City Of Fergus Falls Minnesota

Special City Council Meeting
April 24, 2024
7:00 am in the City Council Chambers

Call to Order
Roll Call

1. Redevelopment Tax Increment Financing District for 801 W Stanton Avenue
    a. Continuation of public hearing from April 15, 2024
    b. Resolution creating a Tax Increment Financing Redevelopment District at 801 W Stanton Avenue

2. Letter of Intent
    a. Resolution accepting a Letter of Intent from Rivers Edge LLC, an affiliate of D.W. Jones Inc. to acquire the property at 801 W Stanton Avenue for the development of a workforce housing project

3. Application to Minnesota Housing Finance Agency Workforce Housing Development Program
    a. Resolution authorizing the City of Fergus Falls to act as legal sponsor for the Rivers Edge workforce housing project application and sign all applicable application documents.

Adjournment

Memo – Draft for Review

To:	Klara Beck, City of Fergus Falls
From:	Mikaela Huot, Director Jake Emeott, Senior Consultant
Date:	April 15, 2024
Subject:	801 W Stanton Redevelopment Project Financial Review and Tax Increment Financing Redevelopment District No. 4-17 Assistance Request Review

Executive Summary

At the request of the City of Fergus Falls, Baker Tilly Municipal Advisors has undertaken a review of the request for TIF assistance by Rivers Edge LLC (the "developer") for redevelopment of existing substandard properties to include construction of a new three-story approximate 60-unit residential rental multifamily housing project. The total development cost for the project is estimated to be $11,534,700 and the request for financial assistance is $1,124,260 through tax increment financing. Construction of the proposed development is expected to begin in 2025 and be completed in 2026. The developer is also requesting assistance through Minnesota Housing Workforce Housing grant program in the amount of $4,493,400.

Prior to establishing a tax increment financing district, there are findings that need to be made by the City that include: 1) determination that the project qualifies as a TIF district, 2) determination that the project as proposed would not proceed without public assistance (meeting the "but-for" test), and 3) the increased market value of the property to be developed is greater with tax increment than if no public assistance is provided. When reviewing requests for financial assistance it is important to understand how the level of financial assistance would impact the ability of the project to proceed as proposed and maximize new value created on the current project site.

Review of the sources and uses and operating proforma based on the developer assumptions with pay-as-you-go assistance as compared to no assistance provides an understanding of financial feasibility for this project and need for public assistance. The purpose of the analysis is to test the level of assistance that may be needed using those assumptions and if the recommended structure is reasonable while remaining consistent with the City's objectives for providing assistance.

Based on the financial analysis and available financing assumptions, without financial assistance, the project would not be feasible due to the extraordinary development/redevelopment costs mixed with current market conditions. Without assistance, the projected debt coverage ratios and annual/cumulative rates of return to the developer is projected to be below industry standards for this type of project. The debt coverage and rate of return analyses indicates that the provided financing structure would not be financially viable without one or more of the following: 1) reduction in project costs 2) additional annual cash flow (tax increment revenues), and/or 3) additional funding sources (workforce housing grant program). With annual public assistance, the project is projected to be more financially feasible by providing additional cash flow (annual tax increment revenues) to the project. The level of public assistance is projected to have a positive impact on what the projected debt coverage and returns for the project could be as compared to no assistance.

The purpose of the memorandum is to provide a summary of the preliminary tax increment revenue projections based on estimated post-development taxable values for the project, as well as provide a summary of the financial review of the development project costs and sources of revenue and operating pro forma as provided by the developer to assist the City with making a determination 1) if the project as proposed would be unlikely to proceed "but-for" the requested Tax Increment Financing (TIF) assistance, and 2) if assistance is necessary, to determine an appropriate level of public assistance that may be considered. Should the City choose to provide TIF assistance, it is expected that the developer would obtain all necessary financing sources and annual tax increments generated by the TIF District would be pledged to the developer to reimburse for extraordinary redevelopment costs with a portion retained by the City for annual administrative expenses (estimated 10%).

Background

The City of Fergus Falls has been working with the developer on potential acquisition and subsequent redevelopment of property located at 801 W Stanton Ave which would include demolition of the existing substandard buildings and construction of a new three story, 60-unit residential rental market rate apartment complex. The developer has requested the City apply for funding through the MHFA Workforce Housing Development Program to assist with closing a financial gap that will exist with redevelopment of the project site and construction of the new project. The developer has also requested the City consider the establishment of a Redevelopment Tax Increment Financing District that would provide additional gap financing and be the required local funding match as required for the grant funding.

Developer Request for Assistance

The developer has requested assistance from the City through tax increment financing assistance. The total development costs are approximately $11,534,700. Upfront funding sources to support development costs include first mortgage, developer equity, energy rebates, Fergus Falls HRA grant, Minnesota Housing Workforce Housing grant and TIF. The primary loan is approximately 42% of total funding sources, equity is 9%, grant is 39% and TIF is 10%. We would expect to see the primary debt financing percent greater than the financing structure being proposed and is subject to availability of net operating income to support debt repayment. The overall project performance is lower than typical lenders and investors would tolerate, thus resulting in a financial gap. Due to the current market environment and interest rates, annual debt service payments are higher with increased interest costs.

Typical extraordinary redevelopment costs that cannot be supported solely by the project alone could justify the need for public financial assistance and allow the project to proceed as proposed. In addition, current market conditions of increased interest rates requiring reduced debt financing and increased equity amounts have resulted in higher funding gaps. Tax increment financing from the City provides an additional funding source to the project that allows the developer to obtain an appropriate level of upfront funding and meet minimum debt coverage and investor return metrics. The workforce housing grant is an additional source of funds to close the financing gap with eligible expenses related to construction of the project and in addition to costs that would be supported by TIF. Summary of the sources and uses of funds is illustrated in Table 1 below.

The recommendation for a reasonable level of public assistance is balanced by a combination of extraordinary costs and projected financial cash flow performance of the project, public policy guidelines/considerations and potential financial parameters as further outlined below:

- Return on Investment: *(City benefits)*
- Purchase price and other development costs: *(reasonable ranges and supported by project)*
- Public to private investment: *(public participation 10%)*
- Public assistance (TIF) and private equity: *(public does not exceed private equity)*
- Extraordinary costs: *(redevelopment)*
- Financial gap: *(limit on private debt and equity)*
- Market conditions *(financing limitations)*
- Term of district collection: *(redevelopment term of up to 26 years)*
- Other identified public improvements: *(case by case basis to be determined)*

Sources and Uses of Funds

The proposed total development cost of the project is estimated to be $11,534,700. The developer did not provide a breakout of individual line items as it relates to the building hard cost construction estimate of $10,550,000. However, this amount equates to approximately $175,000 per residential unit and generally a reasonable level. The purchase price of property is $300,000 (2.6%) and additional costs related to professional fees (2%), developer fee (1.73%), financing fees (1.71%) and reserves (0.43%) are all generally reasonable and lower range for this type of project.

The developer has identified the sources of funds for the proposed project, including debt, equity, a grant and TIF assistance. The developer is seeking TIF reimbursement of up to $1,124,260 based on 26 years of tax increment assistance on a pay-as-you-go basis.

Table 1: Projected Sources and Uses of Funds

Sources	Amount	Percent	Uses	Amount	Percent	Per Unit
Bank Loan	4,835,000	41.92%	Land	300,000	2.60%	5,000
Equity	1,045,000	9.06%	Construction	10,550,000	91.46%	175,833
Developer Equity		0.00%	Professional Fees	237,200	2.06%	3,953
Capitalized Interest		0.00%	Developer fee	200,000	1.73%	3,333
TIF	1,124,260	9.75%	Financing	197,500	1.71%	3,292
Energy rebate	12,040	0.10%	PM Fee		0.00%	-
FF HRA	25,000	0.22%	Developer Fee		0.00%	-
WF Grant	4,493,400	38.96%	Dev Contingency		0.00%	-
		0.00%	Reserves	50,000	0.43%	833
		0.00%			0.00%	-
		0.00%			0.00%	-
					0.00%	-
					0.00%	-
Total	**11,534,700**	**100%**	Total	**11,534,700**	**100%**	**192,245**

Tax Increment Revenue Assumptions and Estimates

Certain assumptions were used to estimate the projected available tax increment revenues as outlined below:

- Parcel ID: 71.003.50.0006.000
  - Existing land value of $393,900 (taxes payable 2024)
  - Total land acreage of 8.312
- Parcel ID: 71.003.99.1321.000
  - Existing land value of $15,400 (taxes payable 2024)
  - Total land acreage of 0.25
- Original net tax capacity (ONTC) estimated to be $5,116 with reclassification as residential rental
    - 1.25% classification rate
- Maximum term of redevelopment district (26 total years)
  - Projected maximum term for project is 26 years
  - First year collection payable 2028 and final year payable 2053
- Increment based on difference between existing value
  - Preliminary and to be evaluated as project proceeds
- Construction commences in 2025 and completed in 2026
  - 100% completed by December 31, 2026 with
  - Assess January 2027 for taxes payable 2028
- Payable 2023 combined tax rate of 107.189%
- 3% annual market value inflator
- 10% retained by City for admin
  - *Maximum 10% for admin*
  - 90% pledged to project
- Present value rate of 6% and 6/30/25 present value date

Table 2: Projected Tax Increment Revenues

Existing Land Value	$409,300
Original Net Tax Capacity (Base)	$5,116
Estimated Total Completed Value	$6,300,250
Total Tax Capacity	$78,753
Captured Tax Capacity (Total less Original)	$73,637
x 2023 Local Capacity Rate	107.189%

Estimated Total Gross Tax Increment Revenue (less OSA deduction of 0.36%)	$78,647
Less: 10% for Administrative Expenses (Maximum Percentage is 10%)	$7,865
Estimated Net Annual Available Revenue	$70,782
Estimated Annual Total Taxes Due (Year 1 full buildout)	$92,913
Total Estimated Gross Tax Increment (26 years)	$3,100,652
Estimated City Retained (10%)	$310,070
Total Estimated Net Tax Increment (26 years)	**$2,790,582**
Total Estimated Present Value Net Increment with 6% interest rate	**$1,124,260**

Project Financing

There are generally two ways in which assistance can be provided for most projects, either upfront or on a pay-as-you-go basis. With upfront financing, the City would finance a portion of the applicant's initial project costs through the issuance of bonds or as an internal loan. Future tax increments would be collected by the City and used to pay debt service on the bonds or repayment of the internal loan. With pay-as-you-go financing, the applicant would finance all project costs upfront and would be reimbursed over time for a portion of those costs as revenues are available.

