



AGENDA

ECONOMIC DEVELOPMENT AUTHORITY MEETING

Regular Meeting

Tuesday, December 19, 2023

12:00 p.m.

Montrose City Hall
311 Buffalo Ave S
Montrose, MN 55363

1. **CALL TO ORDER**

2. **ROLL CALL**

3. **APPROVAL OF AGENDA**

4. **APPROVAL OF MINUTES**

A. October 17, 2023 Economic Development Authority Meeting Minutes

5. **TREASURER'S REPORT**

A. Economic Development Authority Fund = \$263,970.36

B. Economic Development Revolving Loan Fund = \$257,754.78

6. **OLD BUSINESS**

A. New Members Discussion

7. **NEW BUSINESS**

A. Preserve TIF Request

8. **NEXT MEETING**

A. Tuesday, January 16, 2024 at 12:00 p.m. in the Montrose City Hall Conference Room

9. ADJOURNMENT

LUNCH FROM DOMINOS PIZZA WILL BE SERVED

City of Montrose
 Economic Development Authority Meeting
 311 Buffalo Avenue South
 Montrose, MN 55363
 Tuesday, October 17, 2023
 12:00 P.M.

1. CALL TO ORDER

Pursuant to call and notice the Montrose Economic Development Authority (EDA) met in Regular Session on Tuesday, October 17, 2023 at 12:00 p.m.

EDA Member Moynagh called the meeting to order at 12:00 p.m.

2. ROLL CALL

Present: Mayor/EDA Member Kirby Moynagh
 EDA Member Matt Smith
 EDA Member Sonya Tourville

Staff Present: Ms. Jessica Bonniwell, City Administrator

Absent: EDA President David Paradeise

3. APPROVAL OF AGENDA

EDA Member Tourville motioned to approve the agenda as presented. EDA Member Smith seconded the motion. Motion carried 3-0.

4. APPROVAL OF MINUTES

A. July 18, 2023 Economic Development Authority Meeting Minutes

B. September 19, 2023 Economic Development Authority Meeting Minutes

EDA Member Smith motioned to approve the July 18, 2023 and the September 19, 2023 Economic Development Authority Meeting Minutes. EDA Member Tourville seconded the motion. Motion carried 3-0.

5. TREASURER'S REPORT

A. Economic Development Authority Fund = \$263,970.36

Ms. Bonniwell gave an update on the EDA Funds.

B. EDA Revolving Loan Fund – \$257,754.78

Economic Development Authority Accounts Payable – September 19, 2023

EDA Member Moynagh motioned to approve the September 19, 2023 Economic Development Authority Accounts Payable. EDA Member Tourville seconded the motion. Motion carried 3-0.

6. OLD BUSINESS

A. Discussion about Childcare/First Children's Finance Initiative Meeting – Set Agenda for Meeting

Ms. Bonniwell stated that the informational meeting with City Council is coming up on October 30, 2023 at 5:30 p.m. at the Montrose Community Center. Ms. Bonniwell stated she would like to set a tentative agenda and discuss how the meeting will go. Discussion was held regarding coming up with a summary of benefits

from First Children's Finance and the resources that could be available to already existing providers as well as help create new childcare businesses. Discussion was held regarding having a sign up sheet for people to commit to the effort for the next year or whatever it takes to get through the process. Ms. Bonniwell stated that if they were to get people to commit, the first thing that happens is a need study to determine what the community needs as far as childcare. Mayor Moynagh stated that he would be interested in seeing census data regarding current ages of children in the area to see if there are kids in the right age-range that would need more childcare resources. Ms. Bonniwell stated she would put some information together to send out to EDA for comments before the meeting.

