



## AGENDA

### ECONOMIC DEVELOPMENT AUTHORITY MEETING

Regular Meeting

Tuesday, April 16, 2024

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. March 19, 2024 Economic Development Authority Meeting Minutes

5. TREASURER'S REPORT

A. Economic Development Authority Fund = \$255,760.86

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

6. OLD BUSINESS

A. Business Subsidy Policy – Draft

B. Business Subsidy Request from SJB Masonry

C. Member Recruitment Discussion

7. NEW BUSINESS

A. Updates

8. NEXT MEETING

A. Tuesday, May 21, 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, March 19, 2024  
 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, March 19, 2024 at 12:00 p.m.

EDA President Paradeise called the meeting to order at 12:00 p.m.

**2. ROLL CALL**

Present: EDA President David Paradeise  
 EDA Member Sonya Tourville  
 EDA Member Gabby Stroad

Staff Present: Ms. Jessica Bonniwell, City Administrator  
 Ms. Jackie Heinz, City Clerk/Treasurer  
 Mr. Shannon Sweeney, Financial Advisor

Absent: Mayor/EDA Member Kirby Moynagh

**3. APPROVAL OF AGENDA**

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

**4. APPROVAL OF MINUTES**

A. January 16, 2024 Economic Development Authority Meeting Minutes

**EDA Member Tourville motioned to approve the January 16, 2024 Economic Development Authority Meeting Minutes. EDA Member Stroad seconded the motion. Motion carried 3-0.**

**5. TREASURER'S REPORT**

A. Economic Development Authority Fund = \$257,277.77

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

Ms. Bonniwell gave an update on the EDA funds as outlined above.

**6. OLD BUSINESS**

## A. No Old Business

## 7. NEW BUSINESS

### A. Business Subsidy Policy

Mr. Sweeney presented a sample business subsidy policy for the EDA to consider for recommendation to City Council. Mr. Sweeney stated that a business subsidy policy is necessary in order to assist businesses with any type of funding requests. Mr. Sweeney stated that specifically anything \$25,000 - \$150,000 is considered financial assistance, and anything over \$150,000 is considered a business subsidy and would require a policy and stated that having a policy is a best practice for a city. Mr. Sweeney went over different sections of the sample policy to give the EDA a good idea of what they would be looking at as far as terms and qualifying conditions for a subsidy policy. EDA Member Strood asked if there were other examples the EDA could look at and Mr. Sweeney stated that he would gather a couple of real examples used by neighboring cities and distribute to the EDA for review and consideration. Mr. Sweeney stated that the policy should cover items such as what is the public purpose, who would qualify and what the subsidy can be used for such as job creation, providing needed services in the city, waiving certain types of fees, installing infrastructure and the creation of a TIF district.

Mr. Sweeney stated that the City's authority to grant Business Subsidies is governed by the limitations established in Minnesota Statutes 116J.993 through 116J.995. Mr. Sweeney stated that business subsidies may include grants by state or local government agencies, contributions of personal property, real property, infrastructure, a loan provided at interest rates below those commercially available to the recipient of the subsidy, any reduction or deferral of any tax or any fee, tax increment and tax abatement, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.

Mr. Sweeney discussed the possibility of adding a "But-For" provision which would call for analyzing projects in order to determine if the project would not be feasible "but for" the City assistance. Mr. Sweeney stated that this would be in an instance that the city and developer are aware that the project would not be able to move forward without financial assistance, but that the project would also provide the city with some other benefit such as job creation or tax base. EDA Member Paradise suggested adding language around the "But-For" provision which would detail items that may be excluded or limited in the policy and approval process. Mr. Sweeney stated that in order to get a business subsidy policy approved, it will have to go through a public hearing and be final approved by the City Council. Mr. Sweeney asked the EDA members to review the sample policy and other samples he will send over and reply to him with any comments or changes to a proposed policy so that EDA can look at a draft at the April 16, 2024 EDA Meeting to possibly be ready to go to City Council for a public hearing at the May 13, 2024 City Council Meeting. Mr. Sweeney stated that he would need any comments to be included in a draft policy to be submitted to him by April 5<sup>th</sup> for the April 16<sup>th</sup> EDA Meeting.