Pay-as-you-go-financing is generally more acceptable than upfront financing for the City because it shifts the risk for repayment to the applicant. If tax increment revenues are less than originally projected, the applicant receives less and therefore bears the risk of not being reimbursed the full amount of their financing. However, in some cases pay as you go financing may not be financially feasible. With bonds, the City would still need to make debt service payments and would have to use other sources to fill any shortfall of tax increment revenues. With internal financing, the City reimburses the loan with future revenue collections and may risk not repaying itself in full if tax increment revenues are not sufficient. The City has historically financed projects as pay-as-you-go for reimbursement to the developer of eligible costs for terms less than the statutory maximum number of years (specifically for a redevelopment district of 26 years)

Operating Assumptions

The developer provided a breakdown of the projected revenues from the individual residential unit types with estimated square footage and rent per square foot. The estimated rents for the project upon completion are $850 for studio, $950-985 for 1-bedroom units, $1,075 - $1,225 for 2-bedroom units and $1,300 - $1,350 for 3-bedroom units. The estimated operating revenues and expenditures include 2% annual inflationary increases and 7% vacancy rates (revenues). Total operating expense ratio for the residential project component is approximately 46% annually upon stabilization. Assumptions utilized for the operating proforma are generally reasonable as compared to industry standards and could be considered conservative as the project analysis proceeds. The projected rents, as outlined in the summary range on the following page represent between 50% and 60% area median income levels (based on 30% of annual incomes applied towards paying rent). We would expect additional review of the vacancy rate and annual operating expenses also as the project proceeds to understand if either assumption could be reduced. A summary of the projected annual incomes and rents by income level and unit type is included in the following table.

Table 3: Projected Income and Rent Levels for Otter Tail County for 2024

HUD Median Income Chart (2024)
City of Fergus Falls, Minnesota
Otter Tail County

Otter Tail County - FY 2024 Median Family Income **$93,000**

Income Limits	1 person	1.5 persons	2 person	3 person	4 person	4.5 persons	5 person	6 person	7 person	7.5 persons	8 person
30% of Median	19,550	20,950	22,350	25,820	31,200	33,890	36,580	41,960	47,340	50,030	52,720
50% of Median (very low income)	32,550	34,875	37,200	41,850	46,500	48,375	50,250	53,950	57,700	59,550	61,400
60% of Median (1.2 times 50%)	**39,060**	**41,850**	**44,640**	**50,220**	**55,800**	**58,050**	**60,300**	**64,740**	**69,240**	**71,460**	**73,680**
80% of Median (low income)	52,100	55,825	59,550	67,000	74,400	77,400	80,400	86,350	92,300	95,275	98,250
100% of Median	65,100	69,750	74,400	83,700	93,000	96,720	100,440	107,880	115,320	119,040	122,760
115% of Median	74,865	80,213	85,560	96,255	106,950	111,228	115,506	124,062	132,618	136,896	141,174

Monthly Rent Limits (30% of Income spent on rent)	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
	1 person	1.5 persons	3 persons	4.5 persons	6 persons	7.5 persons
30% of Median	488	523	645	847	1,049	1,250
50% of Median (very low income)	813	871	1,046	1,209	1,348	1,488
60% of Median (1.2 times 50%)	**976**	**1,046**	**1,255**	**1,451**	**1,618**	**1,786**
80% of Median (low income)	1,302	1,395	1,675	1,935	2,158	2,381
100% of Median	1,627	1,743	2,092	2,418	2,697	2,976
115% of Median	1,871	2,005	2,406	2,780	3,101	3,422
Proposed Rents	**850**	**985**	**1,225**	**1,350**		

Financial Needs (Pro forma Analysis)

Upon approval of a TIF district and project, the City must make several findings, including the "but for" test: that the proposed redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future. The developer has stated that but for the provision of tax increment financing, the project as proposed would not occur. Based on the developer's stated position relative to the need for tax increment financing assistance, the City could make its "but for" finding and provide tax increment assistance. We recommend, however, that the City review the provided assumptions to consider if the project meets the but-for test and, if so, what an appropriate level and type of TIF assistance may be based on the information submitted by the developer.

Following thorough evaluation of the project as provided allows the City to be prepared to make an informed decision based on the likelihood of the project needing assistance, as well as the appropriate level of assistance. To complete this analysis, we reviewed the developer's provided financial data and constructed ten-year operating project proformas, showing a result if the project received financial assistance as requested and did not receive assistance. Analysis of the proformas include a review of the development budget, projected operating revenues and expenditures, and the project's capacity to support annual debt service on outstanding debt. The purpose of evaluating the operating proformas is to understand the potential cash flow performance through initial development of the project and the annual operations of the project over a 10-year period to assist with determining if the project is financially feasible and in need of public participation.

Measuring project feasibility is typically accomplished by analyzing a combination of 1) projected rate of return – both annual and cumulative and 2) estimated debt coverage ratio (DCR). Rate of return (IRR) analysis illustrates the projected return to the investor(s) using the available cash flow after payment of operating expenses and debt repayment as a measurement to the initial equity investment. Industry standards for certain development types indicate the level of investment a developer is willing to make based on projected returns from the project. Should the projected annual and cumulative returns fall below those standards, the project would require a reduced level of equity participation and/or increased cash flow to be feasible. Debt Coverage Ratio (DCR) is a calculation detailing the ratio by which operating income exceeds the debt payments for the project. If the DCR is greater than 1.0 it indicates the project has operating income that is greater than the debt-service payment by some margin; conversely if the DCR is less than 1.0, it indicates the project is incapable of meeting its debt-service payment and would need to seek additional revenue sources in order to pay its debt.

For a project to be considered financially feasible and likely to secure private financing, lenders are going to want to see a project with an estimated net operating income that exceeds the debt-service amount by a specific threshold or more. This is a test based on a stabilized year of revenue. Typically, we see lenders identifying a desired threshold for DCR of 1.10-1.20 or greater, meaning an expectation that the stabilized Net Operating Income of the project will exceed debt service by 1.10 to 1.20 times. The chart below illustrates our calculation of the projected stabilized DCR with and without requested TIF assistance, both on a one-year stabilized basis and additionally as a 10-year average.

Debt Coverage Analysis

Scenario	**Debt Coverage Ratio**	
Term of Review	**1-Year Stabilized**	**10-year Average**
Without Public Assistance	**0.93x**	**1.03x**
With Assistance	**1.09x**	**1.18x**

The estimated debt coverage ratios indicate that public assistance will be required to obtain debt financing for the project. Typical underwriting standards will require debt coverage ratios to be a minimum of 1.10-1.20x plus.

Return Analysis

To assist the City with making the 'but-for' test, we performed financial analysis to assist with projecting anticipated return on investments. The Internal Rate of Return (IRR) is a return-on-investment measurement that accounts for the time value of money, and accounts for the full development cycle including project construction, project operating, and finally the hypothetical sale of the completed asset. The inclusion of a hypothetical sale of the asset at the end of the pro forma period is necessary to include within the IRR analysis in order to account for the value of the asset that was created. It is not necessarily an indication that the asset will be sold at that time but is a mathematical construct for purposes of calculating the overall return on investment.

The developer provided the sources and uses of funds and estimated rent assumptions for the residential units. We reviewed the provided information to prepare a 10-year pro forma period, including 1+ years of construction and 2 years stabilized operations. A hypothetical sale of the asset is assumed in year 10. In order to provide an estimate of the anticipated sale value of the asset we utilized a capitalization rate of 7% and 2% cost of sale allowance.

The capitalization rate is a percentage amount that is divided against a project's Net Operating Income ("NOI") to determine the anticipated sale value. By comparing the capitalization rate, or cap rate, used against market information we can evaluate the reasonableness of the developer's hypothetical sale value assumption. The lower the cap rate used, the higher the projected value of the asset. Based on this review the developer's capitalization rate for a presumed sale in 2035 of 7% is a reasonable assumption.

We utilized the 10-year pro forma to prepare an unleveraged return analysis. An unleveraged return is a return calculation that measures the return on investment against the total cost of the project. An unleveraged return does not break out the investment into equity and financing amounts, and instead measures the return against the total investment/cost of the project. An unleveraged return calculation is utilized in order to draw comparisons against third-party market benchmarks for real estate investment thresholds. Since debt & equity ratios often differ across multiple projects, these third-party market benchmark surveys utilize unleveraged return calculations so that return comparisons can be drawn on an equal basis. As a result of our analysis, we found the developer's return without the proposed TIF assistance to be below our feasibility benchmark, and therefore we conclude that the project would be unlikely to proceed but for public assistance.