7. NEW BUSINESS

A. Preserve TIF Discussion with Mr. Shannon Sweeney

Mr. Sweeney was present at the EDA meeting to discuss the probable TIF district being requested by the developer that was selected to build at the Preserve. Mr. Sweeney stated that TIF is a way to delay the benefits of property taxes as homes are built and defer them to the end of the project so that the developer is only paying the taxes that exist already on undeveloped property. So, the city, school and county will not be "losing" out on taxes and will continue to receive the same amount as they have been receiving for the undeveloped property, but will not see the increase from the new homes until the TIF district is decertified after the project is complete. Mr. Sweeney stated that the developer for the Preserve has requested TIF that has income restrictions for the first owner of each home they identify as "income restricted." Mr. Sweeney stated that for this the developer would only have to have one verification of income from the first family to purchase the home, then it would be available to anyone and not be an income restricted lot if it were to be sold after that initial purchase. However, Mr. Sweeney stated, that once the property no longer qualifies, or did not initially qualify as income restricted, full property taxes based on the home value will be due and will no longer be deferred/reduced. Mr. Sweeney stated it is not uncommon for a developer to have both income qualified homes as well as higher amount lots with no income restriction. Mr. Sweeney stated that the city will need to decide how long they are willing to forego the tax benefits for the new properties, which will determine the length of time the TIF district is allowed to function and be active. Mr. Sweeney stated that once an application is received from the developer, the EDA will discuss the application and details in order to make a recommendation for City Council to ultimately approve the creation of a TIF district. Mr. Sweeney stated that terms will have to be negotiated with the developer based on what the City Council and EDA require for the creation of the TIF district.

8. NEXT MEETING

A. Tuesday, November 21, 2023, at 12:00 p.m. in the Montrose City Hall Conference Room

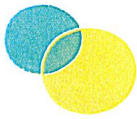
9. ADJOURNMENT

EDA Member Tourville motioned to adjourn the Economic Development Authority Meeting at 12:32 p.m. EDA Member Smith seconded the motion. Motion carried 3-0.

ATTEST:

Council Member David Paradeise
President
City of Montrose Economic Development Authority

Jessica Bonniwell
City Administrator
City of Montrose


DDA

David Drown Associates, Inc.
Public Finance Advisors

Cologne Office:
 10555 Orchard Road
 Cologne, MN 55322
 Phone: (952) 356-2992
 shannon@daviddrown.com

November 29, 2023

City of Montrose
 Attn: Jessica Bonniwell
 P.O. Box 25
 Montrose, MN 55363

RE: Tax Increment Financing Request – JP Brooks, Inc. – Preserve of Montrose

Dear Administrator Bonniwell:

I have had a number of discussions over the past couple of months regarding tax increment financing assistance with representatives of JP Brooks, Inc. (JP Brooks) for the Preserve of Montrose Project. A subsidy application has been submitted with supporting documentation regarding the proposed request.

The purpose of this letter is to provide some background information regarding the request to assist with initial discussions regarding the tax increment financing (TIF) request. Some background information would include the following:

JP Brooks is requesting pay-as-you-go tax increment financing assistance which is the reimbursement of new property taxes captured within a tax increment district for a term of up to 26-years (for housing projects). Property taxes would be paid by the new homeowners within the project area in the same manner as all taxable property owners in the community (based on valuation) which are collected by Wright County. Wright County then separates out that portion of the property taxes collected that are tax increments which include new city, county, and some school district property taxes that are generated within the boundaries of the tax increment financing district. Those taxes are distributed separately to the City and are not part of the general tax levy.

If a property owner within the TIF District fails to pay property taxes, or no new homes are built within the TIF District, tax increments will not be collected by the county or be distributed to the city. In that instance the city has no obligation to make a reimbursement of property tax to the developer. The city's only obligation in a pay-as-you-go contract is to reimburse a negotiated percentage of the tax increments collected by the county and distributed to the city during the subsidy term.

JP Brooks. has indicated that they are considering a build out the project in three phases in the following manner:

- Phase 1 – Spring of 2024 which includes 36 lots
- Phase 2 – Spring of 2027 which includes 69 lots
- Phase 3 – Spring of 2031 which includes 69 lots

JP Brooks has indicated that they are requesting a total of \$8,091,000 in tax increment assistance over all phases of the proposed project which includes the construction of 174 units. Ultimately they want to sell new units for \$250,000 and without TIF assistance, those units will need to be sold at a purchase price of closer to \$290,000.