### B. Business Subsidy Request from SJB Masonry

Mr. Sweeney stated that a Business Subsidy Request was received from SJB Masonry for their proposed new facility to be constructed along Energy Drive in Montrose. Mr. Sweeney stated that SJB Masonry is intending to spend approximately \$4.2 million to construct a new 27,840 square foot facility that will house the SJB Masonry business and provide additional space for company growth. Mr. Sweeney stated that approximately 12,000 square feet of the facility would

be initially leased out for other purposes to other business owners. Mr. Sweeney stated that the applicant has requested tax abatement assistance for a term of 18-years, which is the City's share of the local property tax for the parcel(s) where the facility will be located. Mr. Sweeney stated that by statute, a local unit of government can provide an economic development tax abatement for a duration of 15-years, which can be extended to 20-years if a similar request is turned down by other unit of government (School or County). Mr. Sweeney stated that he does not typically see abatements provided for this duration for new projects unless they involve redevelopment or significant levels of job creation.

Mr. Sweeney stated that more information was just submitted from SJB Masonry including an estimated market value from the County Assessor and an estimated amount of the SAC/WAC charges that would be incurred by the proposed project. Mr. Sweeney stated that the estimated SAC/WAC amounts are \$26,400 and the preliminary market value supplied by the County will be \$3,775,000 once the facility is complete.

EDA Member Paradeise stated that the proposed application from SJB Masonry would likely not get approval for the terms and amount Mr. Bunn is currently asking for. EDA Member Paradeise stated that he would like to discuss the request with the applicant at the next meeting in order to try to negotiate different terms, understand what the applicant is asking for in terms of reimbursement, and what benefits the business will bring to the city besides tax base.

#### C. Updates

### 8. NEXT MEETING

A. Tuesday, April 16, 2024, 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 12:50 p.m. EDA Member Strood seconded the motion. Motion carried 3-0.**

ATTEST:

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Council Member David Paradeise  
President  
City of Montrose Economic Development Authority

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Jessica Bonniwell  
City Administrator  
City of Montrose

**City of Montrose**  
**Business Subsidy Policy**  
**Adopted: \_\_\_\_\_, 2024**

**INTRODUCTION:**

This Policy is adopted to govern the use of public financial assistance for private development within the City of Montrose ("City") and for purposes of satisfying the business subsidies act, pursuant to Minnesota Statutes, Sections 116J.993 through 116J.995, as amended (the "Statutes"). Terms used in this Policy are intended to have the same meanings as those used in the Statutes. Subdivision 3 of the Statutes specifies forms of financial assistance that are not considered a business subsidy. This list contains exceptions for several activities, including redevelopment, pollution clean-up, and housing, among others. By providing a business subsidy, the city commits to holding a public hearing, as applicable, and annually reporting to the Department of Employment and Economic Development ("DEED") on job and wage goal progress if and when required by the Statutes.

**1. PURPOSE AND AUTHORITY:**

- A. The purpose of this document is to establish criteria for the City and the Montrose Economic Development Authority ("EDA") for the granting of business subsidies and public financial assistance for private development within the City. As used in this Policy, the term "City" shall be understood to include the EDA. The criteria outlined in this Policy shall be used as a guide in processing and reviewing applications requesting a business subsidy, financial assistance, or other forms of public assistance. This policy includes, but is not limited to, assistance constituting a "business subsidy" under the Statutes.
- B. The City's ability to grant a business subsidy or financial assistance is governed by the limitations established in the Statutes and other provisions of Minnesota law. The City may choose to apply the criteria contained herein to other development activities not covered under the Statutes. Forms of assistance that the City may provide, may or may not be considered a business subsidy or financial assistance as defined by the Statutes.
- C. Business subsidies and financial assistance can include grants by state or local government agencies, contributions of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient of the assistance, any reduction or deferral of any tax

or any fee, tax increment financing (TIF), abatement of property taxes, loans made from City funds, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business. Certain types of business assistance may not be considered business subsidies under the Statutes.

