EXTRACT OF MINUTES OF A MEETING OF THE
PENNINGTON COUNTY BOARD OF COMMISSIONERS
THIEF RIVER FALLS, MINNESOTA

HELD: July ___, 2015

Pursuant to due call and notice thereof, a meeting of the Board of Commissioners of Pennington County, Minnesota, was duly called and held at the County Board Room in the City of Thief River Falls, Minnesota, on Tuesday, the ___ day of July, 2015 at _____ for the purpose of calling for a public hearing on tax abatements.

The following members were present:

and the following were absent:

Member _____ introduced the following resolution (the reading of which was dispensed with by unanimous consent) and moved its adoption:

RESOLUTION CALLING FOR A PUBLIC HEARING ON PROPOSED PROPERTY TAX ABATEMENTS FOR THE WEST RIVER FALLS ESTATES HOUSING DEVELOPMENT

WHEREAS, *Minnesota Statutes*, Sections 469.1812 through 469.1815, both inclusive (the "Act"), authorize Pennington County, Minnesota (the "County"), upon satisfaction of certain conditions, to grant an abatement of all or a part of the taxes levied by the County on certain property; and

WHEREAS, the City of Thief River Falls (the “City”) had received funding through the State Workforce Housing Pilot Program with a local share requirement of $400,000 to be split between the County, City, and School District No. 564 based on a proportional tax split to leverage an additional $400,000 of State grant dollars;

WHEREAS, after DW Jones (“the Developer”) completed the plans and bid the project with State required prevailing wage rates, it was identified that the State grant would not cover the additional labor compliance expenses;

WHEREAS, the Developer has agreed to complete the project for $800,000 in assistance and not utilize the Pilot Program funding;

WHEREAS, the County has received a request from DW Jones that the County grant an abatement of all of the property taxes on two parcels of land and the construction of 104 units of

market rate rental housing. The parcels are currently owned by the City and to be acquired by the Developer. The project is located on Lot 1 and Lot 2, Block 1 in the City of Thief River Falls;

WHEREAS, the Act requires the County to hold a public hearing prior to adoption of a resolution granting any property tax abatements:

NOW THEREFORE, BE IT RESOLVED by the Board of Commissioners of Pennington County, Minnesota, as follows:

1. Hearing. A public hearing on the consideration of granting a property tax abatement to the Developer as requested will be held at the time and place set forth in the Notice of Hearing attached hereto as Exhibit A and hereby made a part hereof.

2. Notice. The County Auditor is hereby authorized and directed to cause notice of said hearing in substantially the form attached hereto as Exhibit A to be given one publication in a newspaper of general circulation in the City at least 10 days but not more than 30 days before the hearing. The newspaper must be one of general interest and readership in the City, and must be published at least once per week.

The motion for the adoption of the foregoing resolution was duly seconded by member _____ and, upon a vote being taken thereon after full discussion thereof, the following voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

_____
Kenneth Olson, County Auditor

Attest:

_____

EXHIBIT A

PENNINGTON COUNTY, MINNESOTA

NOTICE OF PUBLIC HEARING
REGARDING PROPOSED PROPERTY TAX ABATEMENTS FOR THE WEST RIVER FALLS ESTATES HOUSING DEVELOPMENT

NOTICE IS HEREBY GIVEN that the Board of Commissioners of Pennington County, Minnesota, will hold a public hearing at a meeting of the Board beginning at 5:30 p.m., C.T., on August 4, 2015, to be held in the meeting room of the Pennington County Joint Use Facility, located at 250 125th Avenue NE, in Thief River Falls, Minnesota, on the request of DW Jones (the "Developer") to have the County abate to the Developer all of the property taxes to be levied by the City on Lot 1 and Lot 2, Block 1 in the City of Thief River Falls. The total amount of the taxes proposed to be abated by the County 8 years is estimated to be up to $505,000 with a present value of $412,000. It is estimated that total abatement, if other taxing entities participate in the assistance, will not exceed $800,000 over the 8 year term. Actual abatement will be tied to the value of the completed project. The County Board of Commissioners will consider granting property tax abatement in response of the request.

All interested persons may appear at the August 4, 2015, public hearing and present their views orally or in writing. Anyone needing reasonable accommodations or an interpreter should contact the County Auditor's office, telephone 218-683-7000.

West River Falls Estates Housing Development Tax Abatement

Located in the City of Thief River Falls, MN

2 Rental buildings with 52 units each with City, County and School District Abatement (Noper site)

ASSUMPTIONS AND RATES

DistrictType:	**Abatement**
First Year Construction or Inflation on Value	**2016**
Inflation Rate - Every Year:	**1.00%**
Interest Rate	**3.50%**
Present Value Date:	**1-Aug-16**
First Period Ending	1-Feb-17
Cashflow Assumes First Abatement	2018
Assumes Last Year of Abatement	2025
Fiscal Disparities Election [Inside, Outside or NA]	**NA**
Incremental or Total Fiscal Disparities	**NA**
Fiscal Disparities Contribution Ratio	**NA**
Fiscal Disparities Metro-Wide Tax Rate	**NA**
Term of City Abatement	**8**
Term of County Abatement	**8**
Term of School District Abatement	**8**
School District No. **564**	
Total Years of Abatement: 8	

Current Total Local Tax Rate:	136.9320%	Pay 2015
Current CityTax Rate	39.2540%	Pay 2015
Current County Tax Rate	68.9400%	Pay 2015
Current School District No. 564 Tax Rate	32.0650%	Pay 2015
Current Other Tax Rate	-3.32700%	Pay 2015
State-wide Tax Rate (Comm./Ind. only used for total taxes)	50.8400%	Pay 2015
Market Value Tax Rate (Used for total taxes)	0.14741%	Pay 2015

PROPERTY TAX CLASSES AND CLASS RATES:		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First	$150,000	1.50%
Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		0.75%
Non-Homestead Residential (Non-H Res.)		1.25%
Homestead Residental Class Rate (Hmstd. Res.)		
First	$500,000	1.00%
Over	$500,000	1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
							100%	0	Pay 2015	Rental	-	Rental	-	1
								0			**0**		**0**	

Note:

1. Project assumes a 0 base.

EHLERS
LEADERS IN PUBLIC FINANCE

West River Falls Estates Housing Development Tax Abatement

Located in the City of Thief River Falls, MN

2 Rental buildings with 52 units each with City, County and School District Abatement (Noper site)

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Sq. Ft./Units	Market Value	Property Tax Class	Project Tax Capacity		Percentage Completed 2016	Percentage Completed 2017	Percentage Completed 2018	Percentage Completed 2019	First Year Full Taxes Payable
	Rental	70,000	70,000	52	3,640,000	Rental	45,500		100%	100%	100%	100%	2018
	Rental	70,000	70,000	52	3,640,000	Rental	45,500		50%	100%	100%	100%	2019
TOTAL					**7,280,000**		**91,000**						
Subtotal Residential				**104**	**7,280,000**		**91,000**						
Subtotal Commercial/Ind.				**0**	**0**		**0**						

Note:

1. Market values are based upon prior information from the County Assessor for rental housing development in the City.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Rental	**45,500**	**0**	**45,500**	**62,304**	**0**	**0**	**5,366**	**67,670**	**1,301.34**
Rental	**45,500**	**0**	**45,500**	**62,304**	**0**	**0**	**5,366**	**67,670**	**1,301.34**
TOTAL	**91,000**	**0**	**91,000**	**124,608**	**0**	**0**	**10,731**	**135,340**	

Note:

1. Taxes and abatement will vary signficantly from year to year depending upon values, rates, state law, fiscal disparities and other factors which cannot be predicted.

