefited by advanced planning shall include, at minimum, schools, health care, residential areas, roads, water, sewer, storm water management, parks, recreation, and greenways.

**Existing Plan Impact**

Consistent with the City's Envision 2030 Plan.

**Subcommittee or Commission Review / Recommendation**

None

**Staff Conclusions / Recommendations**

Staff recommends setting a public hearing for January 26, 2015 at 6:00 p.m. to consider entering into an agreement with Josephson Manufacturing Company.

**Alternatives**

The only alternative would be to not set a public hearing, which would prohibit the City from providing TIF incentives. This action could potentially delay, minimize or end the project.

**Implementation and Accountability**

If approved, staff will prepare an agreement for consideration following the public hearing on January 26, 2015.

Signed



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Vickie Reeck  
Community Development Manager

Approved



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David R. Fierke, City Manager

RESOLUTION NO. \_\_\_\_\_

Resolution setting a date of meeting at which it is proposed to approve a Development Agreement with Josephson Manufacturing Company, including annual appropriation tax increment payments in an amount not to exceed \$50,000

WHEREAS, the City of Fort Dodge, 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 Center City and Industrial Park Urban Renewal Areas (the “Urban Renewal Areas”); and

WHEREAS, this City Council has adopted an ordinance providing for the division of taxes levied on taxable property in the Urban Renewal Areas 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 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 Areas; and

WHEREAS, the City proposes to enter into a certain development agreement (the “Development Agreement”) with Josephson Manufacturing Company (the “Company”) in connection with the construction of an addition to the Company’s operational facilities situated at 216 Central Avenue in the Urban Renewal Areas; 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 \$50,000 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 Fort Dodge, Iowa, as follows:

Section 1. This City Council shall meet on January 26, 2015, at six o’clock p.m., at the Municipal Building, 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  
JOSEPHSON MANUFACTURING COMPANY AND AUTHORIZATION OF ANNUAL  
APPROPRIATION TAX INCREMENT PAYMENTS**

The City Council of the City of Fort Dodge, Iowa, will meet at the Municipal Building, on January 26, 2015, at six 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 Josephson Manufacturing Company (the “Company”), in connection with the construction of an addition to the Company’s operational facilities situated at 216 Central Avenue in the Center City and Industrial Park Urban Renewal Areas, which Agreement provides for certain financial incentives in the form of incremental property tax payments in a total amount not exceeding \$50,000 as authorized by Section 403.9 of the Code of Iowa.

The Agreement to make incremental property tax payments will not be a general obligation of the City, but will be payable solely and only from incremental property tax revenues generated within the Center City and Industrial Park Urban Renewal Areas. 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 Fort Dodge, Iowa, in accordance with Section 403.9 of the Code of Iowa.

Jeff Nemmers  
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 12, 2015.

Ayes: \_\_\_\_\_

Nays: \_\_\_\_\_

Other: \_\_\_\_\_

CITY OF FORT DODGE, IOWA

\_\_\_\_\_  
Matt Bemrich, Mayor

Attest:

\_\_\_\_\_  
Jeff Nemmers, City Clerk

## DEVELOPMENT AGREEMENT

This Agreement is entered into between the City of Fort Dodge, Iowa (the "City") and Josephson Manufacturing Company (the "Developer") as of the \_\_\_\_ day of \_\_\_\_\_, 2014 (the "Commencement Date").

WHEREAS, the City has established the Center City and Industrial Park Urban Renewal Areas (the "Urban Renewal Areas"), and has adopted a tax increment ordinance for the Urban Renewal Areas; and

WHEREAS, the Developer owns certain real property which is situated in the City and lies within the Urban Renewal Areas and is more specifically described on Exhibit A hereto (the "Property"); and

WHEREAS, the Developer has proposed to undertake the construction of an addition to the JMC, Mfg. facility (the "Project") on the Property; and

WHEREAS, the Developer has requested that the City provide financial assistance in the form of incremental property tax payments to be used by the Developer in defraying the costs of carrying out the Project; and

WHEREAS, the base valuation of the Property for purposes of 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. Developer's Covenants**

**1. Private Project Construction.** The Developer agrees to complete the Project on the Property. The Developer has submitted a detailed site plan (the "Site Plan") for the development of the Property to the City, which was approved on \_\_\_\_\_, 2014. The Developer agrees to develop the Property in accordance with the Site Plan and to substantially complete such construction by no later than \_\_\_\_\_. The Developer agrees to demonstrate, to the satisfaction of the City, the total actual costs (the "Project Costs") incurred in carrying out the Project.

**2. Property Taxes.** The Developer agrees to cause timely payment of all property taxes as they come due with respect to the Property throughout the Term, as hereinafter defined, and to submit a receipt or cancelled check in evidence of each such payment.

**3. Property Tax Payment Certifications.** Furthermore, the Developer agrees to certify to the City by no later than October 15 of each year, commencing October 15, 2015, an amount (the "Developer'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. In determining such Developer's Estimate, the Developer will complete and submit the worksheet attached hereto as Exhibit C. The City reserves the right to review and request revisions to each such Developer's Estimate to ensure the accuracy of the figures submitted. For purposes of this Agreement, Incremental Property Tax Revenues are produced by multiplying the consolidated property tax levy (city, county, school, etc.) times the incremental valuation of the Property, then subtracting debt service levies of all taxing jurisdictions, subtracting the school district instructional support and physical plant and equipment levies and subtracting any other levies which may be exempted from such calculation by action of the Iowa General Assembly.