- D. The criteria contained herein shall be used in conjunction with other relevant policies of the City. Compliance with the Business Subsidy Policy shall not automatically mean compliance with other policies.
- E. The City, at its sole discretion, may deviate from the job and wage goals criteria outlined in Section 5 D, E, and F below by documenting in writing the reason(s) for the deviation. The documentation shall be submitted to DEED with the next annual report if required.
- F. The City may amend this document at any time. Amendments to this Policy are subject to public hearing requirements contained in the Statutes.

## **2. CITY'S OBJECTIVE FOR THE USE OF BUSINESS SUBSIDIES:**

A. As a matter of adopted policy, the City may consider providing business subsidies or financial assistance which may include tax increment financing (TIF), tax abatement, and other forms of public financing as appropriate, to assist private development projects. Such assistance must comply with all applicable statutory requirements and accomplish one or more of the following objectives:

- 1. Remove blight and/or encourage redevelopment in area(s) – particularly in the downtown - per the goals established by the City.
- 2. Expand and diversify the local economy and tax base.
- 3. Enhance the City's position as a destination.
- 4. Encourage additional unsubsidized private development in the area, either directly or through secondary "spin-off" development.
- 5. Offset increased costs for redevelopment over and above the costs that a developer would incur in normal urban and suburban development (determined as part of the "But-For" analysis).
- 6. Facilitate the development process and promote development on sites that could not be developed without this assistance.

7. Retain local jobs and/or increase the number and diversity of quality jobs.
8. Provide opportunities for small businesses and/or entrepreneurs and promote economic stability.
9. Meet other uses of public policy, as adopted by the City from time to time, including but not limited to promotion of quality urban design, quality architectural design, energy conservation, and decreasing the capital and operating costs of local government when feasible.

### **3. BUSINESS SUBSIDY PRINCIPLES:**

A. The guidelines and principles set forth in this document pertain to all applications for business subsidies and financial assistance regardless of whether they are considered a business subsidy as defined by Statute. The following general assumptions of development/redevelopment shall serve as a guide for all business assistance:

1. All viable requests for City public financial assistance shall be reviewed by staff, and, if so designated, a third-party financial advisor will inform the City of its findings and recommendations. This process - known as the "But For" analysis - is intended to determine if the project would not be feasible but for the City assistance.
2. City staff and a third-party financial advisor will prepare a memorandum for the City Council and EDA documenting the "But For" Test has been met.
3. The City may establish mechanisms within the development agreement to ensure that adequate checks and balances are incorporated in the distribution of financial assistance where feasible and appropriate, including but not limited to:
  - a. Establishment of "look back provisions"
  - b. Establishment of minimum assessment agreements
  - c. Documentation of all costs
4. The City's preference is to provide TIF and tax abatement on a pay-as-you-go basis after completion of the project to reimburse documented qualified costs. Any alternative request for upfront assistance will be evaluated on its own merits and may require

security to cover any risks assumed by the City.