To achieve the level of reimbursement requested they would need to construct at least 12-units per year for approximately 14-years to generate sufficient tax increment to provide net revenues of over \$8,081,000 over the 26-year life of a housing TIF district if they were to come close to achieving the requested reimbursement. That is assuming that tax rates remain the same or move higher and valuations of individual units average \$284,307 for the duration of the subsidy term.

As the project is being phased I would recommend that the subsidy be phased based on specific project expenses that will be incurred within each phase, as well as identifying development goals that are acceptable to the City.

At your convenience I would be happy to discuss the application and information provided in detail for the purpose determining if a TIF subsidy is appropriate for the proposed project.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Shannon Sweeney".

Shannon Sweeney, Associate
David Drown Associates, Inc.

City of Montrose
TIF District No. _____

Tax Increment Projections

Valuations & Projected Increases

	Market	Tax Capacity
Original Values	528,000	6,600
Increased Value: Owner-Occupied/Unit (12-units per year - 174 total units)	284,307	2,633

Tax Rate Assumptions:

	2023 Tax Rate
City of Montrose	47.934%
Wright County	37.823%
School District	21.523%
Other	0.000%
	<u>107.280%</u>

Projected Tax Increment

Payable Year	Original Tax Capacity	Projected Tax Capacity	Net Captured Tax Capacity	Less Fiscal Disparities	Retained Net Captured Tax Capacity	Projected Tax Rate*	Gross Tax Increment	Adjustments			TOTAL NET REVENUES
								10.00%	Admin. Retainage	State Auditor's Deduction	
2024	6,600	6,600	-	-	-	104.28%	-	-	-	-	-
2025	6,600	6,600	-	-	-	104.28%	26,071	2,607	94	-	23,370
2026	6,600	31,601	25,001	-	25,001	104.28%	59,025	5,903	212	-	52,910
2027	6,600	63,203	56,603	-	56,603	104.28%	91,979	9,198	331	-	82,450
2028	6,600	94,804	88,204	-	88,204	104.28%	124,933	12,493	450	-	111,990
2029	6,600	126,405	119,805	-	119,805	104.28%	157,887	15,789	568	-	141,530
2030	6,600	158,007	151,407	-	151,407	104.28%	190,840	19,084	687	-	171,069
2031	6,600	189,608	183,008	-	183,008	104.28%	223,794	22,379	806	-	200,609
2032	6,600	221,209	214,609	-	214,609	104.28%	256,748	25,675	924	-	230,149
2033	6,600	252,811	246,211	-	246,211	104.28%	289,702	28,970	1,043	-	259,689
2034	6,600	284,412	277,812	-	277,812	104.28%	322,656	32,266	1,162	-	289,229
2035	6,600	316,013	309,413	-	309,413	104.28%	355,610	35,561	1,280	-	318,768
2036	6,600	347,615	341,015	-	341,015	104.28%	388,563	38,856	1,399	-	348,308
2037	6,600	379,216	372,616	-	372,616	104.28%	421,517	42,152	1,517	-	377,848
2038	6,600	410,817	404,217	-	404,217	104.28%	454,471	45,447	1,636	-	407,388
2039	6,600	442,419	435,819	-	435,819	104.28%	470,948	47,095	1,695	-	422,158
2040	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
2041	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
2042	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
2043	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
2044	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
2045	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
2046	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
2047	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
2048	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
2049	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
2050	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
2051	6,600	458,219	451,619	-	451,619	104.28%	470,948	47,095	1,695	-	422,158
							9,015,171	901,517	32,455		8,081,199

CITY OF MONTROSE, MINNESOTA

Subsidy Application

APPLICANT INFORMATION:

Business Name: JP Brooks, Inc Date: 11/9/23
 Business Address: 13700 Reimer Dr N #100 City: Maple Grove
 State: MN Zip Code: 55311