For comparison of the reasonableness of this return we reviewed third-party benchmark surveys that are nationwide surveys of real estate investors, which identify the return benchmarks the responders would need to realize in order to pursue a project. The benchmarks provided in these surveys can be used for establishing the likelihood of a proposed project proceeding without assistance ("But-For" Test), as well as the reasonableness of the assistance request.

One of the surveys we utilize is the Price Waterhouse Cooper ("PWC") Real Estate Investor Survey for the 3rd quarter 2023. This survey identified a national average of desired unleveraged returns for investment in apartment projects ranging from 5.75% to 8.0% with an average of 6.63. The PWC survey is a conservative benchmark and represents the responses of major institutional equity real estate investors who are primarily investing in institutional-grade property. Since the investors surveyed are basing their anticipated returns on their investment in constructed and operational developments there is a significantly lower risk threshold present and thus the desired returns cited are typically lower than what would be sought for a new construction development.

Since the PWC survey is a conservative benchmark it creates a low hurdle rate, and if a project fails to meet the average threshold identified within the PWC survey we can make the determination that the project would be unlikely to proceed “but-for” the requested assistance. In the case of this project without assistance we have calculated an unleveraged return which falls below the average return threshold and even the low end of the identified PWC range. This allows us to determine that the project would be unlikely to proceed but-for the requested assistance.

In addition to the Internal Rate of Return analysis identified above, we also prepared a “cash on cash” investment return for the project upon stabilization. The cash-on-cash investment return is a single-year return calculation that measures the annual cash flow to the developer as a percentage of their equity investment. This is an annual test and the amount we calculated was based on the 3rd year of the pro forma, which is when the project would be operational and incurring debt-service on the private financing amount, as well as the average return over 10 years. For debt-service assumptions we utilized a current interest rate assumption of 6% (permanent financing) and a 30-year amortization. To account for the varying levels of assistance within this analysis we increased the developer’s equity amount subject to debt coverage and availability of cash flow to support debt service payments. The table below identifies the cash on cash returns we calculated for the project at varying assistance levels.

Scenario	**Cash on Cash Return**	
Level of Debt	**1-Year Stabilized**	**10-year Average**
Without Public Assistance	**-2.54%**	**1.52%**
With Assistance	**4.1%**	**7.85%**

The projected cash-on-cash return analysis illustrates modest returns and reflects the impact current permanent financing interest rates have on the potential return realized by the project. If the project were to realize a lower permanent financing interest rate, the projected cash on cash return would be greater than what is shown here.

Conclusion

The developer has requested financial assistance to facilitate redevelopment of the project site. The project has a financial gap due to extraordinary redevelopment needs of the building and project site and is seeking financial assistance from the City to close it. Through submission of the tax increment financing request and supporting financial information, the developer has indicated that the project would not occur as proposed without financial assistance from the City due to below market rates of equity returns and debt financing.

Following analysis of the developer’s financing assumptions and considering current market environment, without financial assistance, the project would not be financially feasible. Without assistance, the projected equity rate of return and debt financing metrics are below industry standards. The rate of return analysis indicates that the provided financing structure would not be financially viable without one or more of the following: 1) reduction in project costs 2) additional annual cash flow (tax increment revenues), and/or 3) additional funding sources (grant funding). With public assistance through tax increment assistance with additional annual cash flow, the project is projected to achieve more marketable returns. There are ranges of what would be considered market returns and are generally subject to the project type, market indicators, investor demands and financing structure. The level of public assistance is expected to have an impact on what the projected returns for the project could be.

The developer has requested tax increment assistance to close a financial gap in the project as well as to provide local funding to support the request to Minnesota Housing for the workforce housing grant program. An additional test to understand 1) if the project would proceed without assistance and 2) if assistance is required, what a reasonable level of assistance would be is to adjust the upfront project costs and operating income to test feasibility of the project and potential for reduction in tax increment assistance. The viability of these scenarios is subject to additional developer review and is intended to provide an illustration of what adjustments may need to be to reduce and/or eliminate the assistance. The amount of workforce housing grant that would be awarded may also impact the viability of these alternate financing scenarios.

Considered parameters for level of public assistance include the following:

- Return on Investment: *(City benefits)*
- Purchase price and other development costs: *(reasonable ranges and supported by project)*
- Public to private investment: *(public participation 10%)*
- Public assistance (TIF) and private equity: *(public does not exceed private equity)*
- Extraordinary costs: *(redevelopment)*
- Financial gap: *(limit on private debt and equity)*
- Market conditions *(financing limitations)*
- Term of district collection: *(up to 26 years for redevelopment)*
- Other identified public improvements: *(case by case basis to be determined)*

The developer has requested tax increment financing from the City as a method of providing additional cash flow revenues required to achieve financial feasibility. The project will be privately financed through private debt and equity. Assistance would be provided through a pledge of annual tax increments to provide additional cash flow to support debt repayment, enhance cash flow and increase the developer's return. We typically review both the annual (upon stabilization) and longer-term (10-year period) investment returns to understand financial performance and verification of need for public assistance, as well as identifying those costs considered TIF-eligible as extraordinary to the project.

Thank you for the opportunity to be of assistance to the City of Fergus Falls. We look forward to discussing the project and financing assumptions in greater detail.

Projected Tax Increment Report

City of Fergus Falls, Minnesota
Tax Increment Financing (Redevelopment) District No. 4-17
801 W Stanton Ave Redevelopment
Updated Revenues based on $6.3M taxable value for 60 units

Annual Period Ending (1)	Total Market Value (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity (4)	Retained Captured Net Tax Capacity (5)	Times: Tax Capacity Rate (6)	Annual Gross Tax Increment (7)	Less: State Aud. Deduction 0.360% (8)	Subtotal Net Tax Increment (9)	Less: City Retainage 10.00% (10)	Less: City Pooling 0.00% (11)	Annual Net Revenue (12)	P.V. Annual Net Rev. To 06/30/25 6.00% (13)
12/31/25	409,300	5,116	5,116	0	107.189%	0	0	0	0	0	0	0
12/31/26	409,300	5,116	5,116	0	107.189%	0	0	0	0	0	0	0
12/31/27	409,300	5,116	5,116	0	107.189%	0	0	0	0	0	0	0
12/31/28	6,300,250	78,753	5,116	73,637	107.189%	78,931	284	78,647	7,865	0	70,782	59,430
12/31/29	6,489,258	81,116	5,116	75,999	107.189%	81,463	293	81,170	8,117	0	73,053	57,865
12/31/30	6,683,935	83,549	5,116	78,433	107.189%	84,071	303	83,768	8,377	0	75,391	56,337
12/31/31	6,884,453	86,056	5,116	80,939	107.189%	86,758	312	86,446	8,645	0	77,801	54,847
12/31/32	7,090,987	88,637	5,116	83,521	107.189%	89,525	322	89,203	8,920	0	80,283	53,393
12/31/33	7,303,716	91,296	5,116	86,180	107.189%	92,376	333	92,043	9,204	0	82,839	51,974
12/31/34	7,522,828	94,035	5,116	88,919	107.189%	95,311	343	94,968	9,497	0	85,471	50,590
12/31/35	7,748,513	96,856	5,116	91,740	107.189%	98,335	354	97,981	9,798	0	88,183	49,241
12/31/36	7,980,968	99,762	5,116	94,646	107.189%	101,450	365	101,085	10,109	0	90,976	47,925
12/31/37	8,220,397	102,755	5,116	97,639	107.189%	104,658	377	104,281	10,428	0	93,853	46,642
12/31/38	8,467,009	105,838	5,116	100,721	107.189%	107,962	389	107,573	10,757	0	96,816	45,391
12/31/39	8,721,019	109,013	5,116	103,896	107.189%	111,366	401	110,965	11,097	0	99,868	44,172
12/31/40	8,982,650	112,283	5,116	107,167	107.189%	114,871	414	114,457	11,446	0	103,011	42,983
12/31/41	9,252,130	115,652	5,116	110,535	107.189%	118,482	427	118,055	11,806	0	106,249	41,825
12/31/42	9,529,693	119,121	5,116	114,005	107.189%	122,201	440	121,761	12,176	0	109,585	40,696
12/31/43	9,815,584	122,695	5,116	117,579	107.189%	126,031	454	125,577	12,558	0	113,019	39,596
12/31/44	10,110,052	126,376	5,116	121,259	107.189%	129,977	468	129,509	12,951	0	116,558	38,524
12/31/45	10,413,353	130,167	5,116	125,051	107.189%	134,041	483	133,558	13,356	0	120,202	37,480
12/31/46	10,725,754	134,072	5,116	128,956	107.189%	138,226	498	137,728	13,773	0	123,955	36,462
12/31/47	11,047,527	138,094	5,116	132,978	107.189%	142,538	513	142,025	14,203	0	127,822	35,471
12/31/48	11,378,952	142,237	5,116	137,121	107.189%	146,978	529	146,449	14,645	0	131,804	34,506
12/31/49	11,720,321	146,504	5,116	141,388	107.189%	151,552	546	151,006	15,101	0	135,905	33,566
12/31/50	12,071,931	150,899	5,116	145,783	107.189%	156,263	563	155,700	15,570	0	140,130	32,650
12/31/51	12,434,088	155,426	5,116	150,310	107.189%	161,116	580	160,536	16,054	0	144,482	31,759
12/31/52	12,807,111	160,089	5,116	154,973	107.189%	166,114	598	165,516	16,552	0	148,964	30,890
12/31/53	13,191,324	164,892	5,116	159,775	107.189%	171,262	617	170,645	17,065	0	153,580	30,045
						$3,111,858	$11,206	$3,100,652	$310,070	$0	$2,790,582	$1,124,260

(1) *Total estimated market value based on information provided by City and County*
Includes 3% annual market value inflator.