WHAT IS EXCLUDED FROM ABATEMENT?

Total Property Taxes	**135,340**
less State-wide Taxes	**0**
less Fiscal Disp. Adj.	**0**
less Market Value Taxes	**(10,731)**
Less Small Taxing Jurisdiction Taxes	**3,028**
less Base Value Taxes	**0**
Annual Gross Maximun Tax Abatement	**127,636**

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West River Falls Estates Housing Development Tax Abatement
Located in the City of Thief River Falls, MN
2 Rental buildings with 52 units each with City, County and School District Abatement (Noper site)

Project Tax Capacity	Original Tax Capacity	Fiscal Disparities NA	Captured Tax Capacity	Combined City, County, & School Tax Rate	Maximum Annual Gross Tax Abatement	Semi Annual Gross Tax Abatement	100% City Abatement w/ Tax Rate 39.2540%	100% County Abatement w/ Tax Rate 68.9400%	100% School Abatement w/ Tax Rate 32.0650%	Semi Annual Net Tax Abatement	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
						-	-	-	-	-				02/01/17
						-	-	-	-	-				08/01/17
						-	-	-	-	-				02/01/18
68,250	-	-	68,250	140%	95,727	47,863	13,395	23,526	10,942	47,863	44,655	0.5	2018	08/01/18
						47,863	13,395	23,526	10,942	47,863	88,541	1	2018	02/01/19
91,455	-	-	91,455	140%	128,274	64,137	17,950	31,525	14,663	64,137	146,338	1.5	2019	08/01/19
						64,137	17,950	31,525	14,663	64,137	203,140	2	2019	02/01/20
92,370	-	-	92,370	140%	129,557	64,778	18,129	31,840	14,809	64,778	259,524	2.5	2020	08/01/20
						64,778	18,129	31,840	14,809	64,778	314,938	3	2020	02/01/21
93,293	-	-	93,293	140%	130,852	65,426	18,311	32,158	14,957	65,426	369,943	3.5	2021	08/01/21
						65,426	18,311	32,158	14,957	65,426	424,003	4	2021	02/01/22
94,226	-	-	94,226	140%	132,161	66,080	18,494	32,480	15,107	66,080	477,664	4.5	2022	08/01/22
						66,080	18,494	32,480	15,107	66,080	530,402	5	2022	02/01/23
95,168	-	-	95,168	140%	133,482	66,741	18,679	32,805	15,258	66,741	582,752	5.5	2023	08/01/23
						66,741	18,679	32,805	15,258	66,741	634,201	6	2023	02/01/24
96,120	-	-	96,120	140%	134,817	67,409	18,865	33,133	15,410	67,409	685,271	6.5	2024	08/01/24
						67,409	18,865	33,133	15,410	67,409	735,462	7	2024	02/01/25
97,081	-	-	97,081	140%	136,165	68,083	19,054	33,464	15,565	68,083	785,284	7.5	2025	08/01/25
						68,083	19,054	33,464	15,565	68,083	834,248	8	2025	02/01/26
Total						**1,021,035**	**285,755**	**501,858**	**233,422**	**1,021,035**				
Present Value From		**08/01/2016**	**Present Value Rate**	**3.50%**		**834,248**	**233,479**	**410,049**	**190,720**	**834,248**				

City of Thief River Falls

DIRECTOR OF COMMUNITY SERVICES

405 Third Street East • PO Box 528
Thief River Falls MN 56701-0528

PHONE: 218-681-8506
FAX: 218-681-8507
email: mborseth@citytrf.net
www.citytrf.net

#7.03

Request for Council Action

DATE: July 1, 2015

SUBJECT: West River Falls Estates

RECOMMENDATION: It is respectfully requested that the Council consider the following:

Motion to: Call for a public hearing on August 4, 2015 to consider tax abatement for West River Falls Estates of up to $800,000.

If the county and school choose to participate they could call for a joint hearing at the same time. If they choose to wait until their scheduled meetings to call for a hearing a joint hearing could be called for on August 11, 2015.

BACKGROUND: The City of Thief River Falls has purchased Phase I of the Noper Property and platted it as Noper's Fourth Addition to facilitate the construction of market rate multi-family housing. The city has entered into an agreement with West River Falls Estates, LLC to construct 104 apartment housing units.

KEY ISSUES: This project was originally intended to utilize the new State Workforce Housing Pilot Program with $400,000 of local share to be split between the city, county and school district based on a typical tax split to leverage an additional $400,000 of state grant dollars. After the developer completed plans and bid the project with state required prevailing wage rates, they found the state grant would not cover the additional labor compliance expenses. The developer has agreed to complete the project for $800,000 in assistance without utilizing the pilot program funds. He has also agreed to complete all 104 units in one phase as compared to two phases as originally proposed. This will shorten the full build out by 12 to 18 months. If the abatement is approved on August 4th the developer is scheduled to break ground on August 10th.

FINANCIAL CONSIDERATIONS: The $800,000 abatement will cause the city, county and school to forfeit post development tax revenue for up to 8 years. Staff will continue seek additional funding prior to the abatement hearing.

LEGAL CONSIDERATION: A public hearing would be required to implement the abatement.

DEPARTMENT/RESPONSIBLE PERSON: Mark Borseth, Community Services Director

REVIEWED BY: SRK

Encl: (3)

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LEADERS IN PUBLIC FINANCE

Noper Housing Development Tax Abatement

City of Thief River Falls, MN

2 Rental buildings with 52 units each with City, County and School District Abatement

ASSUMPTIONS AND RATES

DistrictType:	**Abatement**
First Year Construction or Inflation on Value	**2016**
Inflation Rate - Every Year:	**1.00%**
Interest Rate	**3.50%**
Present Value Date:	**1-Aug-16**
First Period Ending	1-Feb-17
Cashflow Assumes First Abatement	2018
Assumes Last Year of Abatement	2032
Fiscal Disparities Election [Inside, Outside or NA]	**NA**
Incremental or Total Fiscal Disparities	**NA**
Fiscal Disparities Contribution Ratio	**NA**
Fiscal Disparities Metro-Wide Tax Rate	**NA**
Term of City Abatement	**15**
Term of County Abatement	**15**
Term of School District Abatement	**15**
School District No. **564**	
Total Years of Abatement: 15	

Current Total Local Tax Rate:	136.9320%	Pay 2015
Current CityTax Rate	39.2540%	Pay 2015
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Current School District No. 564 Tax Rate	32.0650%	Pay 2015
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PROPERTY TAX CLASSES AND CLASS RATES:

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								0			0		0	

Note:
1. Project assumes a 0 base.

EHLERS
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Noper Housing Development Tax Abatement

City of Thief River Falls, MN

2 Rental buildings with 52 units each with City, County and School District Abatement

PROJECT INFORMATION (Project Tax Capacity)

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	Rental	70,000	70,000	52	3,640,000	Rental	45,500	50%	100%	100%	100%	2019
TOTAL					**7,280,000**		**91,000**					
Subtotal Residential				**104**	**7,280,000**		**91,000**					
Subtotal Commercial/Ind.				**0**	**0**		**0**					

Note:
1. Market values are based upon prior information from the County Assessor for rental housing development in the City.

