



AGENDA

ECONOMIC DEVELOPMENT AUTHORITY MEETING

Regular Meeting

Tuesday, March 19, 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. January 16, 2024 Economic Development Authority Meeting Minutes

5. TREASURER'S REPORT

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

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

6. OLD BUSINESS

A. No Old Business

7. NEW BUSINESS

A. Business Subsidy Policy

B. Business Subsidy Request from SJB Masonry

C. Updates

8. NEXT MEETING

A. Tuesday, April 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, January 16, 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, January 16, 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
 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. December 19, 2023 Economic Development Authority Meeting Minutes

EDA Member Tourville motioned to approve the December 19, 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

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

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

6. OLD BUSINESS

A. EDA Member Matt Smith

EDA President Paradeise stated that EDA Member Smith is no longer working at Carpentry Contractors and will no longer be an EDA Member. Ms. Bonniwell stated that the EDA would need to make a motion to remove him as a member. EDA President Paradeise stated that Ms. Gabby Stroad, who has attended a couple previous meetings, is interested in joining. EDA President Paradeise asked if any of the other EDA Members have had any luck recruiting new members. EDA Member Tourville stated that she spoke with people at the bank, but they are not able to join due to other obligations.

EDA President Paradeise motioned to remove EDA Member Matt Smith from the Montrose EDA. EDA

Member Moynagh seconded the motion. Motion carried 3-0.

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

Mr. Shannon Sweeney reviewed his report to the EDA as follows:

Mr. Sweeney stated that he has had a number of discussions regarding tax increment financing assistance with representatives of JP Brooks, Inc. for the Preserve of Montrose Project. A subsidy application has been submitted with supporting documentation regarding the proposed request. The EDA discussed the tax increment request with the Developer at the December 19, 2023 meeting and has recommended that the City Council proceed with the process for implementing a tax increment financing district.

Mr. Sweeney stated that JP Brooks is requesting pay-as-you-go 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. 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 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 and the city gives up that portion of the tax revenue for the duration of the district.

Mr. Sweeney stated that 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 by 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.

Mr. Sweeney stated that 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:

Mr. Sweeney stated that JP Brooks has indicated that they are considering building 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

Mr. Sweeney stated that 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 the developer believes would 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, the Developer has requested the reimbursement of all but \$2,000 of the annual increment for a term of 24-years in an amount up to \$2,053,043.

Mr. Sweeney stated 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.

Mr. Sweeney stated that 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.

EDA Member Moynagh motioned to approving the drafting of the TIF Agreement and TIF Plan for the creation of a Tax Increment Financing District for JP Brooks for the Preserve. EDA Member Tourville seconded the motion. Motion carried 3-0.

7. NEW BUSINESS

A. Updates

Ms. Jolene Foss was in attendance from the Wright County Economic Development Partnership and reminded the EDA about the upcoming annual meeting on Friday, January 19, 2024 with breakfast and a keynote speaker.

EDA President Paradeise recognized Gabby Stroad for being in attendance again and asked if she was interested in joining the EDA. Ms. Stroad stated that she is interested in joining the EDA. EDA President Paradeise asked the other EDA Members if they were in agreement with her joining a motion could be made to recommend her as a new member for council approval.

EDA President Paradeise motioned to approve Ms. Gabby Stroad as a new member of the Montrose Economic Development Authority. EDA Member Tourville seconded the motion. Motion carried 3-0.

8. NEXT MEETING

A. Tuesday, February 20, 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 12:21 p.m. EDA Member Paradeise 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

**City of (Sample Policy),
Minnesota Business Subsidy
Policy**

1 PURPOSE AND AUTHORITY

- 1.1 The purpose of this document is to establish business subsidy criteria (the “Policy”) for the City of (Sample Policy), Minnesota (the “City”) for granting of Business Subsidies for private development. These criteria shall be used as a guide for the review of Business Subsidy requests, and where applicable, may be used to guide decisions for the provision of financial assistance.
- 1.2 The City’s authority to grant Business Subsidies is governed by the limitations established in Minnesota Statutes 116J.993 through 116J.995 (the “Statutes”) as amended.
- 1.3 Appendix A of this document lists those forms of financial assistance that are not defined as Business Subsidies under Statutes and this Policy. 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.
- 1.4 The City may deviate from these criteria by documenting in writing the reason(s) for the deviation.
- 1.5 The City may amend this Policy at any time. Amendments to this Policy are subject to a public hearing requirement contained in Statutes. The City may waive some of the provisions of this Policy without holding a public hearing.