(2) *Total net tax capacity based on mix of residential rental with a class rate of 1.25%*

(3) *Original net tax capacity based on existing land value for the property to be included in the development*

(4) *Total local tax capacity rate for taxes payable 2023*

Tax Increment Financing Plan

for

Tax Increment Financing (Redevelopment) District No. 4-17

(801 W Stanton Ave Redevelopment Project)

within

Development District No. 4

City of Fergus Falls, Minnesota

Prepared by
Baker Tilly Municipal Advisors, LLC

Updated Draft Dated: April 15, 2024

Anticipated Approval by City: April 15, 2024

Public Hearing Scheduled by City Council: April 15, 2024

Baker Tilly Municipal Advisors, LLC is a registered municipal advisor and controlled subsidiary of Baker Tilly US, LLP, an accounting firm. Baker Tilly US, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

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Section A Definitions

The terms defined in this section have the meanings given herein, unless the context in which they are used indicates a different meaning:

"Act" means the TIF Act.

"City" means the City of Fergus Falls, Minnesota; also referred to as a "Municipality".

"City Council" means the City Council of the City; also referred to as the "Governing Body".

"County" means Otter Tail County, Minnesota.

"Development Program" means the Development Program for the Development District.

"Development District" means Municipal Development District No. 4 which is described in the corresponding Development Program.

"Project Area" means the geographic area of the Development District.

"School District" means Independent School District No. 544, Minnesota.

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes sections 469.174 through 469.1794, inclusive, as amended.

"TIF District" means Tax Increment Financing (Redevelopment) District No. 4-17, a Redevelopment District.

"TIF Plan" means the tax increment financing plan for the TIF District (this document).

Section B Statutory Authorization

See "Project Eligibility" Section of the Development Program for the Development District.

Section C Statement of Need and Public Purpose

See "Basis for Proposing Project" Section of the Development Program for the Development District.

Section D Statement of Objectives

See "Objectives of Development Districts Nos. 2, 3, and 4" ______________________»Section of the Development Program for the District.

Section E Designation of Tax Increment Financing District as a Redevelopment District

Redevelopment districts are a type of tax increment financing district in which one or more of the following conditions exists and is reasonably distributed throughout the district:

(1) parcels comprising at least 70% of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50% of the buildings, not including outbuildings, are structurally substandard requiring substantial renovation or clearance. A parcel is deemed "occupied" if at least 15% of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures;

(2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad right-of-ways; or

(3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in Minnesota Statutes Section 115C.02, Subdivision 15, if the tank facilities:

- (i) have or had a capacity of more than 1,000,000 gallons;
- (ii) are located adjacent to rail facilities; and
- (iii) have been removed or are unused, underused, inappropriately used, or infrequently used.

For districts consisting of two more noncontiguous areas, each area must individually qualify under the provisions listed above, as well as the entire area must also qualify as a whole.

The TIF District qualifies as a redevelopment district in that it meets all the criteria listed in (1) above. The supporting facts and documentation for this determination will be retained by the City for the life of the TIF District and are available to the public upon request. An analysis was completed to make this determination.

"Structurally substandard" is defined as buildings containing defects or deficiencies in structural elements, essential utilities and facilities, light and ventilation, fire protection (including egress), layout and condition of interior partitions, or similar factors. Generally, a building is not structurally substandard if it is in compliance with the building code applicable to a new building or could be modified to satisfy the existing code at a cost of less than 15% of the cost of constructing a new structure of the same size and type.

A municipality may not find that a building is structurally substandard without an interior inspection, unless it cannot gain access to the property and there exists evidence which supports the structurally substandard finding. Such evidence includes recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained. A parcel is deemed to be occupied by a structurally substandard building if the following conditions are met:

(1) the parcel was occupied by a substandard building within three years of the filing of the request for certification of the parcel as part of the district;

(2) the demolition or removal of the substandard building was performed or financed by the City, or was performed by a developer under a development agreement with the City;

(3) the City found by resolution before such demolition or removal occurred that the building was structurally substandard, and that the City intended to include the parcel in the TIF district; and

(4) the City notifies the county auditor that the original tax capacity of the parcel must be adjusted upon filing the request for certification of the tax capacity of the parcel as part of a district.

In the case of (4) above, the County Auditor shall certify the original net tax capacity of the parcel to be the greater of (a) the current tax capacity of the parcel, or (b) a computed tax capacity of the parcel using the estimated market value of the parcel for the year in which the demolition or removal occurred, and the appropriate classification rate(s) for the current year.

At least 90 percent of the tax increment from a redevelopment district must be used to finance the cost of correcting conditions that allow designation as a redevelopment district. These costs include, but are not limited to, acquiring properties containing structurally substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition and rehabilitation of structures, clearing of land, removal of hazardous substances or remediation necessary to develop the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the City may be included in the qualifying costs.

Section F Duration of the TIF District

Redevelopment districts may remain in existence 25 years from the date of receipt by the City of the first tax increment. Modifications of this plan (see Section Z) shall not extend these limitations.

Pursuant to Minnesota Statutes Section 469.175, Subdivision 1(b), the City specifies 2028 as the first year in which it elects to receive tax increment from the TIF District, which is no later than four years following the year of approval of the TIF District. Thus, the City may collect increment from the district through December 31, 2053. All tax increments from taxes payable in the year the TIF District is decertified shall be paid to the City.

Section G Property to be Included in the TIF District

The TIF District comprises of the parcels listed below and includes adjacent streets and right-of-ways located within the Project Area. A map showing the location of the TIF District is shown in Exhibit I. The boundaries and area encompassed by the TIF District are described below:

Parcel Number	Legal Description
71.003.50.0006.000	G L 2 & 3 N OF RR R/W & E OF LOT 11 BLK 8 EX TR HILL & TODD'S ADDN & EX TR
71.003.99.1321.000	LOTS 1 & 2 BLK 2

The area encompassed by the TIF District shall also include all streets and utility right-of-ways located upon or adjacent to the property described above, as illustrated in the boundary map included in Exhibit I.

Section H Property to be Acquired in the TIF District

The City will not be acquiring nor selling any property located within the TIF District for the redevelopment project.

Section I Specific Development Expected to Occur Within the TIF District

The developer (D.W Jones, Inc) of the project site has proposed construction of a three story 60-unit residential rental apartment complex and has requested the City apply for funding through the MHFA Workforce Housing Development Program to assist with closing a financial gap that will exist with redevelopment of the project site and construction of the new project. The developer has also requested the City consider the establishment of a Redevelopment Tax Increment Financing District that would provide additional gap financing and be the required local funding match as required for the grant funding. There are significant extraordinary costs associated with redevelopment of the property requiring financial participation through tax increment financing. The City anticipates using tax increment revenues from the project to finance eligible redevelopment costs including site improvements, utilities, public improvements and other eligible redevelopment costs.

Demolition of the substandard buildings and subsequent construction of the new project is expected to start in the spring of 2025 and continue through 2026. The project is expected to be fully constructed by December 31, 2026, and be 100% assessed and on the tax rolls as of January 2, 2027 for taxes payable 2028.

Section J Findings and Need for Tax Increment Financing

In establishing the TIF District, the City makes the following findings:

(1) The TIF District qualifies as a redevelopment district.

The City inspected and evaluated the property within the proposed District to be established by the City. The purpose of the evaluation was to determine if the proposed project met the statutory requirements for coverage and if the building met the qualifications required for a Redevelopment District.

A final report has been prepared for the City to retain on file in City offices for public inspection. The report contains the details of the findings summarized below regarding the substandard qualifications:

- The TIF District consists of two parcels that are occupied with 100 percent of the area of the proposed TIF District (exceeding the 70 percent coverage test);
- 100 percent of the buildings in the proposed TIF District contain code deficiencies exceeding the 15 percent threshold;
- 100 percent of the buildings (which is greater than 50%) are structurally substandard to a degree requiring substantial renovation or clearance, because of defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which

defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance, exceeding the more than 50 percent substandard test; and

- The foregoing conditions are reasonably distributed throughout the geographic area of the proposed TIF District.

(2) The proposed redevelopment, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan.

Factual basis:

Proposed development not expected to occur:

The proposed project consists of the redevelopment of blighted property within the City that consists of existing buildings found to be substandard and will be demolished following establishment of the TIF District. The City has identified significant and extraordinary costs including site improvements, utilities, public improvements and other eligible redevelopment expenses associated with redevelopment of the project site and are barriers to redevelopment occurring without public assistance. The extraordinary redevelopment costs for this property make the total cost of this effort significantly higher than what may be reasonably incurred for similar developments on a clean site. The City's finding that the proposed redevelopment would be unlikely to occur solely through private investment within the reasonably foreseeable future is based on an analysis of the proforma and other materials submitted by the developer.

No higher market value expected:

If the proposed redevelopment did not go forward, for the same reasons described above, no significant alternative redevelopment of the proposed TIF District area would occur. The existing buildings are currently substandard, and it is highly unlikely that the improvements would be made on the property site without tax increment financing. In short, there is no basis for expectation that the area would redevelop or be renovated in any significant way purely by private action without public subsidy.