Upon request, the City staff shall provide reasonable assistance to the Developer in formulating the annual estimates required under this Section A.3.

**4. Legal and Administrative Fees.** The Developer hereby agrees to cover the legal fees and administrative costs incurred by the City in connection with the drafting, negotiation and authorization of this Agreement, including the prerequisite amendment to the urban renewal plan, up to an amount not in excess of \$3,000. The Developer agrees to remit payment to the City within 30-days of the submission of reasonable documentation by the City to the Developer evidencing such costs.

**5. Remedy.** The Developer hereby acknowledges that failure to comply with the requirements of this Section A, will result in the City having the right to withhold Payments under Section B of this Agreement at its sole discretion, until such time as the Developer has demonstrated, to the satisfaction of the City, that it has cured such non-compliance.

**B. City's Obligations**

**1. Payments.** In recognition of the Developer's obligations set out above, the City agrees to make six semiannual economic development tax increment payments (the "Payments") to the Developer during the Term, as hereinafter defined, pursuant to Chapters 15A and 403 of the Code of Iowa, provided however that the aggregate, total amount of the Payments shall not exceed \$50,000 (the "Maximum Aggregate Payments"), and the 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 Webster County Treasurer attributable to the taxable valuation of the Property.

It is assumed that the new valuation from the Private Project will go on the tax rolls as of January 1, 2016. Accordingly, the Payments will be made on December 1 and June 1 of each fiscal year, beginning on December 1, 2017 and continuing to, and including, June 1, 2020, or until such earlier date upon which total Payments equal to the Maximum Aggregate Payments 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, as hereinafter defined, 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 Developer’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 Developer 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 Developer shall make the next succeeding submission of the Developer’s Estimate as called for in Section A.5 above, provided however that no Payment shall be made under this Agreement after June 1, 2020.

**3. Payment Amounts.** Each Payment shall be in an amount equal to the corresponding Appropriated Amount (for example, for the Payments due on December 1, 2017 and on June 1, 2018, the aggregate amount of such Payments would be determined by the Appropriated Amount determined for certification by December 1, 2016), provided, however, that no Payment shall exceed the amount of Incremental Property Tax Revenues received by the City from the Webster County Treasurer attributable to the taxable valuation of the Property.

**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 Webster County Auditor an amount equal to the most recently obligated Appropriated Amount.

**C. Special Provisions for Existing Manufacturing Uses.**

**1.** An existing manufacturing use located in a downtown District as of January 31, 2011 (hereinafter referred to as a “Grandfathered Manufacturing Use” or “GMU”) shall be allowed to continue; and to incorporate any new use that is otherwise permitted in a Light Industrial district: (i) without being subject to the requirements of Section 17.04 [Nonconformities], unless said premises has been unused for 12 consecutive months, or for 18 months during any 36 month period – in which case Section 17.04 shall apply; and (ii) without the requirement of a special exception; PROVIDED the provisions of subparagraph 2 below are satisfied.

**2.** Whenever a GMU expands its operations within a D-2 subdistrict, through (i) an addition to, or a reconstruction of, its existing structures; or (ii) the construction of new structures, such construction shall adhere to the Downtown Design Guidelines to the following extent:

a.) All new construction facing a public street shall:

(i) avoid exterior materials prohibited under Section 17.07.11G.3, UNLESS majority of the existing structures of the GMU utilize such materials and the new construction is designed to match the architectural design, exterior materials, and color of the existing buildings in order to convey a uniform appearance.

(ii) incorporate vertical façade elements per the City's Downtown Design Guidelines (e.g. – columns, pilasters, or changes to building plane).

(iii) incorporate architectural massing at the corners.

(iv) incorporate trim elements to define the building base, middle and top.

b.) Any expansion or new construction by a GMU shall be subject to the landscaping requirements of the Downtown Design Guidelines, EXCEPT as follows:

(i) only parking areas facing the street shall be required to be screened by landscaping or decorative fencing.

(ii) Landscape islands in parking areas shall not be required.

3. Nothing in this Section C shall affect the requirements of the Site Plan Ordinance [17.08.03] with respect to any expansion of a GMU, except as expressly set forth herein.

**D. Administrative Provisions**

1. **Amendment and Assignment.** This Agreement may not be amended or assigned by either party without the written consent of the other party. However, the City hereby gives its permission that the Developer's rights to receive the Payments hereunder may be assigned by the Developer 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, 2020 or on such earlier date upon which the aggregate sum of Payments made to the Developer equals the Maximum Aggregate Payments.

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 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.

CITY OF FORT DODGE, IOWA

By: \_\_\_\_\_  
Matt Bemrich, Mayor

Attest:



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Jeff Nemmers, City Clerk

JMC Manufacturing, LLC

By: \_\_\_\_\_

DRAFT

**EXHIBIT A**  
**LEGAL DESCRIPTION OF THE PROPERTY**

DRAFT

**EXHIBIT B**  
**SITE PLAN FOR PRIVATE PROJECT**

DRAFT

**EXHIBIT C**  
**ANNUAL TIF WORKSHEET**  
**DEVELOPER'S ESTIMATE**

- (1) Date of Preparation: December 15, 2014
- (2) Assessed Valuation of Property as of January 1, 2016:  
\$\_\_\_\_\_.
- (3) Base Valuation of Property:  
\$862,677
- (4) Incremental 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
- (7) Estimate = \$\_\_\_\_\_ x .80 = \$\_\_\_\_\_