5. The City may set up TIF districts in accordance with the maximum number of statutory years allowable; however, this does not mean that the applicant will be granted assistance for the full term of the district. Only projects that provide a significant public benefit as determined below and/or are in key development areas of the city – shall be prioritized for a full term.
6. Public financing will not be used in projects that would give a significant competitive financial advantage over similar projects in the area due to the use of public assistance. Applicants should be able to provide information to support that City public financial assistance will not create such a competitive advantage. Priority consideration will be given to projects that fill an unmet market need.
7. Public financial assistance will not be used in a project that involves a land and/or property acquisition where the price is in excess of the fair market value.
8. The applicant shall pay all application fees and pay for the City's fiscal and legal advisor's time in reviewing a subsidy request.
9. The applicant shall proactively attempt to minimize the amount of City public assistance needed through the pursuit of grants, innovative solutions in structuring the deal, and other funding mechanisms. When available, at least one form of grant or financial assistance from another agency shall be pursued prior to awarding the City's TIF or tax abatement assistance.
10. The City may require the execution and recording of a Minimum Assessment Agreement.

#### **4. PROJECTS WHICH MAY QUALIFY FOR PUBLIC FINANCING ASSISTANCE:**

- A. MINIMUM QUALIFICATIONS. All new applications for public assistance that are considered by the City must meet each of the following minimum qualifications. However, it should **not** be presumed that a project meeting these qualifications will automatically be approved for assistance. Meeting the qualifications does not imply or create contractual rights on the part of any potential applicant to have its project approved for assistance.



1. In addition to meeting the applicable requirements of State law, the project shall meet **five** or more of the “Desired Qualifications” outlined in section B.3 below.
2. The applicant must demonstrate to the satisfaction of the City that the project is not financially feasible “but for” the use of public financial assistance.
3. The project is, or will be through the City approval processes, consistent with the Comprehensive Plan, Zoning Ordinances, adopted Design Guidelines or any other applicable land use documents of the City.
4. Prior to approval of a financing plan, the applicant shall provide any requested market and financial feasibility studies, appraisals, soil borings, private lender commitments, and/or other information the City or its financial advisor may require in order to proceed with an independent evaluation of the proposal.
5. The applicant must provide adequate financial guarantees to ensure the repayment of any public financing and completion of the project. These may include, but are not limited to, assessment agreements, letters of credit, personal deficiency guarantees, guaranteed maximum cost contract, etc.
6. Any applicant requesting public financial assistance must be able to demonstrate a previous capability for successful development, as well as specific capability regarding the type and size of the development proposed. Public financing shall not be used when the applicant’s credentials, in the sole judgment of the City, are inadequate due to previous history relating to completion of projects, general reputation, and/or bankruptcy, or other problems or issues considered relevant to the City.
7. The applicant, or its contractual assigns, shall retain ownership of any portion of the project long enough to complete it, stabilize its occupancy, establish project management and/or needed mechanisms to ensure successful operation.

#### B. DESIRED QUALIFICATIONS:

1. Projects providing a high ratio of private investment compared to City

public investment shall receive priority consideration. Private investment includes developer cash, government and bank loans, conduit bonds, tax credit equity, and land if already owned by the applicant.

2. Proposals that significantly increase the amount of property taxes paid after redevelopment will receive priority consideration.
3. Proposals that encourage the following will receive priority consideration:
  - a) Encompasses the goals and strategies stated in the Montrose Comprehensive Plan.
  - b) Implements the City's vision and values for a City-identified development area, including but not limited to Montrose's downtown.
  - c) Attracts or retains an employer within the City.
  - d) Promotes housing investment that meets the following City goals:
    - i. Increase housing choice within the community; diversify existing housing stock; and provide options that do not currently exist
    - ii. Attract young professionals and young families to the community
    - iii. Provide clean, safe, and affordable housing units
    - iv. Multi-family housing with high-end amenities considered luxury and/or market rate.
  - e) Provides opportunity for the attraction of destination-oriented uses such as outdoor recreation, entertainment, and shopping.
  - f) Provides opportunities for small businesses and/or entrepreneurs.
  - g) Projects that promote economic stability through affordability in housing.
  - h) Redevelops a blighted, contaminated and/or challenged area.