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Rental	**45,500**	**0**	**45,500**	**62,304**	**0**	**0**	**5,366**	**67,670**	**1,301.34**
Rental	**45,500**	**0**	**45,500**	**62,304**	**0**	**0**	**5,366**	**67,670**	**1,301.34**
TOTAL	**91,000**	**0**	**91,000**	**124,608**	**0**	**0**	**10,731**	**135,340**	

Note:
1. Taxes and abatement will vary signficantly from year to year depending upon values, rates, state law, fiscal disparities and other factors which cannot be predicted.

WHAT IS EXCLUDED FROM ABATEMENT?	
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less State-wide Taxes	**0**
less Fiscal Disp. Adj.	**0**
less Market Value Taxes	**(10,731)**
Less Small Taxing Jurisdiction Taxes	**3,028**
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Noper Housing Development Tax Abatement
City of Thief River Falls, MN
2 Rental buildings with 52 units each with City, County and School District Abatement

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						-	-	-	-	-				02/01/17
						-	-	-	-	-				08/01/17
						-	-	-	-	-				02/01/18
68,250	-	-	68,250	140%	95,727	47,863	13,395	23,526	10,942	47,863	44,655	0.5	2018	08/01/18
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						66,080	18,494	32,480	15,107	66,080	530,402	5	2022	02/01/23
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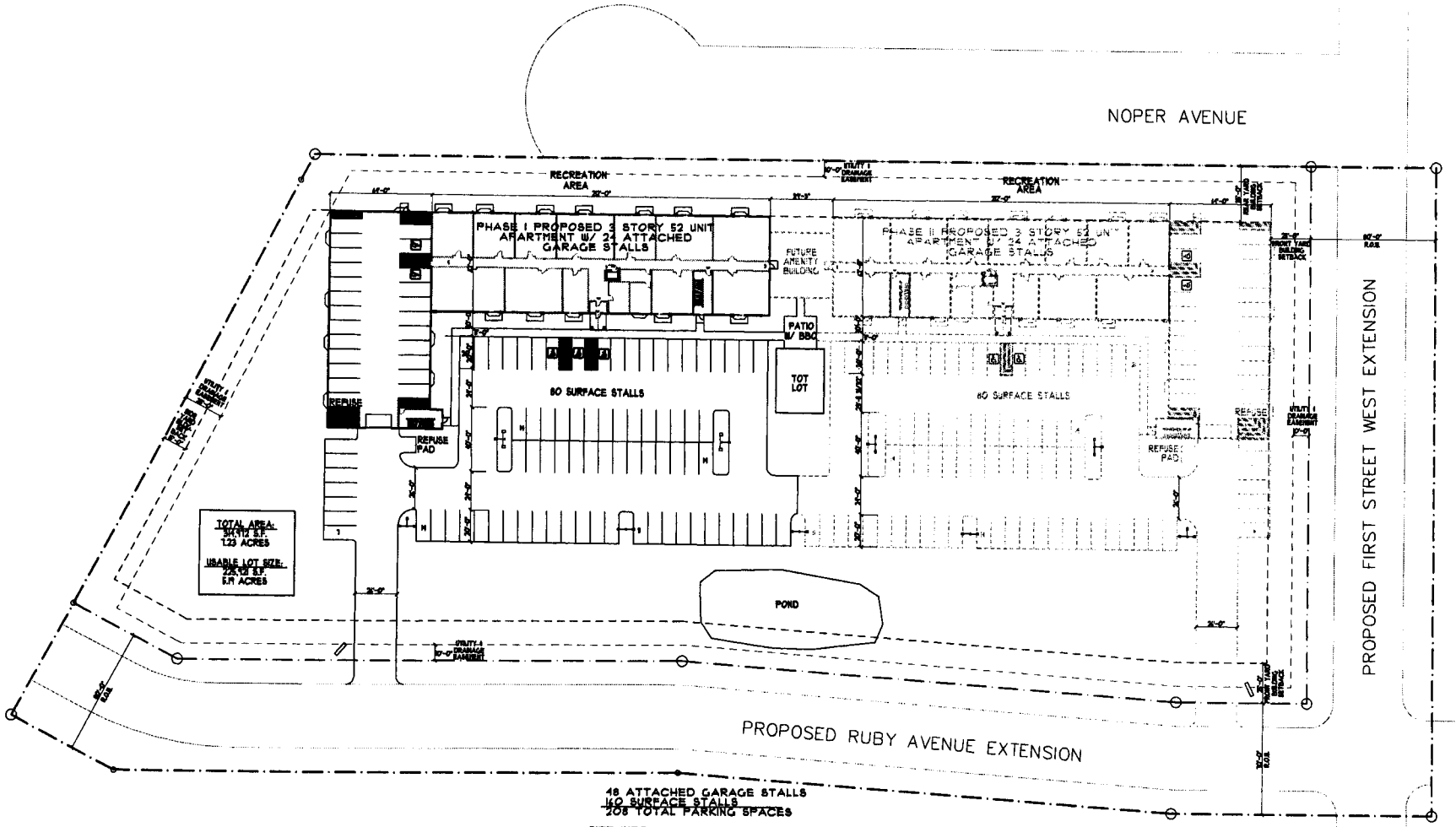
96,120	-	-	96,120	140%	134,817	67,409	18,865	33,133	15,410	67,409	685,271	6.5	2024	08/01/24
						67,409	18,865	33,133	15,410	67,409	735,462	7	2024	02/01/25
97,081	-	-	97,081	140%	136,165	68,083	19,054	33,464	15,565	68,083	785,284	7.5	2025	08/01/25
						68,083	19,054	33,464	15,565	68,083	834,248	8	2025	02/01/26
98,052	-	-	98,052	140%	137,527	68,763	19,245	33,799	15,720	68,763	882,852	8.5	2026	08/01/26
						68,763	19,245	33,799	15,720	68,763	930,620	9	2026	02/01/27
99,033	-	-	99,033	140%	138,902	69,451	19,437	34,137	15,877	69,451	978,035	9.5	2027	08/01/27
						69,451	19,437	34,137	15,877	69,451	1,024,636	10	2027	02/01/28
100,023	-	-	100,023	140%	140,291	70,146	19,632	34,478	16,036	70,146	1,070,892	10.5	2028	08/01/28
						70,146	19,632	34,478	16,036	70,146	1,116,353	11	2028	02/01/29
101,023	-	-	101,023	140%	141,694	70,847	19,828	34,823	16,197	70,847	1,161,479	11.5	2029	08/01/29
						70,847	19,828	34,823	16,197	70,847	1,205,829	12	2029	02/01/30
102,033	-	-	102,033	140%	143,111	71,556	20,026	35,171	16,359	71,556	1,249,852	12.5	2030	08/01/30
						71,556	20,026	35,171	16,359	71,556	1,293,118	13	2030	02/01/31
103,054	-	-	103,054	140%	144,542	72,271	20,226	35,523	16,522	72,271	1,336,065	13.5	2031	08/01/31
						72,271	20,226	35,523	16,522	72,271	1,378,273	14	2031	02/01/32
104,084	-	-	104,084	140%	145,988	72,994	20,429	35,878	16,687	72,994	1,420,170	14.5	2032	08/01/32
						72,994	20,429	35,878	16,687	72,994	1,461,347	15	2032	02/01/33
Total						**2,015,080**	**563,399**	**989,479**	**460,218**	**2,015,080**				
Present Value From 08/01/2016			**Present Value Rate**			**1,461,347**	**408,984**	**718,280**	**334,083**	**1,461,347**				