2 PUBLIC PURPOSE REQUIREMENT

- 2.1 All Business Subsidies must meet at least one of the following public purposes:
 - i. To enhance economic growth by increasing the tax based of the City in ensuring the long-term ability of the City to provide necessary services for its residents while lessening the reliance on residential property tax.
 - ii. To retain and create high quality jobs.
 - iii. To remove blight and encourage commercial and industrial redevelopment.

- iv. To redevelop blighted and under-utilized areas of the community.
- v. To meet the following housing-related uses:
 - 1. To provide a diversity of housing not currently provided by the private market.
 - 2. To provide a variety of housing ownership alternatives and housing choices.
 - 3. To promote affordable housing for low or moderate income individuals.
 - 4. To promote neighborhood stabilization and revitalization by the removal of blight and the upgrading in existing housing stock in residential areas.
- vi. To increase the local business and industrial market potential of the City.
- vii. To offset increased costs of redevelopment that is over and above those costs that a business would incur in normal development.
- viii. To accelerate the development process and to achieve development on sites that would not be developed without subsidy assistance.
- ix. To finance or provide public infrastructure.

- 2.2 The creation of tax base shall not be the sole public purpose of a Business Subsidy.
- 2.3 The determination that job creation or retention is not a public purpose for a Business Subsidy, and that the related wage and job goals are zero, may be made following a public hearing.
- 2.4 Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable. The City shall document the information used to determine the nature of the job loss.
- 2.5 Except where job creation or job retention is not a goal, all projects receiving a business subsidy must create a minimum of one new full-time equivalent job. In the case where job creation or job retention is not a goal, the project must meet one of the following minimum requirements:
 - i. The Business Subsidy accomplishes the removal, rehabilitation, or redevelopment of, or prevention of development or spread of, a blighted area as defined by Minnesota Statutes, Section 469.002, Subd. 11, or constitutes a cost or correcting condition that permits designation of a redevelopment district or renewal and renovation district under Minnesota Statutes, Section 469.174 to 469.179; or
 - ii. The Business Subsidy improves public infrastructure or public facilities, including without limitation streets, sewers, storm sewers, streets, park, recreational facilities, and other City facilities; or
 - iii. The Business Subsidy removes physical impediments to development of land, including without limitation poor soils, bedrock conditions, steep slopes, or similar geotechnical problems.
 - iv. The Business Subsidy enhances or provides access to services not otherwise available in the City.

- 2.6 Any Business Subsidy recipient must pay back assistance received if the job and wage goals or other specified goals are not met within two (2) years of the Benefit Date (as defined in Statute as amended). Any repayment may be prorated by the City to reflect partial fulfillment of goals. The City may, after a public hearing, extend the period for meeting job and wage goals for up to one year and may pursuant to the procedure established in Statute, extend the period for meeting other goals for any period specified by the City.

