



AGENDA

ECONOMIC DEVELOPMENT AUTHORITY MEETING

Regular Meeting

Tuesday, January 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. December 19, 2023 Economic Development Authority Meeting Minutes

5. TREASURER'S REPORT

A. Economic Development Authority Fund = \$255,255.02

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

6. OLD BUSINESS

A. EDA Member Matt Smith

B. TIF Request – JP Brooks for the Preserve Housing Development

7. NEW BUSINESS

A. Updates

8. NEXT MEETING

A. Tuesday, February 20, 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, December 19, 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, December 19, 2023 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
 Mayor/EDA Member Kirby Moynagh
 EDA Member Sonya Tourville

Staff Present: Ms. Jessica Bonniwell, City Administrator
 Ms. Jackie Heinz, City Clerk/Treasurer

Absent: EDA Member Matt Smith

3. APPROVAL OF AGENDA

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

4. APPROVAL OF MINUTES

A. October 17, 2023 Economic Development Authority Meeting Minutes

EDA Member Tourville motioned to approve the October 17, 2023 Economic Development Authority Meeting Minutes. EDA Member Moynagh 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

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

6. OLD BUSINESS

A. New Members Discussion

EDA President Paradeise stated that Matt Smith would no longer be attending meetings as he is no longer working at Carpentry Contractors. EDA Member Moynagh stated that he would contact Carpentry Contractors to see if anyone else would be available to serve on the EDA. EDA Member Moynagh asked if other members thought someone from the bank would be available. EDA Member Tourville stated that she could ask, but also knows they have other commitments with the Chamber of Commerce. EDA President Paradeise asked who could join EDA and if it has to be a business owner, or if it could be a business person that lives in the community. Mr. Sweeney stated that he has the old resolution enabling the formation of the EDA, and that

should state if there are any restrictions on membership to local business owners or managers. A resident, Gabby Stroad, in attendance at the meeting stated she may be interested in joining if there are not restrictions to owning or managing a physical business in Montrose.

7. NEW BUSINESS

A. Preserve TIF Request

Mr. Sweeney stated that a TIF application has been received for the Preserve project from JP Brooks. Ms. Bonniwell stated that Mr. Ron Batty from Kennedy and Graven was present via Zoom as he has been working with Mr. Shannon Sweeney to draw up a TIF agreement between the city and the developer. Mr. Sweeney stated that the developer is requesting TIF in order to keep the price point for their properties around the \$250,000 mark. The developer is asking for \$8,091,000 total assistance with a Pay As You Go plan, which would be around \$46,500 per unit to be developed over a period of 26 years. Mr. Sweeney stated that 26 years is a long time to keep a TIF district active and would be up to the EDA and Council on whether or not they would be willing to agree to these terms. Mr. Sweeney stated the developer is proposing multiple phases to be completed over the term of the project and said the city would need to decide if they want to approve the entire project at this time, or just the initial phase. EDA Member Moynagh asked about the typical length of a TIF district and Mr. Sweeney told him it is typical to have around 15 years for a TIF district. Mr. Sweeney suggested that the first phase be approved through this current process, but because of the current high costs of construction and financing interest that the TIF district be created for the entire project, but only approve the financial subsidy for the first phase in case the project becomes delayed for future phases. EDA President Paradeise stated that he would agree with the first phase subsidy, so the city is not starting a clock for the developer to finish the project regardless of any changing economic conditions in the future. The first phase would include 36 lots to begin in Spring of 2024. The developer is asking for some upfront reimbursement costs since they will not see any profits or benefits from building this development until it is complete, or nearly complete. Mr. Sweeney stated that it makes sense they would be asking for some of these funds up front and would ask that they provide a breakdown of those costs (infrastructure, utilities, etc.). The developer, Josh, stated they are very motivated to get it completed and will lose money in the beginning, but by the end should be able to earn a profit on the development. The developer, Art, stated that they have already spent at least \$25,000 in utility testing of the old infrastructure that is in place from a previous attempt at developing the property. Mr. Sweeney stated that by creating the entire TIF district now and allowing phases would save the developer from having subsequent public hearings to create a second or third TIF district for the development, and would just be a new agreement or amendment that council would have to approve for future phases. EDA Member Moynagh stated that he is probably okay with creating the TIF district, but would like to see the reimbursement request upfront to make sure everyone is in agreement with the terms and line items for reimbursement.