48 ATTACHED GARAGE STALLS
160 SURFACE STALLS
208 TOTAL PARKING SPACES

SITE INFO:
USABLE LOT SIZE: 225,921 S.F. (5.19 ACRES)
IMPERVIOUS SPACE: 114,306 S.F. (50.6%)
GREENSPACE: 111,615 S.F. (49.4%)

SITE PLAN
SCALE: 1" = 30'-0"

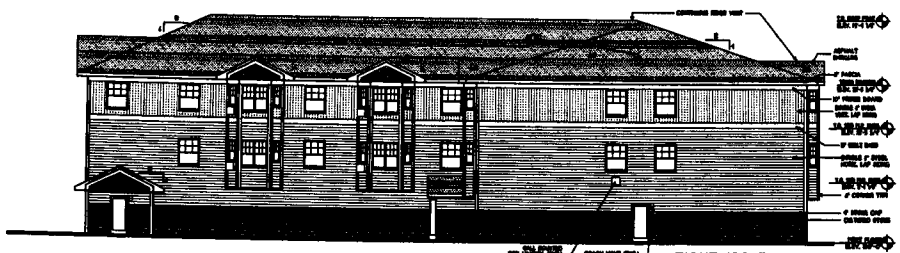
COLE GROUP ARCHITECTS, LLC

Miller

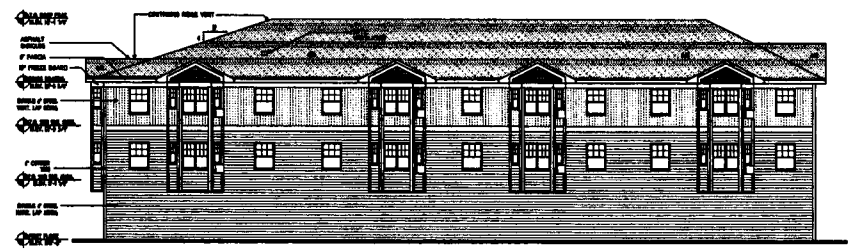
PROPOSED 52 UNIT APT. BLDGS.
WEST RIVER FALLS ESTATES
THIEF RIVER FALLS, MN

Project No.
Issue Date:
Revisions

REAR (EAST) ELEVATION



RIGHT (SOUTH) ELEVATION



LEFT (NORTH) ELEVATION

FRONT (WEST) ELEVATION

COLE GROUP ARCHITECTS LLC.

These documents are not valid for building permit unless signed in ink and over sealed. Copies are not valid.

I hereby certify that this plan, specification or report was prepared by me or under my direct supervision and that I am a duly licensed Architect under the laws of the state of MINNESOTA

Date _____ = 22188

Name NORMAN E. COLE Registered

PROPOSED 52 UNIT APT. BLDGS.

WEST RIVER FALLS ESTATES

THIEF RIVER FALLS, MN

Miller

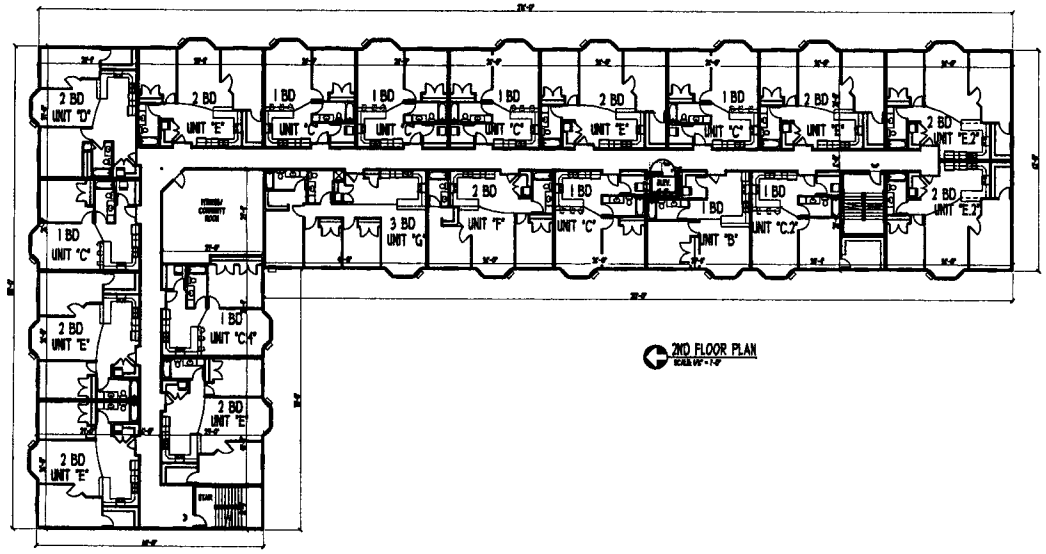
Phone: (320) 251-4109
Fax: (320) 240-3111

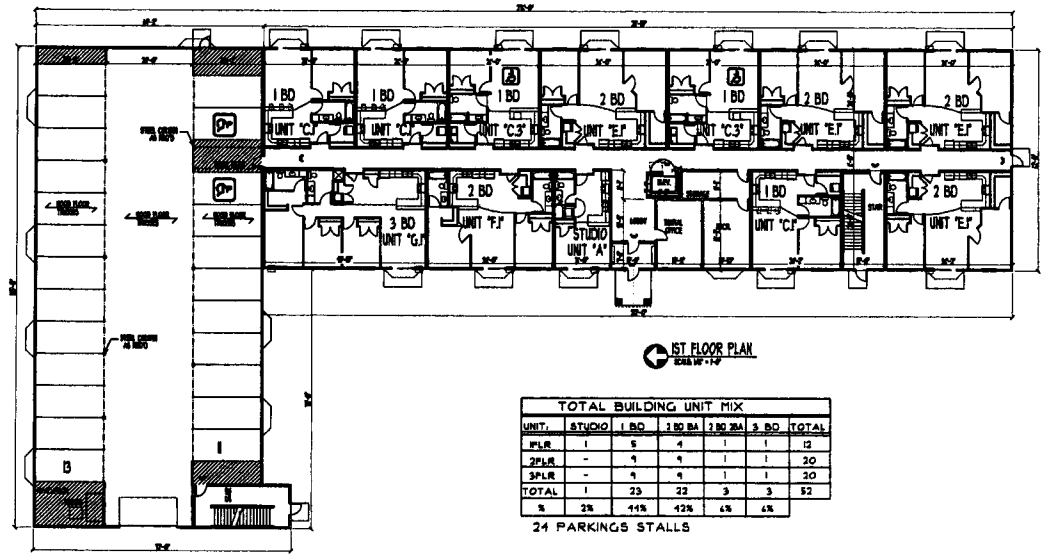
3335 West 56 Chestnut, P.O. Box 1228
St. Cloud, MN 56302-1228

Project No. 1411

Issue Date

Revision





TOTAL BUILDING UNIT MIX						
UNIT:	STUDIO	1 BD	2 BD BA	2 BD 2BA	3 BD	TOTAL
1FLR	1	5	4	1	1	12
2FLR	-	9	9	1	1	20
3FLR	-	9	9	1	1	20
TOTAL	1	23	22	3	3	52
%	2%	44%	42%	6%	6%	

24 PARKINGS STALLS

PROPOSED 52 UNIT APT. BLDGS.