PROJECT INFORMATION:

*Please attach a description of the proposed project (including building size, building type, site plan and sketches).
 Please attach a description of why the assistance is needed, be specific.
 Please attach a legal description of the property.*

Location of Proposed Project: Highway 12 and Willow Avenue, Montrose

Parcel #'s: 181 Various Parcels

Present ownership of site: City Of Montrose

Current Property Taxes: City Montrose County Wright Total _____

Amount of Assistance Requested: \$8,091,000 (Pay As You Go, \$46,500 per unit)

Number of permanent jobs created as a result of the project: # FTE Jobs NA

Average FTE Wages: \$ NA

Market value of project following completion: \$49,469,400

Anticipated project start date: 03/15/2024 Completion Date: 09/30/2038

LENDER INFORMATION:Name of Bank: Falcon National BankContact Name: Carl GebhardtAddress: 9600 Upland Ln N #100, Maple GrovePhone Number: 612-401-3188**LEGAL COUNSEL:**Name: Michael A. BrobackAddress: 2708 Autumn Woods Dr, Chaska MN 55318Phone Number: 952-250-1796Fax: Email: mbroback@gmail.com**FINANCIAL INFORMATION:**

Estimated Project Related Costs:

- | | |
|-----------------------------------|----------------------------------------------------|
| 1. Land Acquisition | \$ <u>75,000</u> |
| 2. Site Development | \$ <u>3,204,954 (includes 5% contingency)</u> |
| 3. Building Cost | \$ <u>34,527,255 (includes a 1.5% contingency)</u> |
| 4. Equipment | \$ _____ |
| 5. Architectural/Engineering Fees | \$ _____ |
| 6. Legal Fees | \$ <u>15,000</u> |
| 7. Off-Site Development Costs | \$ <u>7,125,300 (includes 5% contingency)</u> |
| 8. Other (please explain) | \$ _____ |
| 9. TOTAL PROJECT COST | \$ <u>44,947,509</u> |

Sources of Financing

- | | |
|----------------------------------|--------------------------------------------------------|
| 1. Private Financing Institution | \$ <u>27,628,780 (not more than \$5M at one time)</u> |
| 2. City Funds (Total Request) | \$ <u>8,091,000</u> |
| 3. Other Public Funds | \$ <u>0</u> |
| 4. Developer Equity | \$ <u>9,764,898 (not more than \$1.5M at one time)</u> |
| 5. TOTAL SOURCES | \$ _____ |

FINANCIAL INFORMATION – continued:

Has the business, owners or parent company ever declared bankruptcy? No ☒ Yes _____

Has the business, owners or parent company ever defaulted on any loan commitment? No ☒ Yes _____

Has your business or parent company received a subsidy, for this or any other project, from another Minnesota unit of government during the past 5 years?

No ☒ Yes _____, please describe: _____

PUBLIC PURPOSE:

What benefits will the City and its residents gain if assistance is provided?

☒ Job Creation ☒ Job Retention ☒ Housing _____ Land Clean Up
☒ Tax Base ☒ Removal of Blight _____ Redevelopment _____ Other(please list)

AUTHORIZED SIGNATURE OF APPLICANT

Depending upon the type of assistance requested, you may also be required to provide the City with a deposit to cover administration and consulting expenses associated with your project. Unused funds will be returned upon completion of this process. The applicant agrees to provide additional information if requested by the City.

Josh Pomerleau President 11/09/2023
Applicant Title Date

By signing – applicant agrees to job creation requirements (as applicable)
If subsidy request is approved – a subsidy agreement is required

When complete – please return to:

City of Montrose
Attn: City Administrator
P.O. Box 25
Annandale, MN 55363

PLEASE INCLUDE WITH COMPLETED APPLICATION:

_____ Preliminary financial commitment from bank
_____ Background of company and description of proposed project
_____ Pro Forma Analysis
_____ Financial Statements (as requested)
_____ All other materials as may be requested by staff or a designated representatives of the city.