**5. BUSINESS SUBSIDY PUBLIC PURPOSE, JOBS, AND WAGE REQUIREMENT:**

- A. All business subsidies, as defined by, and for purposes of, the Statutes must meet a public purpose with measurable benefit to the City as a whole, and satisfy the criteria outlined in this section.
- B. Job retention may only be used as a public purpose in cases where significant (5 or more) job losses may reasonably be expected to occur.
- C. The creation of new tax base shall not be the sole public purpose of a subsidy.
- D. Unless the creation of jobs is removed from a particular project pursuant to the requirements of the Statutes, the creation of jobs is a public purpose for granting assistance. Creation of at least 2 Full-Time, or Full-Time Equivalent (FTE) jobs is a minimum requirement for consideration of assistance. For the purposes of this Policy, FTE jobs must be permanent positions with set hours, and be eligible for benefits.
- E. Part-Time Equivalent jobs may receive a partial credit and be counted toward the job goals.
- F. The wage floor for wages to be paid for the jobs created shall be not less than 200% of the State of Minnesota's minimum wage. Wage goals may also be set to enhance existing jobs through increased wages, which increase must result in wages higher than the minimum under this Section.
- G. After a public hearing, if the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set at zero.

**6. PUBLIC ASSISTANCE AGREEMENT:**

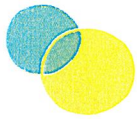
- A. In granting public assistance, the City shall enter into an agreement with the recipient that specifies the terms associated with the assistance. The agreement must be in draft form [and ready for execution] prior to any public hearing necessitated by the form of assistance.
- B. In cases of a business subsidy, the public assistance agreement must provide the following minimum information:
  - 1. Wage and job goals (if applicable)
  - 2. Commitment to provide necessary information for reporting

purposes

3. Five-year operation commitment after the benefit date
  4. Recourse for failure to meet goals (required by statute)
- C. The public assistance agreement may be incorporated into a broader development agreement for a project.
- D. For assistance that does not constitute a business subsidy under Minnesota Statute, the grantee or recipient and the City will enter into an agreement setting forth the terms of the assistance.

7. **PUBLIC FINANCING PROJECT EVALUATION PROCESS:**

- A. The following will be considered in the evaluation process for the provision of public assistance:
1. Implementation of the project is consistent the goals and objectives of the city.
  2. Whether the project meets the minimum qualifications.
  3. Whether the project meets desired qualifications.
  4. The public assistance is determined to be necessary for the project to proceed ("but-for" analysis).


**DDA**

David Drown Associates, Inc.  
Public Finance Advisors

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

April 9, 2024

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

**RE: Tax Abatement & Fee Waiver Request – SJB Holdings, LLC  
Business Subsidy Policy**

Dear Administrator Bonniwell:

The purpose of this letter is to provide an update to the EDA with information regarding the subsidy application submitted by SJB Holdings, LLC for their proposed new facility to be constructed on parcels 112-050-000-020 and 112-050-000-040 located on Energy Drive. SJB Holdings, LLC is intending to spend approximately \$4.2 million to construct a new 27,840 sq ft facility that will house the SJB Masonry business and provide additional space for company growth. Approximately 12,000 sq ft of the facility would be initially leased out for other purposes.

The company has requested tax abatement assistance (the reimbursement of the City's share of the local property tax) for a term of 18-years. By statute, a local unit of government can provide an economic development tax abatement for a duration of 15-years, which can be extended to 20-years if a similar request is turned down by another unit of government (County or School District). I do not typically see abatements provided for this duration for new projects unless they involve redevelopment or significant levels of job creation.

The assessor has estimated the market value of the new facility at \$3,775,000. The incremental increase in tax base resulting from the project would generate an estimated \$27,318 in new city property tax per year based on the final 2024 tax rate. The connection fees for the project are presently estimated to total \$26,400.

