

UNAPPROVED MINUTES
WATKINS CITY COUNCIL
PUBLIC HEARING
THURSDAY, AUGUST 10, 2023

Mayor Rowan called the public hearing to order at 7 p.m. at City Hall.

MEMBERS PRESENT: Mayor Chris Rowan, Tootz Tschumperlin, Sue Unterberger, Marc Wirz, Brenda Carlson

MEMBERS ABSENT: None

OTHERS: David Tysk, Mitchell & Lynette Moe, Jess Green and Peter Meidal with Northland Securities, Wayne Lindberg, Public Works Director Steve Geislinger, Public Works Assistant Keith Peters, Shawny Kramer, Dave Hokanson, Deputy Clerk Sarah Jacobsen-Krone, Clerk Deb Kramer

Purpose of the hearing is relating to the proposed establishment of Municipal Development District No. 9, the proposed establishment of Tax Increment Financing District No. 9-1 within the Development District, the proposed adoption of the Development Plan relating to Municipal Development District No. 9, and the proposed adoption of a Tax Increment Financing Plan for Tax Increment Financing District No. 9-1.

Peter Meidal stated the city is considering the establishment of a Development District No. 9 and Tax Increment Financing District No. 9-1. Council was presented with the Tax Increment Financing Plan, a resolution establishing the development district and TIF district, and a memo from Northland Securities. Peter noted that tax increment financing (TIF) is an economic development tool used by cities to facilitate private development for undeveloped or underdeveloped tax parcels. When a district is established, the base values are frozen and the property tax payer continues to pay taxes on the frozen value. Once the development occurs and the value goes up, the increase in tax revenue, instead of going out to the various taxing jurisdictions, i.e., county, school district, city, stays within the district to facilitate the development for the life of the district.

The City received an application for financial assistance from Watkins Townhomes LLC (the "Developer") to support the proposed construction and phased development of five townhome buildings with six units in each building for a planned total of 30 rental housing units constructed along Glenshire Boulevard North in the city (the "Project"). The first phase will occur in 2024 and include the construction of 18 units with occupancy expected in 2025. The second phase will commence in 2025 and include the construction of 12 units with occupancy expected in 2026. The Project is proposed to be market rate with an affordable component. Current project plans call for 10 two-bedroom units and 20 three-bedroom units. The request from the Developer is for the City to establish a Housing TIF District to capture the increase in property taxes from the development for a maximum period of 26 years.

The Developer's plan and timing is contingent on receiving public financial assistance to assist with the affordable component of the market rate building, among other items. Based on the application submitted by the Developer, preliminary estimates suggest construction would begin in 2024 and be substantially complete by 2026. This is a phased development project, and phase two will be dependent on market absorption.

The cost for the Project is estimated at approximately \$6 million in today's dollars. The Developer's request for public financial assistance is to assist with the extraordinary costs, including land and site improvements, and the cost to provide the affordable housing units. The Developer has represented that it will not undertake the Project as proposed without public financial assistance.

It is Northland's opinion that the Project as proposed is unlikely to occur but for the proposed public financial assistance, inclusive of the tax increment financing. Without the assistance, the Project is not expected to achieve the level of debt service coverage and returns needed to secure the necessary private financing and equity.

Due to extraordinary costs associated with acquisition and development of the Project, the Developer is seeking public financial assistance from the City in the form of pay-go tax increment financing. The financial assistance will come from the tax increment revenue generated with the TIF District.

The City would need to enter in to a Development Agreement with the Developer and a Tax Increment Financing Revenue Note would be issued to the Developer, once the City is satisfied that the development has been carried out according to the Development Agreement. The TIF note will bear simple, non-compounding interest from the date that the City determines paid invoices, as paid by the Developer, are in compliance with the terms of the agreement, at a rate of approximately 5% from the date of issue per annum. The TIF Notes are not a general obligation of the City. The TIF Notes are payable solely from the net available semi-annual tax increments from the Project. Net available semi-annual tax increment is estimated to be based on 90% of the tax increment collected from within the TIF District.

Northland reviewed the Developer's application for financial assistance and pro forma as submitted to the City, along with other information provided by the Developer. Based on Northland's review of the pro forma and under current market conditions, they found the Project, as proposed, may not reasonably be expected to occur solely through private investment within the reasonably near future. Northland recommends the duration of the District shouldn't exceed 19 years. The Developer requested 26 years.

The assumption is the development will have a taxable market value of \$3,787,500 once complete. Peter noted there is no Development Agreement to act on yet. Peter's recommendation was a 19-year duration, with a present value of net available TIF of \$704,740 at 5%. The Project is market rate housing with an affordable component. The development must meet a 20/50 test where 20% of the units are affordable at 50% of the area median income (AMI) for Meeker County. For fiscal year 2023, AMI for Meeker County is \$96,000. Statute requires the School District and County Auditor be notified, which has been done. The County Commissioner has also been contacted. All taxing jurisdictions tax revenue will be captured. There were no comments received from the School District or County. The hearing notice was properly published as required.

Mayor Rowan opened the floor for public comment. There being no public comment, Mayor Rowan closed the floor.

MOTION BY UNTERBERGER TO ADJOURN THE HEARING, SECONDED BY WIRZ. MOTION CARRIED.

Adjourned at 7:13 p.m.

Submitted by

Deb Kramer
City Clerk

ATTEST:

Chris Rowan
Mayor