



**TO:** Michael C. Van Milligen, City Manager

**FROM:** Deron Muehring, Civil Engineer *DM*

**DATE:** January 29, 2014

**SUBJECT:** Bee Branch Watershed Flood Mitigation Project, State Flood Mitigation Board Funding Agreement

#### **INTRODUCTION**

The purpose of this memorandum is to seek authorization to enter into an agreement with the Iowa Flood Mitigation Board in order to utilize \$98,474,178.00 in state sales tax increment funding for the Bee Branch Watershed Flood Mitigation Project.

#### **BACKGROUND**

The Drainage Basin Master Plan, completed and adopted by the City Council in 2001, established that there are more than 1,100 properties at risk of flood damage as a result of the flash flooding. Based on a subsequent study in 2009 by the Federal Emergency Management Agency (FEMA), there are 1,373 properties in the flood prone area. In addition to homes, there are over 70 businesses in the at-risk area with over \$500 million in annual sales. Eighty -five percent (85 %) of the impacted properties have buildings that are potentially eligible for listing on the National Register of Historic Places, the official list of the Nation's historic places worthy of preservation. In fact, fifty-seven percent (57%) of the buildings are more than 100 years old. The flood prone area in the Bee Branch Watershed encompasses historic neighborhoods offering some of the community's most affordable workforce housing. Most residents are working families, many are elderly -- those least likely to recover from repetitive flood loss. Repetitive flood damage leads to disinvestment; from 2004 to 2009, while commercial property values grew by 39% citywide, they fell by 6% in the Bee Branch Watershed flood prone area.

The Drainage Basin Master Plan, updated in the fall of 2013, also outlined several improvements throughout the watershed to mitigate future flooding and disasters. Collectively, the improvements form the basis of the Bee Branch Watershed Flood Mitigation Project. The Bee Branch Watershed Flood Mitigation Project is a multi - phased, fiscally responsible investment. It reflects a holistic approach to mitigate flooding as it will also improve water quality, stimulate investment, and enhance the quality of life watershed residents.

Having identified the flooding issue as a top priority, the Dubuque City Council adopted the Drainage Basin Master Plan and established funding, including a stormwater

management utility fee, to construct the Bee Branch Watershed Flood Mitigation Project. Having identified the flooding issue as a top priority, the Dubuque City Council established funding, including a stormwater management utility fee, to construct the various phases of the Bee Branch Watershed Flood Mitigation Project.

The State Flood Mitigation Program (the Program) was created in 2012. It established two possible funding sources for Bee Branch Watershed improvements: a Flood Mitigation Fund and a Sales Tax Increment Fund. To date, no funds have been appropriated for the Flood Mitigation Fund. The Sales Tax Increment Fund is to consist of the increase in the state share of the sales tax revenues from communities with qualifying applications. The maximum state share of sales tax increment that can be diverted from the state and used instead for flood mitigation projects is \$30 million a year for twenty (20) years for a total of \$600 million. The maximum award for any qualifying single community is \$15 million per year. To qualify for sales tax increment funding, federal financial assistance must have been secured for the project. A local match is also required and the state sales tax increment cannot exceed 50% of the total project cost. In April of 2013 the State Flood Mitigation Program Board (the Board) was established. And at its third meeting in July of 2013, the Board adopted the administrative rules for the Program.

On November 18, 2013 the City Council adopted Resolution 336-13, approving the City's application for state sales tax increment funding for the Bee Branch Watershed Flood Mitigation Project.

On December 4, 2013, the Iowa Flood Mitigation Board voted to approve the City's application for construction of the Bee Branch Watershed Flood Mitigation Project.

### **DISCUSSION**

The Iowa Flood Mitigation Board (the Board) has provided an agreement for the \$98,494,178.00 in sales tax increment funding. Per the agreement, the disbursement or remittance from the sales tax incremental fund by the State is governed by Iowa Code section 418.12 and Iowa Administrative Code ch. 701-238. And that pursuant to Iowa Code section 418.4(3)(d), prior to any disbursement or remittance, the City must adopt a resolution authorizing the use of sales tax increment revenue for the City project.

### **RECOMMENDATION**

I recommend securing the use of \$98,494,178.00 in sales tax increment financing for the Bee Branch Watershed Flood Mitigation Project.

### **BUDGET IMPACT**

In order to construct the improvements associated with the Bee Branch Watershed Mitigation Project per the schedule reflected in the City's application for sales tax increment funding and in the proposed agreement, gradual increases to the stormwater utility rates over an eight year period will be necessary. In contrast, without the use of sales tax increment funding, it would take fifty years to construct the improvements and stark increases to the stormwater utility rate would be required in the next three years.

**REQUESTED ACTION**

I respectfully request adoption of the attached resolution authorizing the City's use of \$98,494,178.00 in sales tax increment funds for the Bee Branch Watershed Flood Mitigation Project and authorizing the execution of an agreement with the Iowa Flood Mitigation Board required for the City's receipt of the \$98,494,178.00 in sales tax increment funds.

Attach.

Cc:    Barry Lindahl, City Attorney  
      Gus Psihoyos, City Engineer  
      Jennifer Larson, Budget Director  
      Ken TeKippe, Finance Director  
      Teri Goodman, Assistant City Manager