WEST RIVER FALLS ESTATES

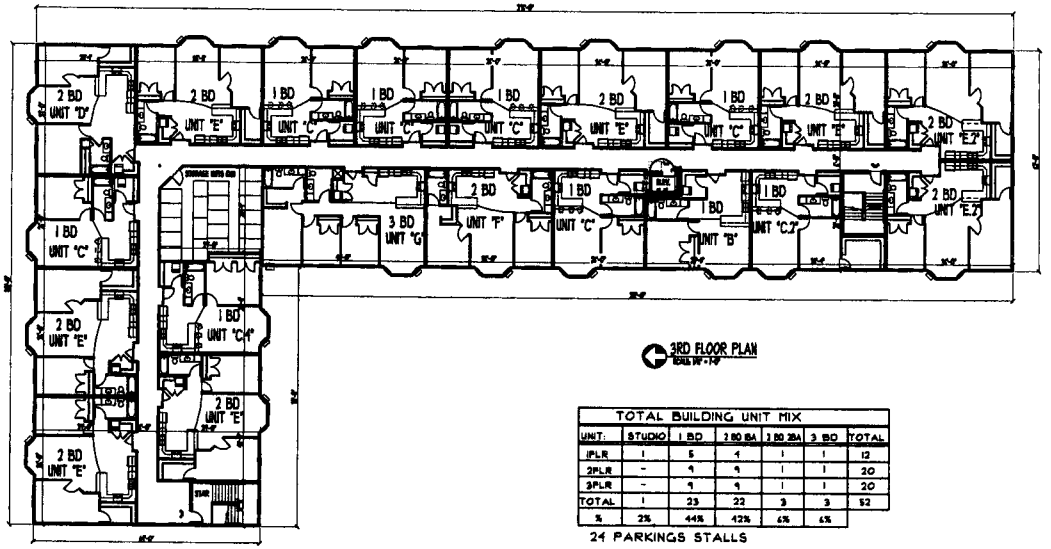
THIEF RIVER FALLS, MN

Project No. 14111

Issue Date:

Revision:

COLE GROUP ARCHITECTS, LLC



3RD FLOOR PLAN

TOTAL BUILDING UNIT MIX						
UNIT:	STUDIO	1 BD	2 BD BA	2 BD 2BA	3 BD	TOTAL
1PLR	1	5	4	1	1	12
2PLR	-	9	9	1	1	20
3PLR	-	9	9	1	1	20
TOTAL	1	23	22	3	3	52
%	2%	44%	42%	6%	6%	

24 PARKINGS STALLS

PROPOSED 52 UNIT APT. BLDGS.
WEST RIVER FALLS ESTATES
THIEF RIVER FALLS, MN

COLE GROUP
ARCHITECTS, LLC

City of Thief River Falls

#7.03

DIRECTOR OF ENGINEERING SERVICES

405 Third Street East • PO Box 528
Thief River Falls MN 56701-0528

PHONE: 218-681-8506
FAX: 218-681-8507
email: mborseth@citytrf.net
www.citytrf.net

Request for Council Action

DATE: December 8, 2014

SUBJECT: Noper Property Phase I – Developer Selection

RECOMMENDATION: It is respectfully requested that the Council consider the following Public Works Committee recommendation:

> **Motion to:** Approve the selection of DW Jones/Michael Hron as the developer for Phase I of the Noper Property Multi-Family Workforce Housing Project. This selection is contingent upon the execution of a developer's agreement between the City of Thief River Falls and DW Jones/Michael Hron.

BACKGROUND: The City began investigating ways to facilitate multi-family housing development to meet the needs as outlined in a 2012 study performed by Community Partners Research, Inc. Several attempts by developers to rezone property for R-4 Multi-Family housing have been met with intense neighborhood opposition and ultimately lengthy delays or the loss of development. In June of 2013 the City explored a proactive approach to deal with the issues surrounding multi-family construction. Under this concept the City would secure an option to purchase up to 68 acres of agricultural land near Arctic Cat and Digi-Key in an area suitable for apartments in an area acceptable to the community. A four phase option was secured and the first 7.1 acre phase I parcel was purchased. The City's position is to develop on a per phase basis with prior developer commitment and only incur costs similar to those associated if a private developer had purchased the property first and requested public infrastructure.

KEY ISSUES: In the last legislative session funds were appropriated for workforce housing in Thief River Falls, Roseau and Warroad. These funds can provide 10% of a project cost up to $400,000 with an equal local match for market rate workforce housing. In an attempt to utilize these funds and initiate building apartments the City sent out 23 requests for qualifications to developers. The City received six letters of intent and ultimately three proposals from developers. On December 3rd a group consisting of Larry Kruse, Christine Anderson, Don Sollum, Laine Larson, Tanya Monson, Cody Hempel and Mark Borseth reviewed the proposals. Two of the developers were interviewed on December 5th by Larry Kruse, Christine Anderson, Tanya Monson, Don Sollum, Paul Ihle and Mark Borseth, with DW Jones/Michael Hron being the developer recommended for approval of the construction of 100 apartment units over a two phase project. Construction will start in July of 2015.

FINANCIAL CONSIDERATIONS: The City of Thief River Falls, Pennington County and ISD #564 will proportionately share the $400,000 local match to leverage $400,000 in state funds for an $800,000 developer incentive.

LEGAL CONSIDERATION: The approval of the developer selection will be contingent upon the execution of a developer's agreement to be prepared by Paul Ihle.

DEPARTMENT/RESPONSIBLE PERSON: Mark Borseth, Community Services Director.

REVIEWED BY:

City of Thief River Falls

405 Third Street East • PO Box 528
Thief River Falls MN 56701-0528

PHONE: 218-681-8506
FAX: 218-681-8507
email: lkruse@citytrf.net
www.citytrf.net

#7.04

Request for Council Action

DATE: July 1, 2015

SUBJECT: Residential Tax Abatement

RECOMMENDATION: It is respectfully requested that the Council consider the following:

Motion to: Call for a public hearing on August 4, 2015 to consider revising and extending the current residential tax abatement program.

If the county and school choose to participate they could call for a joint hearing at the same time. If they choose to wait until their scheduled meetings to call for a hearing a joint hearing could be called for on August 11, 2015.

BACKGROUND: Midwest Minnesota Development Corporation (MMCDC) has entered into a purchase agreement with Bill and Henrietta Ness for the purpose of constructing single family owner occupied homes. The purchase is contingent upon Ness' rezoning of the property. There are also contingencies for the City's willingness to trade property for park purpose and tax abatement on the single family homes. A portion of this property will need to be rezoned as Park and Recreation District (PR) in the future during the platting process. This project will add 29 new affordable workforce housing units in Thief River Falls.