3 BUSINESS SUBSIDY APPROVAL CRITERIA

- 3.1 All Business Subsidy requests considered by the City should meet the following minimum approval criteria; however, it should not be presumed that a project meeting these criteria will automatically be approved. Meeting these criteria creates no contractual rights on the part of any potential developer to receive a Business Subsidy.
- 3.2 To be eligible to receive a Business Subsidy, the recipient must meet the following minimum requirements:
- i. The Business Subsidy must achieve a public purpose as defined within section 2.1.
 - ii. The project must comply with local plans and ordinances.
 - iii. The recipient shall provide information demonstrating that granting the Business Subsidy is necessary for the proposed project to occur.
 - iv. The recipient must enter into a Business Subsidy Agreement pursuant to Section 4 of this Policy.
- 3.3 The Business Subsidy shall be provided within applicable state legislative restriction, debt limit guidelines, and other appropriate financial requirements and policies.
- 3.4 The project must be implemented in accordance with the City's comprehensive plan and zoning ordinances, or required changes to the plan and ordinances must be under active consideration by the City at the time of approval.
- 3.5 Business subsidies will not be provided to projects that have the financial feasibility to proceed without the benefit of the subsidy. Prior to consideration of a Business Subsidy request, the City may undertake an independent underwriting of the project to help ensure that the request for assistance is valid.
- 3.6 Prior to approval of a Business Subsidy, the developer shall provide any required market and financial feasibility studies, appraisals, soil boring, information provided to private lenders for the project, and other information or data that the City or its financial consultants may require in order to proceed with an independent underwriting.

- 3.7 Any developer requesting a Business Subsidy should be able to demonstrate past successful general development capability as well as specific capability in the type and size of the development proposed.
- 3.8 The developer must retain ownership of the project at least long enough to complete it, to stabilize its occupancy, to establish the project management, and to initiate repayment of the Business Subsidy, if applicable.
- 3.9 A recipient of a Business Subsidy must enter into a business subsidy agreement with the City as described in Section 4.
- 3.10 A recipient of a Business Subsidy must make a commitment to continue operations within the City for at least five years after the benefit date.
- 3.11 Any Business Subsidy will be at the lowest possible level and for the least amount of time necessary, after the recipient first maximizes the use of private debt and equity financing.

4 BUSINESS SUBSIDY AGREEMENT

- 4.1 In granting a Business Subsidy the City shall enter into a business subsidy agreement with the recipient that establishes wage and job goals (where applicable), documents the recipients commitment to provide necessary reporting data, and establishes Business Subsidy repayment obligations for failure to meet goals required by Statute and the business subsidy agreement.
- 4.2 The business subsidy agreement may be incorporated into a broader development agreement for a project.
- 4.3 A public hearing is required prior to authorizing the execution of a business subsidy agreement.

Adopted and approved the _____ day of _____, 202__.

Mayor

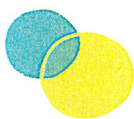
ATTEST:

City Administrator

APPENDIX A

Minnesota Statutes 116J.993 Subd. 3 (as amended) and this Policy find that the following forms of financial assistance are NOT a Business Subsidy:

- a. A business subsidy of less than \$150,000;
- b. Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- c. Public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- d. Redevelopment property polluted by contaminants as defined in *M.S. Section 116J.552, Subd. 3*;
- e. Assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50% of the total cost;
- f. Assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- g. Assistance for housing;
- h. Assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance sub-district as defined under *M.S. Section 469.174, Subd. 23*;
- i. Assistance for energy conservation;
- j. Tax reductions resulting from conformity with federal tax law;
- k. Workers' compensation and unemployment compensation;
- l. Benefits derived from regulation;
- m. Indirect benefits derived from assistance to educational institutions;
- n. Funds from bonds allocated under *M.S. Chapter 474A*, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501 (c) (3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- o. Assistance for a collaboration between a Minnesota higher education institution and a business;
- p. Assistance for a tax increment financing soils condition district as defined under *M.S. Section 469.174, Subd. 19*;
- q. Redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
- r. General changes in tax increment financing law and other general tax law changes of a principally technical nature;
- s. Federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
- t. Funds from dock and wharf bonds issued by a seaway port authority;
- u. Business loans and loan guarantees of \$150,000 or less; and
- v. Federal loan funds provided through the United States Department of Commerce, Economic Development Administration.
- w. Property tax abatements granted under *M.S. Section 469.1813* to property that is subject to valuation under Minnesota Rules, chapter 8100.


DDA

David Drown Associates, Inc.
Public Finance Advisors

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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.

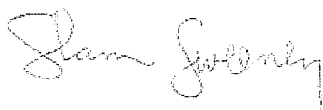
Discussion:

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.