To summarize the basis for the City's findings regarding alternative market value, in accordance with Minnesota Statutes Section 469.175, Subdivision 3(d), the City makes the following determinations:

/

a. The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is anywhere from $0 to some modest amount based on small scale renovation or redevelopment that could be possible without assistance; any estimated values would be too speculative to ascertain.

b. If the proposed development to be assisted with tax increment occurs in the TIF District, the total increase in market value would be approximately $12,782,024, including the value of the building (See Exhibit V).

c. The present value of tax increments from the TIF District for the maximum duration of the district permitted by the TIF Plan is estimated to be $1,253,691 (See Exhibit V).

d. Even if some development other than the proposed development were to occur, the City finds that no alternative would occur that would produce a market value increase greater than $11,528,333 (the amount in clause b less the amount in clause c) without tax increment assistance.

(3) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for development of the Project Area by private enterprise.

Factual basis:

The anticipated redevelopment of the project site including acquisition, demolition, and subsequent new construction will remain consistent with the City's design goals. The development proposed to occur within the TIF District will afford maximum opportunity for the development of the applicable parcel consistent with the needs of the City and the removal of a substandard building. The development will increase the taxable market valuation of the City and provide additional housing options in the City.

(4) The TIF Plan conforms to general plans for the development of the City as a whole.

Factual basis: The City has determined that the development proposed in the TIF Plan conforms to the City comprehensive plan.

Section K Estimated Public Costs

The estimated public costs of the TIF District are listed below. Such costs are eligible for reimbursement from tax increments of the TIF District.

Estimated Public Costs	Estimated Amount
Land/Building acquisition	$0
Site Improvements/Preparation costs	$2,790,582
Utilities	$0
Other public improvements	$0
Construction of affordable housing	$0
Administrative expenses	$310,070
Total Estimated Public Costs	$3,100,652
Interest expenses	$0
Total Costs	$3,100,652

The City anticipates using tax increment to the extent available to finance redevelopment costs of the project including primarily land/building acquisition, site improvement/preparation costs (including demolition), parking and infrastructure improvements, related administrative expenses, and other TIF-eligible expenditures as deemed necessary and related to redevelopment of the project site.

The City reserves the right to administratively adjust the amount of any of the items listed ($3,100,652) is not increased. The City also reserves the right to fund any of the identified costs with any other legally available revenues but anticipates that such costs will be primarily financed with tax increments.

Section L Estimated Sources of Revenue

Sources of Revenue	Amount
Tax Increment revenue	$3,100,652
Interest on invested funds	$0
Other	$0
Total	**$3,100,652**

The City anticipates capturing the tax increments from the project for financing of the identified redevelopment costs and reimbursing the developer for a portion of those costs. As tax increments are collected from the TIF District in future years, a portion of these increments will be used by the City to reimburse the developer for public costs incurred (see Section K). The City also anticipates retaining any remaining increment to finance eligible administrative or other expenses related to the project.

The City reserves the right to finance any or all public costs of the TIF District using pay-as-you-go assistance, internal funding, general obligation or revenue debt, or any other financing mechanism authorized by law. The City also reserves the right to use other sources of revenue legally applicable to the Project Area to pay for such costs including, but not limited to, special assessments, utility revenues, federal or state funds, and investment income.

Section M Estimated Amount of Bonded Indebtedness

The maximum principal amount of bonds (as defined in the TIF Act) secured in whole or part with tax increment from the TIF District is $3,100,652. The City currently plans to finance the site improvements and redevelopment costs through either a pay-as-you-go note or City financing and reserves the right to issue bonds in any form, including without limitation any interfund loan with interest not to exceed the maximum permitted under Section 469.178, Subdivision 7 of the TIF Act.

Section N Original Net Tax Capacity

The County Auditor shall certify the original net tax capacity of the TIF District. This value will be equal to the total net tax capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

The estimated taxable value of all property within the TIF District as of January 2, 2023, for taxes payable in 2024, is $409,300. Upon establishment of the district and classification of the property as taxable residential rental, the estimated original net tax capacity of the TIF District is estimated to be $5,116. This assumes the property is reclassified from tax-exempt to taxable residential rental. This value is also assumed to be the value of the property, including land and building, as of the date the substandard buildings occupied the parcels.

Each year the County Auditor shall certify the amount that the original net tax capacity has increased or decreased as a result of:

(1) changes in the tax-exempt status of property;

(2) reductions or enlargements of the geographic area of the TIF District;

(3) changes due to stipulation agreements or abatements; or

(4) changes in property classification rates.

Section O Original Local Tax Capacity Rate

The County Auditor shall also certify the original local tax rate of the TIF District. This rate shall be the sum of all local tax rates that apply to property in the TIF District. This rate shall be for the same taxes payable year as the original net tax capacity.

In future years, the amount of tax increment generated by the TIF District will be calculated using the lesser of (a) the sum of the current local tax rates at that time or (b) the original local tax rate of the TIF District.

It is anticipated the request for certification of the District will occur prior to June 30, 2025, and the local tax rates for taxes levied in 2023 and payable in 2024 will apply, for which the County Auditor shall certify as the original tax capacity rate of the TIF District. The payable 2024 rates are not available at the time of drafting of the TIF Plan. For purposes of estimating the tax increment generated by the TIF District, the sum of the local tax rates for taxes levied in 2022 and payable in 2023 is 107.189% as shown below.

Taxing Jurisdiction	2022/2023 Local Tax Rate
City of Fergus	53.383%
Otter Tail County	33.984%
ISD #544	17.780%
Other	2.042%
Total	107.189%

Section P Projected Retained Captured Net Tax Capacity and Projected Tax Increment

The City anticipates that 100% of the redevelopment will be completed by December 31, 2026, creating a total tax capacity for the TIF District of $78,753 as of January 2, 2027. The captured tax capacity as of the first full year of increment is projected to be $73,637, and the first receipt of increment of $78,647 in taxes payable 2028. A complete schedule of estimated tax increment from the TIF District is shown in Exhibit III.

Each year the County Auditor shall determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the original net tax capacity, the difference shall be known as the captured net tax capacity of the TIF District. The estimates shown in this

TIF Plan assume that residential rental class rates remain at 1.25% for the estimated taxable value and assume 3% annual increases in market values. Each year the County Auditor shall determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the original net tax capacity, the difference shall be known as the captured net tax capacity of the TIF District.

The County Auditor shall certify to the City the amount of captured net tax capacity each year. The City may choose to retain any or all of this amount. It is the City's intention to retain 100% of the captured net tax capacity of the TIF District. Such amount shall be known as the retained captured net tax capacity of the TIF District. Exhibit II gives a listing of the various information and assumptions used in preparing a number of the exhibits contained in this TIF Plan, including Exhibit III which shows the projected tax increment generated over the anticipated life of the TIF District.

Section Q Use of Tax Increment

Each year the County Treasurer shall deduct 0.36% of the annual tax increment generated by the TIF District and pay such amount to the State's General Fund. Such amounts will be appropriated to the State Auditor for the cost of financial reporting and auditing of tax increment financing information throughout the State. Exhibit III shows the projected deduction for this purpose over the anticipated life of the TIF District.

The City has determined that it will use 100% of the remaining tax increment generated by the TIF District for any of the following purposes:

(1) pay for the estimated public costs of the TIF District (see Section K) and County administrative costs associated with the TIF District (see Section T);

(2) pay principal and interest on tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;

(3) accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;

(4) pay all or a portion of the county road costs as may be required by the County Board under Minnesota Statutes Section 469.175, Subdivision 1a; or

(5) return excess tax increments to the County Auditor for redistribution to the City, County and School District.

Tax increments from property located in one county must be expended for the direct and primary benefit of a project located within that county, unless both county boards involved waive this requirement. Tax increments shall not be used to circumvent levy limitations applicable to the City.

Tax increment shall not be used to finance the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the State or federal government, or for a commons area used as a public park, or a facility used for social, recreational, or conference purposes. This prohibition does not apply to the construction or renovation of a parking structure or of a privately-owned facility for conference purposes.

If there exists any type of agreement or arrangement providing for the developer, or other beneficiary of assistance, to repay all or a portion of the assistance that was paid or financed with tax increments, such payments shall be subject to all of the restrictions imposed on the use of tax increments. Assistance includes sale of property at less than the cost of acquisition or fair market value, grants, ground or other leases at less than fair market rent, interest rate subsidies, utility service connections, roads, or other similar assistance that would otherwise be paid for by the developer or beneficiary.

Section R Excess Tax Increment

In any year in which the tax increments from the TIF District exceed the amount necessary to pay the estimated public costs authorized by the TIF Plan, the City shall use the excess tax increments to:

(1) prepay any outstanding tax increment bonds;

(2) discharge the pledge of tax increments thereof;

(3) pay amounts into an escrow account dedicated to the payment of the tax increment bonds; or

(4) return excess tax increments to the County Auditor for redistribution to the City, County and School District. The County Auditor must report to the Commissioner of Education the amount of any excess tax increment redistributed to the School District within 30 days of such redistribution.

Section S Tax Increment Pooling and the Five-Year Rule

At least 75% of the tax increments from the TIF District must be expended on activities within the district or to pay for bonds used to finance the estimated public costs of the TIF District (see Section E for additional restrictions). No more than 25% of the tax increments may be spent on costs outside of the TIF District but within the boundaries of the Project Area, except to pay debt service on credit enhanced bonds. All administrative expenses are considered to have been spent outside of the TIF District. Tax increments are considered to have been spent within the TIF District if such amounts are:

(1) actually paid to a third party for activities performed within the TIF District within five years after certification of the district;

(2) used to pay bonds that were issued and sold to a third party, the proceeds of which are reasonably expected on the date of issuance to be spent within the later of the five-year period or a reasonable temporary period or are deposited in a reasonably required reserve or replacement fund;

(3) used to make payments or reimbursements to a third party under binding contracts for activities performed within the TIF District, which were entered into within five years after certification of the district; or

(4) used to reimburse a party for payment of eligible costs (including interest) incurred within five years from certification of the district.