KEY ISSUES: The tax abatement was proposed to offset the special assessments that will go along with the homes and allow the monthly payments to fall within acceptable levels for the target market. The city and county currently participate in a three-year residential tax abatement for new homes of up to $160,000 in construction costs. This program expires at the end of 2015. The proposed abatement would remain the same with the dollar amount raised to $200,000, the duration increased to up to seven years if there are assessments, and the school district would be asked to participate. If there are assessments the tax rebate would go directly against the assessments. If all three entities participate it would take approximately seven years to cover the estimated assessments.

FINANCIAL CONSIDERATIONS: Tax revenue on new homes meeting the requirements of the abatement program would be forfeited for up to seven years.

LEGAL CONSIDERATION: A public hearing would be required to implement the abatement.

DEPARTMENT/RESPONSIBLE PERSON: Larry Kruse, City Administrator

REVIEWED BY:

Encl: (4)

Draft as of June 2015

Revised Tax Abatement Program

The proposed City, County and ISD 564 Tax Abatement Program is based on the Tax Abatement Program established in August 2011 by the City of Thief River Falls and Pennington County. The original program will expire on December 31, 2015. The program was established in response to a request from developers for relief in establishing new plats, new lot developments, and ultimately new homes in the City of Thief River Falls.

The abatement program operates under the Tax Abatement Authority in Minnesota Statutes 469.1813 through 469.1815. The Tax Abatement Program provides for the abatement of property taxes as set by the City of Thief River Falls, Pennington County and Independent School District No. 564 (the "taxing authorities") for a three to seven year period of time. The parameters of the program follow:

- The three primary taxing authorities, City of Thief River Falls, Pennington County and Independent School District No. 564 agree to participate in the incentive program.

- All of the property taxes for the three taxing authorities, including existing taxes on land, may be abated for a specific parcel(s).

- The program applies to new single-family residential construction only. New construction is defined as:

  - **Modular homes: A new modular home built after June 2015 and prior to the termination of the Tax Abatement Program qualifies provided it is placed on an approved foundation.**
  - **Manufactured homes: A new manufactured home built after June 2015 and prior to the termination of the Tax Abatement Program qualifies provided it is placed on an approved foundation.**
  - **Stick built homes. New construction for Stick Built homes is defined as any home that is built from scratch and is placed on an approved foundation. Construction must be after June 2015 and prior to the termination of the Tax Abatement Program. Stick built also pertains to a stick built home that is moved onto property within the City limits (having never been in the City limits prior to) and renovated to over 1/3 of its assessed value. The home must have an approved foundation.**

- The home must be owned by the party requesting the abatement, and the party must be the first owner of the home.

- Occupancy of the home must take place within two years of acquisition of the undeveloped real property (lot).

- The home can be built on any approved lot, anywhere within the City limits of Thief River Falls. The constructed cost of the home cannot exceed $200,000. The cost of the lot is not included in the construction cost of the home.

- The term of the abatement may be a maximum of seven years if there are outstanding assessments on the property. The tax abatement would be applied to pay down the assessments. If the property does not have outstanding assessments, the term of the abatement may be a maximum of three years.

- The tax abatement will be provided in the form of a rebate to the property owner.

- Tax abatement payments for assessments and/or property tax reimbursement will only be provided if the property owner pays the semi-annual taxes.

- The Tax Abatement Program is only eligible for the original tax abatement applicants (property owners). The abatement does not transfer if the property is sold.

ABATEMENT REIMBURSEMENT

The homeowner is reimbursed for taxes paid to City of Thief River Falls, Pennington County and Independent School District No. 564 when the home is occupied and valued after one year of occupancy and certified as such by the Thief River Falls Building Official and Pennington County Assessor's Office. The abatement of real property taxes by the taxing authorities will be for seven consecutive years if the property has outstanding assessments, and three consecutive years if there are no outstanding assessments.

PROCESS

1. The Thief River Falls Community Services Department is responsible for notifying the County and School District of properties participating in the program, and the date the real property was acquired. In addition, the City will coordinate the proper notification and public hearing.

2. The taxpayer pays the property taxes.

    a. The owner submits a copy of their property tax statement and verification of payment to the Thief River Falls Community Services Office.

b. A statement is sent to the County for their portion of the property taxes. Included is a copy of the tax statement along with a cover letter indicating that the property owner is participating in the Tax Abatement Program, that the taxes have been paid, and that a rebate is due. The individual rebate amount will be calculated by the County Auditor and be based on the terms of the Tax Abatement Program. The County will send the rebate directly to the property owner following proper notification and public hearings.

c. The City and School District receive similar documentation and respond with a rebate check to the property owner following proper notification and public hearings.

3. The program will close at the end of five years for review and consideration. The termination date is December 31, 2020.

4. The Revised Tax Abatement Program will replace the Program terminating on December 31, 2015 and is effective July 1, 2015.

NESS PROPERTY DEVELOPMENT
SCHEDULE

1. May 13, 2015 Public Works Committee Review
2. June 2, 2015 Publish Hearing Notice for Re-zoning
3. June 9, 2015 Re-zoning Hearing at Planning Commission
4. June 16, 2015 City Council First Reading of ordinance to re-zone
5. July 7, 2015 City Council calls for Abatement Hearing
6. July 7, 2015 City Council Second Reading of ordinance to re-zone
7. July 13, 2015 School Board calls for Abatement Hearing
8. July 14, 2015 County Board calls for Abatement Hearing
9. July 22, 2015 City publishes Abatement Hearing Notice
10. July 29, 2015 County publishes Abatement Hearing Notice
11. July 29, 2015 School District publishes Abatement Hearing Notice
12. July 29, 2015 Publish Hearing Notice for preliminary plat
13. August 4, 2015 City Council holds Abatement Hearing
14. August 10, 2015 School Board holds Abatement Hearing
15. August 11, 2015 County Board holds Abatement Hearing
16. August 11, 2015 Hearing for prel. plat review at Planning Commission
17. August 18, 2015 City Council preliminary plat review
18. September 8, 2015 Planning Commission final plat review
19. September 15, 2015 City Council final plat review

August, 2011

Revised Tax Abatement Program:

This program is based on a request from developers for relief in establishing new plats, and new lot developments and ultimately new homes. The abatement program will operate under MN State Statute 469.1813 – Economic Development. The program calls for the abatement of property taxes as set by the City of Thief River Falls and Pennington County for a three-year period of time. The parameters of the program are:

- The two primary taxing authorities, City of Thief River Falls and Pennington County agreed to participate in the incentive program.
-
- The program will apply to new single-family residential construction only. New construction is defined as:
    - **Modular homes: A new modular home built within the operating timeframe of the Abatement Policy - 2011 or newer qualifies provided it is placed on an approved foundation.**
    - **Manufactured homes: A new manufactured home built within the operating timeframe of the Abatement Policy - 2011 or newer qualifies provided it is placed on an approved foundation.**
    - **Stick built homes. New construction for Stick Built homes is defined as any home that is built from scratch and is placed on an approved foundation. Stick built also pertains to a stick built home that is moved onto property within the city limits (having never been in the city limits prior to) and renovated to over 1/3 of its assessed value - the home must have an approved foundation.**

    - The home must be owned by the party requesting the abatement and no one previously.

