

Name of Project: Municipal Art Center Boiler Project (the “Art Center Boiler Project”)

Name of Urban Renewal Area: Consolidated Muscatine Urban Renewal Area

Year of Consolidation of Urban Renewal Area: 2011

Date of Council Approval of Project: November 15, 2012

Description of Project and Project Site: The City will pay for the installation of a boiler at the Municipal Art Center situated at 1314 Mulberry Avenue in the Area.

Description of Properties to be acquired in Connection with Project: It is not anticipated that the City will acquire any real property in connection with the Boiler Project.

Description of Use of TIF: The City intends to pay costs of the Art Center Boiler Project in the amount of \$65,000. It is anticipated that the City will pay for the Art Center Boiler Project with either borrowed funds or the proceeds of an internal advance of City funds on-hand. In either case, the City’s obligation will be repaid with incremental property tax revenues from the Area.

Analysis of Use of TIF: In accordance with the requirement of Section 403.5(2)(b)(1) of the Code of Iowa, the City has analyzed its proposed use of incremental property tax revenues for the funding of the Art Center Boiler Project and alternative development and funding options for the Art Center Boiler Project. The results of that analysis are summarized as follows:

A) Alternate Development Options: The City has found that provision of superior cultural facilities is necessary for the enhancement and maintenance of economic development in the community. The Municipal Art Center contributes to the cultural enhancement of the City and serves as a critical amenity to the business community and workforce. If a new boiler is not installed at the Municipal Art Center, the City will not be able to continue the operation of the Municipal Art Center, which the City has deemed vital to the economic development of the Area. The costs of moving to a new building in comparison to installing a new boiler are prohibitive.

B) Alternate Financing Options:

* Local Option Sales and Services Tax Revenues: The Local Option Sales and Services Tax Revenues are authorized to be used exclusively by the City for sewer improvement project and pavement maintenance programs.

* General Fund: The City is at its \$8.10 per thousand levy limit for the General Fund, and the annual proceeds from this levy are fully committed to maintain the operational integrity of the City. The City cannot access its General Fund reserves to aid in funding the Art Center Boiler Project without risking unsound fiscal practice.

* Capital Improvements Levy: The City does not have a Capital Improvements Levy available, and the imposition of such additional levy would require a successful referendum, which is not feasible at this time.

* Debt Service Levy: The City does not have authority to levy a debt service tax for general obligation indebtedness for the Art Center Boiler Project. It is not feasible for the City to acquire the authority, either through full referendum or reverse referendum, to issue general obligation indebtedness for the Art Center Boiler Project without the ability to assure the voting public that tax increment financing will be available to assist with the funding. The use of tax increment financing will lessen the burden on

individual tax payers that would result from a spike in the debt service levy rate and will shift that burden onto valuation increases resulting from the City's successful economic development initiatives in the Area.

* Utility Surpluses: The City does not have identified surpluses in its sewer utility fund that could aid in the funding of the Municipal Art Center HVAC Installation Project.

* Grant Funding: The city received a state grant of \$16,886 which funded a portion of project costs.