Beginning with the sixth year following certification of the TIF District, at least 75% of the tax increments must be used to pay outstanding bonds or make contractual payments obligated within the first five years. When outstanding bonds have been defeased and sufficient money has been set aside to pay for such contractual obligations, the TIF District must be decertified.

The City anticipates that an allowable portion of tax increments generated by the project may be spent outside the TIF District (including allowable administrative expenses), and such expenditures are expressly authorized in this TIF Plan.

Section T Limitation on Administrative Expenses

Administrative expenses are defined as all costs of the City other than:

(1) amounts paid for the purchase of land;

(2) amounts paid for materials and services, including architectural and engineering services directly connected with the physical development of the real property in the project;

(3) relocation benefits paid to, or services provided for, persons residing or businesses located in the project;

(4) amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to section 469.178; or

(5) amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clause (1) to (3).

Administrative expenses include amounts paid for services provided by bond counsel, fiscal consultants, planning or economic development consultants, and actual costs incurred by the County in administering the TIF District. Tax increments may be used to pay administrative expenses of the TIF District up to the lesser of (a) 10% of the total tax increment expenditures authorized by the TIF Plan or (b) 10% of the total tax increments received by the TIF District.

Section U Limitation on Property Not Subject to Improvements - Four Year Rule

If after four years from certification of the TIF District no demolition, rehabilitation, renovation, or qualified improvement of an adjacent street has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District, and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The City must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the City or owner of the parcel subsequently commences any of the above activities, the City shall certify to the County Auditor that such activity has commenced, and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

Section V Estimated Impact on Other Taxing Jurisdictions

Exhibit IV shows the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The City believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified, and the development therein becomes part of the general tax base.

The fiscal and economic implications of the proposed tax increment financing district, as pursuant to Minnesota Statutes Section 469.175, Subdivision 2, are listed below.

1. The total amount of tax increment that will be generated over the life of the district is estimated to be $3,111,858.

2. To the extent the project in the TIF District generates any public cost impacts on city-provided services such as police and fire protection, public infrastructure, and the impact of any general obligation tax increment bonds attributable to the district upon the ability to issue other debt for general fund purposes, such costs will be levied upon the taxable net tax capacity of the City, excluding that portion captured by the TIF District. The City anticipates issuing a pay-as-you-go TIF note to finance a portion of the project costs and reserves the right to use bond financing and/or internal financing, as necessary, to finance a portion of the project costs attributable to the TIF District.

3. The amount of tax increments over the life of the district that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is estimated to be $516,180.

4. The amount of tax increments over the life of the district that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same is estimated to be $986,607.

5. No additional information has been requested by the county or school district that would enable it to determine additional costs that will accrue to it due to the development proposed for the district.

Section W Prior Planned Improvements

The City shall accompany its request for certification to the County Auditor (or notice of district enlargement), with a listing of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan. The County Auditor shall increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District.

Section X Development Agreements

If within a project containing a redevelopment district, more than 25% of the acreage of the property to be acquired by the City is purchased with tax increment bonds proceeds (to which tax increment from the property is pledged), then prior to such acquisition, the City must enter into an agreement for the development of the property. Such agreement must provide recourse for the City should the development not be completed.

The City anticipates entering into an agreement for development.

Section Y Assessment Agreements

The City may, upon entering into a development agreement, also enter into an assessment agreement with the developer, which establishes a minimum market value of the land and improvements for each year during the life of the TIF District.

The assessment agreement shall be presented to the County or City Assessor who shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land, and so long as the minimum market value contained in the assessment agreement appears to be an accurate estimate, shall certify the assessment agreement as reasonable. The assessment agreement shall be filed for record in the office of the County Recorder or Registrar of Titles, as applicable, of each county where the property is located. Any modification or premature termination of this agreement must first be approved by the City, County and School District. The City does not anticipate entering into an assessment agreement.

Section Z Modifications of the Tax Increment Financing Plan

Any reduction or enlargement in the geographic area of the Project Area or the TIF District; a determination to capitalize interest on the debt if that determination was not part of the original TIF Plan; increase in the portion of the captured net tax capacity to be retained by the City; increase in the total estimated public costs; or designation of property to be acquired by the City shall be approved only after satisfying all the necessary requirements for approval of the original TIF Plan. This paragraph does not apply if:

(1) the only modification is elimination of parcels from the TIF District; and

(2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The City must notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification.

Section AA Administration of the Tax Increment Financing Plan

Upon adoption of the TIF Plan, the City shall submit a copy of such plan to the Minnesota Department of Revenue and the Office of the State Auditor. The City shall also request that the County Auditor certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the County Auditor in this process, the City shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements. The City shall also send the County or City Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District and shall request that the County or City Assessor review and certify this assessment agreement as reasonable.

The County shall distribute to the City the amount of tax increment as it becomes available. The amount of tax increment in any year represents the applicable property taxes generated by the retained captured net tax capacity of the TIF District. The amount of tax increment may change due to development anticipated by the TIF Plan, other development, inflation of property values, or changes in property classification rates or formulas. In administering and implementing the TIF Plan, the following actions should occur on an annual basis:

(1) prior to July 1, the City shall notify the County or City Assessor of any new development that has occurred in the TIF District during the past year to ensure that the new value will be recorded in a timely manner.

(2) if the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine local tax rates in subsequent years.

(3) each year the County Auditor shall certify the amount of the original net tax capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:

  (a) the value of property that changes from tax-exempt to taxable shall be added to the original net tax capacity of the TIF District. The reverse shall also apply;

  (b) the original net tax capacity may be modified by any approved enlargement or reduction of the TIF District;

  (c) if laws governing the classification of real property cause changes to the percentage of estimated market value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the original net tax capacity and the retained captured net tax capacity of the TIF District.

The County Auditor shall notify the City of all changes made to the original net tax capacity of the TIF District.

Section AB Filing TIF Plan, Financial Reporting and Disclosure Requirements

The City will file the TIF Plan, and any subsequent amendments thereto, with the Commissioner of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes Section 469.175, Subdivision 4A. The City will comply with all reporting requirements for the TIF District under Minnesota Statutes Section 469.175, Subdivisions 5 and 6.

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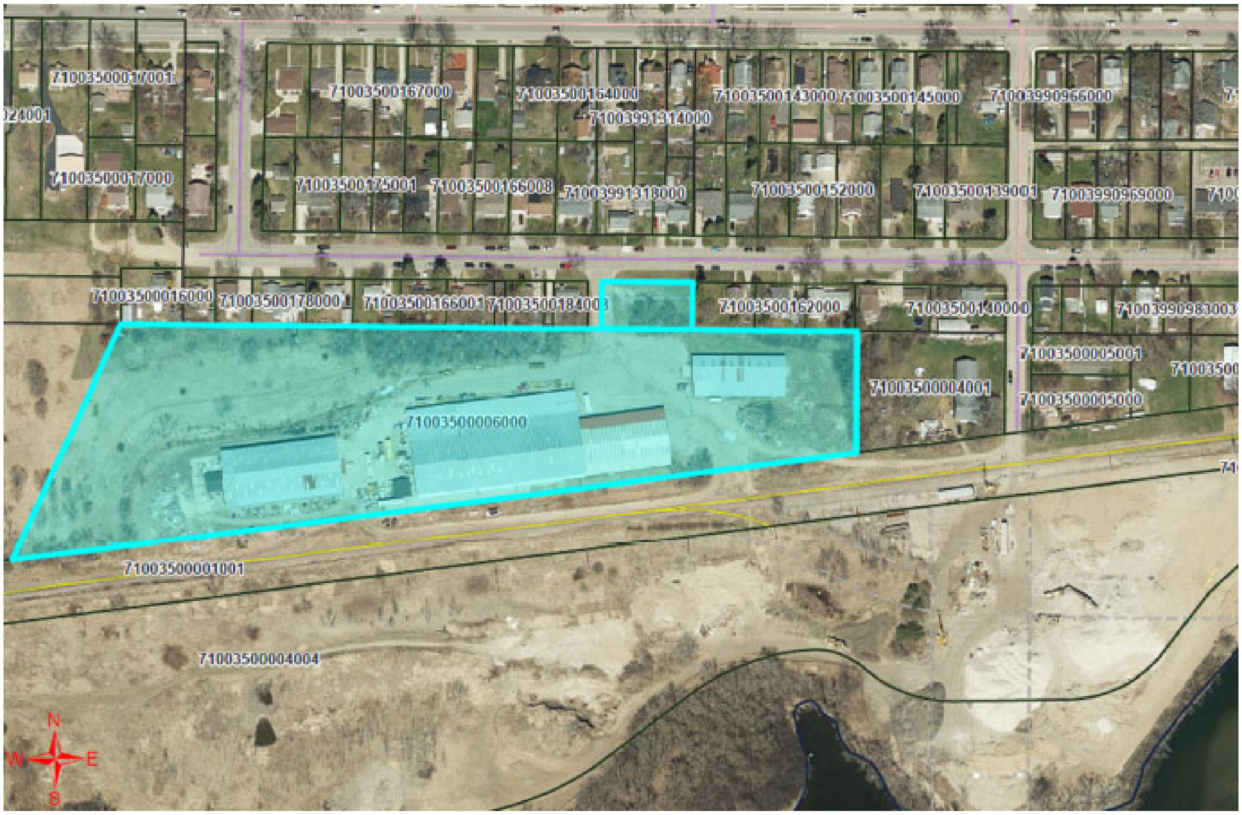
Map of
Tax Increment Financing (Redevelopment) District No. 4-17