    - Occupancy of the home must take place within two years of acquisition of the undeveloped real property (lot).

- The home can be built on any approved lot, anywhere within the City limits of Thief River Falls. The constructed cost of the home cannot exceed $160,000.00 – the cost of the lot is not included in the construction cost of the home.

- The Tax Abatement is only eligible for the original Tax Abatement applicants (property owners); the abatement does not transfer if the property is sold.

ABATEMENT REIMBURSEMENT:

The homeowner is reimbursed for taxes paid to both Pennington County and the City of Thief River Falls when the home is occupied and valued after one year of occupancy and certified as such by the Thief River Falls Building Official and Pennington County Assessor's Office. The abatement of real property taxes (City and County) will be for three consecutive years.

PROCESS:

1). The Community Development Department is responsible for notifying the County which properties are in the program, when the real property was acquired and arrange for the proper Hearing.

2).The taxpayer pays the property taxes.

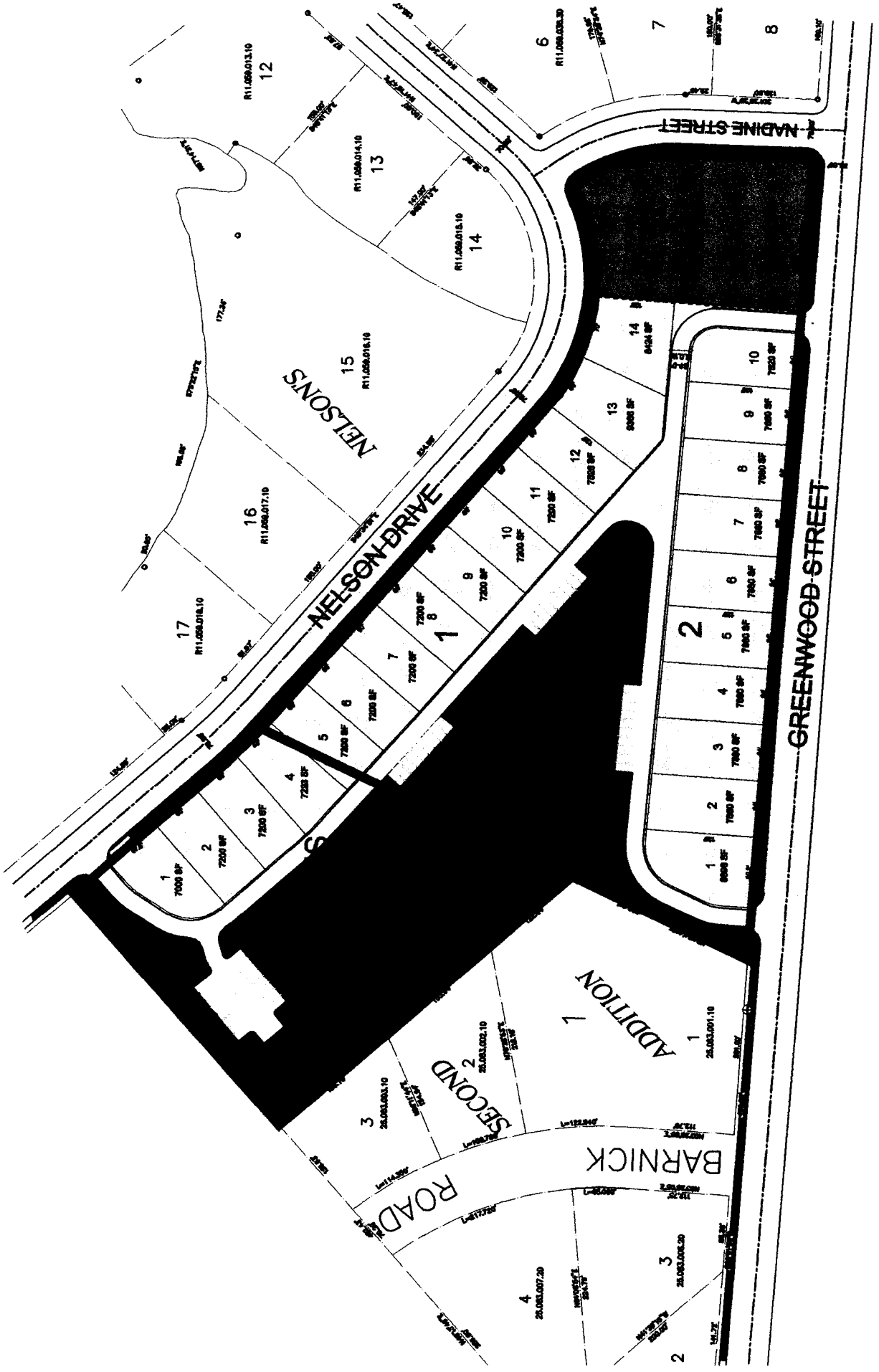
a). The owner submits a copy of their property tax statement and verification of payment to the Thief River Falls Community Development Office.

b). A statement is sent to the County for their portion of the property taxes. Included is a copy of the tax statement plus a cover letter indicating that the property owner is participating in the Tax Abatement Program and that the taxes have been paid and that a rebate is due. The individual rebate amount will be defined. The County will send the rebate directly to the property owner following proper hearings.

c). The City receives similar documentation and responds with a rebate check to the property owner following proper hearings.

3). The program will close at the end of five years for review and Consideration – December 31, 2015.

4). The Revised Tax Abatement Program is effective retroactive to January 1, 2011.


NELSON DRIVE
NELSON'S
NADINE STREET
GREENWOOD STREET
BARNICK ROAD
SECOND ADDITION

CITY OF THIEF RIVER FALLS
PROPOSED RESOLUTION

#7.04

RESOLUTION NO. : CALLING FOR PUBLIC HEARING TO CONSIDER REVISIONS AND EXTENSION OF CURRENT RESIDENTIAL TAX ABATEMENT PROGRAM

Presented as part of the Consent Agenda, Councilmember _____ introduced Resolution No. , being seconded by Councilmember _____, that:

> RESOLVED, by the City Council, to call for a public hearing to be held on _____ to consider revisions and extensions to the current residential tax abatement program.

Presented at the July 7, 2015 Council Meeting

Introduced by: _____

Seconded by: _____

Roll Call (if required):
___Holmer___Howe ___Sollom ___Hagen ___Brown ___Prudhomme ___Schmalz ___Narverud

Notes:_____
_____
_____

EXTRACT OF MINUTES OF A MEETING OF THE
PENNINGTON COUNTY BOARD OF COMMISSIONERS
THIEF RIVER FALLS, MINNESOTA

HELD: July ___, 2015

Pursuant to due call and notice thereof, a meeting of the Board of Commissioners of Pennington County, Minnesota, was duly called and held at the County Board Room in the City of Thief River Falls, Minnesota, on Tuesday, the ___ day of July, 2015 at _____, for the purpose of calling for a public hearing on the establishment of a program for tax abatements.