Narrative - Preserve of Montrose TIF Request (Pay As You Go) - 11/28/23

1 message

Josh Pomerleau <jp@jpbrooks.com>
 To: Josh Pomerleau <jp@jpbrooks.com>

Tue, Nov 28, 2023 at 10:43 AM

To Whom It May Concern,

For part of the application to set up a TIF District for the Preserve of Montrose, we were tasked with creating a comparable market analysis to support the TIF request. Attached are two PDFs. The first PDF are Montrose only homes that have an offer or are sold. The second PDF are closed townhome units in communities that surround Montrose. Below I will sum up the findings from both comparable market studies.

Montrose Only Comparable Properties:

1. There were a range of comparables used from \$229,900 to \$286,900.
2. The more affordable ones were mostly smaller, but most had yards.
3. More of the expensive comparables were similar in size but most had a basement and a large yard.
4. Some of the comparables were resale homes and some were new construction.

Surrounding Communities Comparable Properties:

1. Most of the comps were from neighborhoods that are closer to the twin cities because there was not much sold townhome inventory that was further out from the twin cities.
2. Most of the units are older units than the subject property, but in more desirable locations.

Summary:

1. The comparable units that have sold recently in Montrose are slightly higher in price but offer more to the buyer in terms of a yard, deck, and less density. We attribute a 10-15% reduction in purchase price.
2. Some of these units are new construction as well, so we cannot add a lower factor on construction status.
3. The surrounding community analysis showed comparable units that are older but in more desirable locations. The fact that the Preserve Of Montrose units being brand new will help compete against the units in better locations, but we are assuming this would even out or slightly lose to the better location.
4. Another large factor, if not the most important factor, is that this site is 174 units. In order to get a sales and production pace that is economical to manage we have to have a competitive listing price to sell enough units per year that will make the financial model work. Almost all public and larger builders will need a minimum of 2 sales (homes built) per month in order to make construction management, administrative, selling, and financial costs work. In order to garner 2 sales per month we believe we would need probably another 6-8% off the purchase price which is just not feasible with the costs that would be incurred to build and manage these units. JP Brooks has structured our business to be able to manage these expenses closer to 1 unit per month or 12 per year by combining other local communities they are building in. Although one or slightly above one sale per month is not ideal, we can make this work in our business model, and our goal would be to do all we can to get to 2 closings per month but are not reliant on that to succeed.
5. The TIF request is "Pay As You Go", which is a great benefit for the city as all the risk falls on the developer. Also, the increment is paid over a long period of time with depreciated dollars.
6. The total TIF amount requested is \$8,091,000, which is \$46,500 per unit (\$8,091,000/174 units). This amount we are requesting will allow us to have sales prices starting in the \$250k's (in current dollars and market pricing) instead of starting in the \$280k's. JP Brooks knows the Wright County new home sales market as we are one of the largest developers in the county. If we had to start pricing in the upper \$280k's, we believe that we would not be able to sell enough homes (or any) to make this project successful.

We believe that this site is perfect for a TIF request as it has been a failed project for a long time. In a time where housing is becoming unattainable for so many people this project with its TIF Assistance and financial restrictions will allow many people to reach the "American Dream" of owning instead of renting. If this is approved, this project should bring many new people to Montrose which will greatly move the city towards a handful of their Guiding Principles that are found in the Comprehensive plan including: "strong residential growth", "develop parks, trails, and open space as focal point of neighborhoods", further development of downtown commercial area, and encourage business and industrial growth". If you need any additional information please reach out to me at JP@JPBrooks.com or on my cell phone 763-232-3087.

Thank you for your consideration,

--



Josh Pomerleau

President

JP Brooks Builders

p: 763-645-5980 **f:** 1-877-732-9423

a: 13700 Reimer Drive, Suite 100, Maple Grove, MN 55311

w: jpbrooks.com **e:** jp@jpbrooks.com

JP Brooks
BUILDERS