Assumptions Report

City of Fergus Falls, Minnesota
Tax Increment Financing (Redevelopment) District No. 4-17
801 W Stanton Ave Redevelopment
Updated Revenues based on $6.3M taxable value for 60 units

Type of Tax Increment Financing District	Redevelopment	
Maximum Duration of TIF District	25 years from 1st increment	
Projected Certification Request Date	06/30/25	
Decertification Date	12/31/53	(26 Years of Increment)

	2023/2024
Base Estimated Market Value	$409,300
Original Net Tax Capacity	$5,116

	Assessment/Collection Year			
	2025/2026	2026/2027	2027/2028	2028/2029
Base Estimated Market Value	$409,300	$409,300	$409,300	$409,300
Estimated Increase in Value - New Construction	0	0	5,890,950	6,079,958
Total Estimated Market Value	409,300	409,300	6,300,250	6,489,258
Total Net Tax Capacity	$5,116	$5,116	$78,753	$81,116

City of Fergus Falls	53.383%	
Otter Tail County	33.984%	
ISD #544	17.780%	
Other	2.042%	
Local Tax Capacity Rate	107.189%	2022/2023
Fiscal Disparities Contribution From TIF District	NA	
Administrative Retainage Percent (maximum = 10%)	10.00%	
Pooling Percent	0.00%	

Bonds			Note (Pay-As-You-Go)	
Bonds Dated	NA		Note Dated	06/30/25
Bond Rate	NA		Note Rate	TBD
Bond Amount	NA		Note Amount	TBD
Present Value Date & Rate	06/30/25	6.00%	PV Amount	$1,124,260

Notes
Projections assume no future changes to classification rates and current tax rates remain constant.
Projections are based on certified pay 2023 rates.
Projections assume project 100% completed in 2026
Projections assume 3% market value inflation

Projected Tax Increment Report

City of Fergus Falls, Minnesota
Tax Increment Financing (Redevelopment) District No. 4-17
801 W Stanton Ave Redevelopment
Updated Revenues based on $6.3M taxable value for 60 units

Annual Period Ending (1)	Total Market Value (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity (4)	Retained Captured Net Tax Capacity (5)	Times: Tax Capacity Rate (6)	Annual Gross Tax Increment (7)	Less: State Aud. Deduction 0.360% (8)	Subtotal Net Tax Increment (9)	Less: City Retainage 10.00% (10)	Less: City Pooling 0.00% (11)	Annual Net Revenue (12)	P.V. Annual Net Rev. To 06/30/25 6.00% (13)
12/31/25	409,300	5,116	5,116	0	107.189%	0	0	0	0	0	0	0
12/31/26	409,300	5,116	5,116	0	107.189%	0	0	0	0	0	0	0
12/31/27	409,300	5,116	5,116	0	107.189%	0	0	0	0	0	0	0
12/31/28	6,300,250	78,753	5,116	73,637	107.189%	78,931	284	78,647	7,865	0	70,782	59,430
12/31/29	6,489,258	81,116	5,116	75,999	107.189%	81,463	293	81,170	8,117	0	73,053	57,865
12/31/30	6,683,935	83,549	5,116	78,433	107.189%	84,071	303	83,768	8,377	0	75,391	56,337
12/31/31	6,884,453	86,056	5,116	80,939	107.189%	86,758	312	86,446	8,645	0	77,801	54,847
12/31/32	7,090,987	88,637	5,116	83,521	107.189%	89,525	322	89,203	8,920	0	80,283	53,393
12/31/33	7,303,716	91,296	5,116	86,180	107.189%	92,376	333	92,043	9,204	0	82,839	51,974
12/31/34	7,522,828	94,035	5,116	88,919	107.189%	95,311	343	94,968	9,497	0	85,471	50,590
12/31/35	7,748,513	96,856	5,116	91,740	107.189%	98,335	354	97,981	9,798	0	88,183	49,241
12/31/36	7,980,968	99,762	5,116	94,646	107.189%	101,450	365	101,085	10,109	0	90,976	47,925
12/31/37	8,220,397	102,755	5,116	97,639	107.189%	104,658	377	104,281	10,428	0	93,853	46,642
12/31/38	8,467,009	105,838	5,116	100,721	107.189%	107,962	389	107,573	10,757	0	96,816	45,391
12/31/39	8,721,019	109,013	5,116	103,896	107.189%	111,366	401	110,965	11,097	0	99,868	44,172
12/31/40	8,982,650	112,283	5,116	107,167	107.189%	114,871	414	114,457	11,446	0	103,011	42,983
12/31/41	9,252,130	115,652	5,116	110,535	107.189%	118,482	427	118,055	11,806	0	106,249	41,825
12/31/42	9,529,693	119,121	5,116	114,005	107.189%	122,201	440	121,761	12,176	0	109,585	40,696
12/31/43	9,815,584	122,695	5,116	117,579	107.189%	126,031	454	125,577	12,558	0	113,019	39,596
12/31/44	10,110,052	126,376	5,116	121,259	107.189%	129,977	468	129,509	12,951	0	116,558	38,524
12/31/45	10,413,353	130,167	5,116	125,051	107.189%	134,041	483	133,558	13,356	0	120,202	37,480
12/31/46	10,725,754	134,072	5,116	128,956	107.189%	138,226	498	137,728	13,773	0	123,955	36,462
12/31/47	11,047,527	138,094	5,116	132,978	107.189%	142,538	513	142,025	14,203	0	127,822	35,471
12/31/48	11,378,952	142,237	5,116	137,121	107.189%	146,978	529	146,449	14,645	0	131,804	34,506
12/31/49	11,720,321	146,504	5,116	141,388	107.189%	151,552	546	151,006	15,101	0	135,905	33,566
12/31/50	12,071,931	150,899	5,116	145,783	107.189%	156,263	563	155,700	15,570	0	140,130	32,650
12/31/51	12,434,088	155,426	5,116	150,310	107.189%	161,116	580	160,536	16,054	0	144,482	31,759
12/31/52	12,807,111	160,089	5,116	154,973	107.189%	166,114	598	165,516	16,552	0	148,964	30,890
12/31/53	13,191,324	164,892	5,116	159,775	107.189%	171,262	617	170,645	17,065	0	153,580	30,045
						$3,111,858	$11,206	$3,100,652	$310,070	$0	$2,790,582	$1,124,260

(1) *Total estimated market value based on information provided by City and County*
Includes 3% annual market value inflator.

(2) *Total net tax capacity based on mix of residential rental with a class rate of 1.25%*

(3) *Original net tax capacity based on existing land value for the property to be included in the development*

(4) *Total local tax capacity rate for taxes payable 2023*

Estimated Impact on Other Taxing Jurisdictions Report

City of Fergus Falls, Minnesota
Tax Increment Financing (Redevelopment) District No. 4-17
801 W Stanton Ave Redevelopment
Updated Revenues based on $6.3M taxable value for 60 units

	Without Project or TIF District		With Project and TIF District						
Taxing Jurisdiction	Final 2022/2023 Taxable Net Tax Capacity (1)	2022/2023 Local Tax Rate	2022/2023 Taxable Net Tax Capacity (1)	+ Projected Retained Captured Net Tax Capacity	= New Taxable Net Tax Capacity	Hypothetical Adjusted Local Tax Rate (*)	Hypothetical Decrease In Local Tax Rate (*)	Hypothetical Tax Generated by Retained Captured N.T.C. (*)
City of Fergus Falls	14,185,264	53.383%	14,185,264	$159,775	14,345,039	52.788%	0.595%	84,343
Otter Tail County	141,110,920	33.984%	141,110,920	159,775	141,270,695	33.946%	0.038%	54,237
ISD #544	28,327,542	17.780%	28,327,542	159,775	28,487,317	17.680%	0.100%	28,249
Other (2)	-	2.042%	-	-	-	2.042%	-	-
Totals		107.189%				106.456%	0.733%	

* **Statement 1:** If the projected Retained Captured Net Tax Capacity of the TIF District was hypothetically available to each of the taxing jurisdictions above, the result would be a lower local tax rate (see Hypothetical Adjusted Tax Rate above) which would produce the same amount of taxes for each taxing jurisdiction. In such a case, the total local tax rate would decrease by 0.733% (see Hypothetical Decrease in Local Tax Rate above). The hypothetical tax that the Retained Captured Net Tax Capacity of the TIF District would generate is also shown above.

Statement 2: Since the projected Retained Captured Net Tax Capacity of the TIF District is not available to the taxing jurisdictions, then there is no impact on taxes levied or local tax rates.

(1) Taxable net tax capacity = total net tax capacity - captured TIF - fiscal disparity contribution, if applicable.
(2) The impact on these taxing jurisdictions is negligible since they represent only 1.91% of the total tax rate.