Based on our discussions at the last meeting, I emailed Mr. Bunn (SJB Masonry) indicating that the EDA was working through the process to recommend the adoption of a business subsidy policy which would be required in advance of providing a subsidy. I also indicated that the EDA indicated that they were not inclined to recommend waiving connections fees, and that an 18-year tax subsidy was too long for the city to forgo the benefit of the new tax base. As discussed, I did indicate that the EDA was willing to continue the conversation and invited Mr. Bunn to the April 16, 2024 meeting. Mr. Bunn has indicated that he plans to attend the meeting.

**Business Subsidy Policy:**

Draft business subsidy policies from Buffalo and Waverly were distributed and the feedback received indicated that the Buffalo policy was preferred. I have attached a modified draft of the policy for discussion at the April 16 meeting as well.

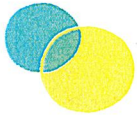
Please contact me if I can be of any assistance in answering questions regarding the information provided.

Sincerely,

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

Shannon Sweeney, Associate  
David Drown Associates, Inc.




**DDA**

**David Drown Associates, Inc.**  
**Public Finance Advisors**

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

March 12, 2024

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

**RE: Tax Abatement & Fee Waiver Request – SJB Holdings, LLC**

Dear Administrator Bonniwell:

The purpose of this letter is to provide the EDA with information regarding a subsidy application submitted by SJB Holdings, LLC for their proposed new facility to be constructed on parcels 112-050-000-020 and 112-050-000-040 located on Energy Drive. SJB Holdings, LLC is intending to spend approximately \$4.2 million to construct a new 27,840 sq ft facility that will house the SJB Masonry business and provide additional space for company growth. Approximately 12,000 sq ft of the facility would be initially leased out for other purposes.

The company has requested tax abatement assistance (the reimbursement of the City's share of the local property tax) for a term of 18-years. By statute, a local unit of government can provide an economic development tax abatement for a duration of 15-years, which can be extended to 20-years if a similar request is turned down by another unit of government (County or School District). I do not typically see abatements provided for this duration for new projects unless they involve redevelopment or significant levels of job creation.

More information is presently being sought from SJB Holdings, LLC including an estimate of market value from the county assessor, and an estimated amount of the SAC/WAC charges that would be incurred by the proposed project.

**Background:**

The City's authority to grant Business Subsidies is governed by the limitations established in Minnesota Statutes 116J.993 through 116J.995. Business Subsidies may include grants by state or local government agencies, contributions of personal property, real property, infrastructure, a loan provided at interest rates below those commercially available to the recipient of the subsidy, any reduction or deferral of any tax or any fee, tax increment and tax abatement, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.

A business subsidy of \$150,000 or more requires a public hearing and a business subsidy agreement. Unless the hearing is noticed to include that job creation is not a goal, the subsidy agreement must include wage and job goals for the project. The City must have a business subsidy policy in place that conforms with Minnesota Statutes and provides guidance on the provision of business subsidies and financial assistance. Financial assistance is defined as business subsidies of between \$25,000 and \$150,000.

Prior to adopting a business subsidy policy, a public hearing is required. As it is anticipated that the level of assistance being requested by SJB Holdings, LLC will exceed \$25,000, I would

recommend simultaneously initiating the process to adopt a business subsidy policy if determined to be appropriate to proceed with the subsidy request.

**Discussion:**

For discussion purposes I have attached a sample business subsidy policy. Input from the EDA would be appreciated regarding: 1) The initial subsidy request from SJB Holdings, LLC for tax abatement assistance (reimbursement of new city property taxes), and the waiver of connection fees; and 2) Initiating the process to adopt a business subsidy policy.

I am working with staff and the business owner to quantify the requests being made. At this point I do not have complete information, but as mentioned previously, I thought it would be worthwhile to obtain input from the EDA regarding general parameters for business subsidies, and whether the request is of interest for further consideration when complete information is available.

Please contact me if I can be of any assistance in answering questions regarding the information provided.

Sincerely,

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

Shannon Sweeney, Associate  
David Drown Associates, Inc.