Mr. Sweeney stated that he would recommend the TIF district be created by the City Council and that would be initiated by a resolution calling for a public hearing. Mr. Sweeney stated that a resolution will also be prepared for the January 8, 2024 City Council Meeting which would call for the public hearing as long as the council is in agreement on the amount requested by the developer. Mr. Sweeney stated that the public hearing will need to be held with a 60-day notification period in order to notify the county and school district which would put the hearing around the March 11, 2024 City Council Meeting. Mr. Sweeney stated that during the meeting in which the resolution is approved to call for a hearing, the City Council would have a final number from the developer on the upfront reimbursement so the council could see how long it would take the TIF district to pay off that amount per an amortization schedule. The developer was present at the meeting and stated they would have an extension amendment request prepared for the January 8, 2024 City Council Meeting. Mr. Sweeney stated that they would hope to bring a term sheet to EDA for the January 16, 2024 meeting for EDA to look at the request for upfront costs and the TIF project as a whole. Mr. Sweeney stated that the EDA will be asked to make a recommendation on whether or not to create a TIF district at the January 16, 2024 EDA meeting. Mr. Sweeney stated that during that 60-day period, the city attorney and himself will be working with the city and the developer to come up with a subsidy agreement and a TIF plan for City Council to consider for approval. The developer, Art, stated that the developer agreement due diligence period expires before that time and that they would be looking to request an extension at this time in order to go through the TIF process.

B. Other

Ms. Jolene Foss was present from the Wright County Economic Development Partnership and updated the EDA on the activities of the partnership. Ms. Foss stated they are working with 17 new businesses to try to help them get started up in Wright County – some are requesting revolving loan funds but do not qualify based on type of business. Ms. Foss stated that their goal at the partnership is to keep people living and working in Wright County. Ms. Foss stated the partnership has two new partners with Cargill and Ridgewater College. The Workforce Pathways have requested the WCEDP present education information to the nine school districts in the county to discuss the existing businesses and job opportunities in Wright County.

EDA Member Tourville asked for follow up regarding the childcare meeting that was held on October 30, 2023 to gauge interest in forming a core team to work with First Children's Finance. Ms. Bonniwell stated that only three people attended that meeting. EDA Member Tourville stated that would not be enough to form a core team. Council Member Paradeise stated that the EDA could continue working and getting information out in order to create interest to get the initiative started.

8. **NEXT MEETING**

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

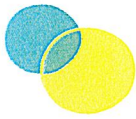
9. **ADJOURNMENT**

EDA Member Moynagh motioned to adjourn the Economic Development Authority Meeting at 12:44 p.m. EDA Member Tourville seconded the motion. Motion carried 3-0.

Council Member David Paradeise
President
City of Montrose Economic Development Authority

ATTEST:

Jessica Bonniwell
City Administrator
City of Montrose


DDA

David Drown Associates, Inc.
Public Finance Advisors

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Cologne, MN 55322
Phone: (952) 356-2992
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January 10, 2024

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:

The purpose of this letter is to provide the EDA with an update regarding the tax increment financing request received from JP Brooks for The Preserve of Montrose Project. At its January 9, 2024 meeting the City Council did call for a public hearing to be held on March 11, 2024. It is anticipated that the City Council will consider creating a tax increment financing district and authorizing the execution of a subsidy agreement for the project at that same meeting.

Background:

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, sells units to non-income qualifying homeowners, 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.

State Statute requires that 95% of the units constructed in an owner-occupied housing TIF District meet specific income guidelines. In 2023 those guidelines were that first occupants had to be below \$124,900 for a family of two or fewer, and below \$143,635 for a family of three or more. Those requirements are modified annually and only apply to the first occupant of each unit. If a home is sold to a non-income qualified purchaser that is the first occupant, the City can remove that parcel from the TIF District which would reduce the TIF revenue and the potential subsidy to the Developer.

Developer's Request:

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 initially requested a subsidy for all phases of the project (174 units), but during more recent discussions agreed with the initial negotiation of a subsidy for only the Phase 1 project of 36 lots. The Developer's current goal is 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 which they believe will not be readily accepted by the market. As project costs will be incurred implementing the Phase 1 project that apply to other phases, and as the Developer will not immediately be reimbursed for project expenses (a pay-as-you-go TIF agreement provides for the reimbursement over time), the Developer has requested the reimbursement of all but \$2,000 of the annual increment for a term of 24-years in an amount of up to \$2,053,043.

To achieve the level of reimbursement requested the Developer will need to construct at least 12-units per year in the initial 3-years to generate sufficient tax increment to provide net revenues that achieve that level of reimbursement. This assumes that tax rates remain the same or move higher and valuations of individual units average \$284,307 for the duration of the subsidy term.

If the EDA agrees that it is appropriate to proceed with the request, Ron Batty, legal counsel for the city, would be asked to draft a subsidy agreement for consideration following the public hearing on the adoption of the tax increment plan. A recommendation from the EDA regarding the authorization of Ron Batty to proceed will be discussed at the upcoming meeting.

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

Sincerely,



Shannon Sweeney, Associate
David Drown Associates, Inc.



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