The following members were present:

and the following were absent:

Member _____ introduced the following resolution (the reading of which was dispensed with by unanimous consent) and moved its adoption:

RESOLUTION CALLING FOR A PUBLIC HEARING
TO ESTABLISH THE REVISED TAX ABATEMENT PROGRAM
FOR NEW HOMES IN THE CITY OF THIEF RIVER FALLS

WHEREAS, *Minnesota Statutes*, Sections 469.1812 through 469.1815, both inclusive (the "Act"), authorize the Pennington County, Minnesota (the "County"), upon satisfaction of certain conditions, to grant an abatement of all or a part of the taxes levied by the County on certain property; and

WHEREAS, IN August 2011, the County, the City of Thief River Falls, and School District 564 established a tax abatement program in response to a request for relief in establishing new plats, new lot developments and new homes in the City of Thief River Falls;

WHEREAS, the tax abatement program will expire on December 31, 2015;

WHEREAS, it is proposed that the tax abatement program be replaced with the Revised Tax Abatement Program (the “Program”) attached hereto as Exhibit A and hereby made a part hereof;

WHEREAS, THE Revised Tax Abatement Program allows for any residential property within the City of Thief River Falls meeting the requirements of the Program to apply for tax abatement assistance;

WHEREAS, *Minnesota Statutes*, Section 469.1813, Subd. 8 provides for in any year, the total amount of property taxes abated by a political subdivision my not exceed the greater of ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies or $200,000, whichever is greater;

WHEREAS, the Act requires the County to hold a public hearing prior to adoption of a resolution granting any property tax abatements.

NOW THEREFORE, BE IT RESOLVED by the Board of Commissioners of Pennington County, Minnesota, as follows:

1. Hearing. A public hearing on the consideration of establishing the Revised Tax Abatement Program will be held at the time and place set forth in the Notice of Hearing attached hereto as Exhibit B and hereby made a part hereof.

2. Notice. The County Auditor is hereby authorized and directed to cause notice of said hearing in substantially the form attached hereto as Exhibit B to be given one publication in a newspaper of general circulation in the City at least 10 days but not more than 30 days before the hearing. The newspaper must be one of general interest and readership in the City, and must be published at least once per week.

The motion for the adoption of the foregoing resolution was duly seconded by member _____ and, upon a vote being taken thereon after full discussion thereof, the following voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

_____
Kenneth Olson, County Auditor

Attest:

_____

EXHIBIT A

Draft as of June 2015

Revised Tax Abatement Program

The proposed City, County and ISD 564 Tax Abatement Program is based on the Tax Abatement Program established in August 2011 by the City of Thief River Falls and Pennington County. The original program will expire on December 31, 2015. The program was established in response to a request from developers for relief in establishing new plats, new lot developments, and ultimately new homes in the City of Thief River Falls.

The abatement program operates under the Tax Abatement Authority in Minnesota Statutes 469.1813 through 469.1815. The Tax Abatement Program provides for the abatement of property taxes as set by the City of Thief River Falls, Pennington County and Independent School District No. 564 (the "taxing authorities") for a three to seven year period of time. The parameters of the program follow:

- The three primary taxing authorities, City of Thief River Falls, Pennington County and Independent School District No. 564 agree to participate in the incentive program.

- All of the property taxes for the three taxing authorities, including existing taxes on land, may be abated for a specific parcel(s).

- The program applies to new single-family residential construction only. New construction is defined as:

    - **Modular homes: A new modular home built after June 2015 and prior to the termination of the Tax Abatement Program qualifies provided it is placed on an approved foundation.**
    - **Manufactured homes: A new manufactured home built after June 2015 and prior to the termination of the Tax Abatement Program qualifies provided it is placed on an approved foundation.**
    - **Stick built homes. New construction for Stick Built homes is defined as any home that is built from scratch and is placed on an approved foundation. Construction must be after June 2015 and prior to the termination of the Tax Abatement Program. Stick built also pertains to a stick built home that is moved onto property within the City limits (having never been in the City limits prior to) and renovated to over 1/3 of its assessed value. The home must have an approved foundation.**

- The home must be owned by the party requesting the abatement, and the party must be the first owner of the home.

- Occupancy of the home must take place within two years of acquisition of the undeveloped real property (lot).

- The home can be built on any approved lot, anywhere within the City limits of Thief River Falls. The constructed cost of the home cannot exceed $200,000. The cost of the lot is not included in the construction cost of the home.

- The term of the abatement may be a maximum of seven years if there are outstanding assessments on the property. The tax abatement would be applied to pay down the assessments. If the property does not have outstanding assessments, the term of the abatement may be a maximum of three years.

- The tax abatement will be provided in the form of a rebate to the property owner.

- Tax abatement payments for assessments and/or property tax reimbursement will only be provided if the property owner pays the semi-annual taxes.

- The Tax Abatement Program is only eligible for the original tax abatement applicants (property owners). The abatement does not transfer if the property is sold.

ABATEMENT REIMBURSEMENT

The homeowner is reimbursed for taxes paid to City of Thief River Falls, Pennington County and Independent School District No. 564 when the home is occupied and valued after one year of occupancy and certified as such by the Thief River Falls Building Official and Pennington County Assessor's Office. The abatement of real property taxes by the taxing authorities will be for seven consecutive years if the property has outstanding assessments, and three consecutive years if there are no outstanding assessments.

PROCESS

1. The Thief River Falls Community Services Department is responsible for notifying the County and School District of properties participating in the program, and the date the real property was acquired. In addition, the City will coordinate the proper notification and public hearing.

2. The taxpayer pays the property taxes.

    a. The owner submits a copy of their property tax statement and verification of payment to the Thief River Falls Community Services Office.

    b. A statement is sent to the County for their portion of the property taxes. Included is a copy of the tax statement along with a cover letter indicating that the property owner is participating in the Tax Abatement Program, that the taxes have been paid, and that a rebate is due. The individual rebate amount will be calculated by the County Auditor and be based on the terms of the Tax Abatement Program.

The County will send the rebate directly to the property owner following proper notification and public hearings.

c. The City and School District receive similar documentation and respond with a rebate check to the property owner following proper notification and public hearings.

3. The program will close at the end of five years for review and consideration. The termination date is December 31, 2020.

4. The Revised Tax Abatement Program will replace the Program terminating on December 31, 2015 and is effective July 1, 2015.

EXHIBIT B

PENNINGTON COUNTY, MINNESOTA

NOTICE OF PUBLIC HEARING
TO ESTABLISH THE REVISED TAX ABATEMENT PROGRAM
FOR NEW HOMES IN THE CITY OF THIEF RIVER FALLS

NOTICE IS HEREBY GIVEN that the Board of Commissioners of Pennington County, Minnesota, will hold a public hearing at a meeting of the Board beginning at 5:30 p.m., C.T., on August 4, 2015, to be held in the meeting room of the Pennington County Joint Use Facility, located at 250 125th Avenue NE, in Thief River Falls, Minnesota, to establish the Revised Tax Abatement Program for new homes in the City of Thief River Falls. The Revised Tax Abatement Program allows for any residential property within the City of Thief River Falls meeting the requirements of the Program to apply for tax abatement assistance. In any year, the total amount of property taxes abated by the County may not exceed the greater of ten percent of the net tax capacity of the County for the taxes payable year to which the abatement applies or $200,000, whichever is greater. The Revised Tax Abatement Program would be effective July 1, 2015, and terminate on December 31, 2020.

All interested persons may appear at the August 4, 2015, public hearing and present their views orally or in writing. Anyone needing reasonable accommodations or an interpreter should contact the County Auditor's office, telephone 218-683-7000.