Market Value Analysis Report

City of Fergus Falls, Minnesota
Tax Increment Financing (Redevelopment) District No. 4-17

Exhibit V

801 W Stanton Ave Redevelopment
Updated Revenues based on $6.3M taxable value for 60 units

Assumptions	
Present Value Date	06/30/25
P.V. Rate - Gross T.I.	6.00%

Increase in EMV With TIF District	$12,782,024
Less: P.V of Gross Tax Increment	1,253,691
Subtotal	$11,528,333
Less: Increase in EMV Without TIF	0
Difference	$11,528,333

	Year	Annual Gross Tax Increment	Present Value @ 6.00%
1	2028	78,931	66,272
2	2029	81,463	64,526
3	2030	84,071	62,823
4	2031	86,758	61,161
5	2032	89,525	59,539
6	2033	92,376	57,958
7	2034	95,311	56,414
8	2035	98,335	54,910
9	2036	101,450	53,443
10	2037	104,658	52,012
11	2038	107,962	50,617
12	2039	111,366	49,257
13	2040	114,871	47,932
14	2041	118,482	46,640
15	2042	122,201	45,381
16	2043	126,031	44,154
17	2044	129,977	42,959
18	2045	134,041	41,795
19	2046	138,226	40,660
20	2047	142,538	39,555
21	2048	146,978	38,478
22	2049	151,552	37,430
23	2050	156,263	36,409
24	2051	161,116	35,415
25	2052	166,114	34,447
26	2053	171,262	33,504
		$3,111,858	$1,253,691

Redevelopment TIF District Qualifications Report

EXTRACT OF MINUTES OF A MEETING OF THE
CITY COUNCIL OF THE CITY
OF FERGUS FALLS, MINNESOTA

HELD: APRIL 24, 2024

Pursuant to due call and notice thereof, a regular or special meeting of the City Council of the City of Fergus Falls, Otter Tail County, Minnesota, was duly called and held at the City Hall, on April 24, 2024, at 7:00 A.M.

The following members of the Council were present:

and the following were absent:

Member ______ introduced the following resolution and moved its adoption:

RESOLUTION NO. ____

RESOLUTION APPROVING THE ESTABLISHMENT OF TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 4-17 WITHIN DEVELOPMENT DISTRICT NO. 4 AND APPROVING THE TAX INCREMENT FINANCING PLAN THEREFOR

A. WHEREAS, it has been proposed that the City of Fergus Falls, Minnesota (the "City") (1) establish Tax Increment Financing (Redevelopment) District No. 4-17 (the "TIF District") within Development District No. 4 (the "Development District"); and (2) approve and adopt the proposed Tax Increment Financing Plan therefor under the provisions of Minnesota Statutes, Sections 469.174 to 469.1794, as amended (the "Act"); and

B. WHEREAS, the City Council has investigated the facts and has caused to be prepared a proposed tax increment financing plan for the TIF District therein (the "TIF Plan"); and

C. WHEREAS, the City has performed all actions required by law to be performed prior to the approval of the establishment of the TIF District within the Development District, and the adoption of the TIF Plan therefor, including, but not limited to, notification of Otter Tail County and Independent School District No. 544 having taxing jurisdiction over the property to be included in the TIF District, and the holding of a public hearing upon published and mailed notice as required by law.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Fergus Falls follows:

1. Tax Increment Financing Redevelopment District No. 4-17. There is hereby established in the City within the Development District, Tax Increment Financing (Redevelopment) District No. 4-17, a redevelopment tax increment financing district, the initial boundaries of which are fixed and determined as described in the TIF Plan.

2. Tax Increment Financing Plan. The TIF Plan is adopted as the tax increment financing plan for the TIF District, and the City Council makes the following findings:

(a) The TIF District is a redevelopment district as defined in Minnesota Statutes, Section 469.174, Subd. 10, the specific basis for such determination is set forth in Section E of the TIF Plan.

(b) The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future. The reasons for such determination are set forth in Section J (2) of the TIF Plan.

(c) In the opinion of the City Council, the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan. The reasons supporting this finding are set forth in Section J (2) and Exhibit V of the TIF Plan:

(d) The TIF Plan for the TIF District conforms to the general plan for development or redevelopment of the City as a whole. The reasons for supporting this finding are set forth in Section J (4) of the TIF Plan.

(e) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Development District by private enterprise. The reasons supporting this finding are set forth in Section J (3) of the TIF Plan.

(f) Section J and Exhibit V of the TIF Plan 1s incorporated herein by reference.

3. Public Purpose. The adoption of the TIF Plan for the TIF District within the Development District conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the State which is already built up to provide employment opportunities, to help prevent the emergence of blight, to improve the tax base and to improve the general economy of the State and thereby serves a public purpose.

4. Certification. The Auditor of Otter Tail County is requested to certify the original net tax capacity of the TIF District as described in TIF Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased in accordance with the Act; and the City Administrator is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding the adoption of this Resolution.

5. Filing. The City Finance Director is further authorized and directed to file a copy of the TIF Plan for the TIF District with the Commissioner of Revenue and the Office of the State Auditor.

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

and the following voted against same:

Adopted this 24th day of April, 2024.

____
Mayor

Attest: ______________________________
City Clerk

STATE OF MINNESOTA
OTTERTAIL COUNTY
CITY OF FERGUS FALLS

I, the undersigned, being the duly qualified and acting City Administrator of the City of Fergus Falls, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on the date therein indicated, insofar as such minutes relate to the establishment of the Tax Increment Financing (Redevelopment) District No. 4-17 in the City and authorization of an interfund loan.

WI1NESS my hand as such City Administrator of the City Council of the City of Fergus Falls, Minnesota this 24th day of April, 2024.

City Administrator

MINNESOTA HOUSING

Workforce Housing Development Program
2024 Application Narrative and Certification

Instructions: Complete, sign, and submit the following narrative questions, as applicable, based on the specific housing proposal. The answers to the narrative questions should provide supplemental information to the workbook.

Development and Applicant Information

Development and Applicant Information Requested	Response
Development Name	Rivers Edge
Development Address	801 Stanton Ave, Fergus Falls, MN 56537
Name of Eligible Recipient Submitting Application	City of Fergus Falls
Eligible Recipient Mailing Address	112 W Washington, Fergus Falls, MN 56537
Eligible Recipient's Authorized Representative Name and Title	Andrew Bremseth, City Administrator
Eligible Recipient's Authorized Representative Phone	(218) 332-5403
Eligible Recipient's Authorized Representative Email	andrew.bremseth@fergusfallsmn.gov
Primary Contact Name and Title	Ronald Duchesneau, Jr, President of D.W. Jones, Inc.
Primary Contact Phone	(218) 820-5010
Primary Contact Email	Skip@DWJonesInc.com

Project Description

1. What is the dollar amount of the funding request?
   $4,493,400

2. Check the box that describes the project area (refer to the Program Guide for more information on definitions).
   - ☒ A home rule charter or statutory city located outside of the metropolitan area with a population exceeding 500
   - ☐ A community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city located outside the metropolitan area

☐ An area located outside of a Metropolitan County that serves a federally recognized Indian Tribe in Minnesota, or their associated Tribally Designated Housing Entity as defined by United States Code, title 25, section 4103(22), as approved in writing by Minnesota Housing;

☐ An area served by a joint county-city economic development authority

3. Describe the project area and include the population.
   Fergus Falls is the county seat of Otter Tail County. The population was 14,119 at the 2020 census, is 14,144 in 2024, with a projected population of 14,172 by 2029, and 14,300 by 2035. Households in 2024 were 6,249, with a projection of 6,376 in 2035. Household size is expected to decrease from 2.26 in 2024 to a projection of 2.25 in 2029. Fergus Falls features different parks, including tallgrass prairie and eastern woodlands, stores, and other tourist attractions. The Union Avenue Bridge spans the Otter Tail River. Just below the bridge is part of scenic River Walk Park, which follows about a mile of the river. It is estimated that 75% of the demand for rental housing will be generated from within the Fergus Falls Area. As of 2010, Fergus Falls had 13,535 people and 5,942 households. Between 2010 and 2020, Fergus Falls saw a population increase of 4.3% and a household increase of 3.9%. Rivers Edge will be located approximately 1/2 mile from a plethora of downtown community facilities, including churches, parks, shopping, medical facilities, employment, schools and Otter Tail County agencies.

4. Summarize the housing proposal. Include the following:
   a. Description of the proposal concept and why it is important to the community
   b. New construction or acquisition/rehabilitation/repurpose
   c. The building type (walk-up, townhome, elevator, etc.)
   d. Number of stories
   e. Number of units

   This funding proposal is for the new construction of sixty (60) units of market rate workforce housing in Fergus Falls. Rivers Edge will be a three story apartment building with an elevator. An Initial Market Assessment for General Occupancy Market Rate Workforce Rental Housing was completed by Maxfield Research & Consulting dated February 19, 2024. The vacancy rate was 2.4% in 2021, and has trended upward slightly to 2.8% in the PMA as of February 2024. A 5% vacancy rate is considered the market equilibrium rate in a balanced market. The low vacancy rate indicates pent-up demand for new rental housing. Younger Milleninial households, most of whom fall within the 25 to 34 age group, are forecast to decrease by 179 people between 2024 and 2029. New housing and job opportunities could help to retain younger people in the community. Rivers Edge is a new construction project to house single individuals and families with children at an affordable price. Rivers Edge will consist of ten (10) studio units with 495 sq ft of living space, twenty-three (23) one bedroom one bathroom units with 662-754 sq ft of living space, nineteen (19) two bedroom one bathroom units with 868-939 sq ft of living space, and eight (8) three bedroom two bathroom units with 1,278-1,350 sq ft of living space. Rivers Edge will include handicapped accessible unit per ADA being fully equipped for physically disabled persons.

It is our intent to provide safe and affordable housing well into the future. Each unit includes energy efficient kitchen appliances such as refrigerator, range with exhaust fan, microwave and dishwasher. Included in the rent are cold and hot water, sewer, and garbage. Each unit will have through wall air conditioning. For added convenience, each unit will include a washer and dryer. Rivers Edge will include a garbage chute on each floor. It will also include an office, community room with kitchenette, and bathrooms on the main level, as well as be smoke free.

5. Briefly describe the scope of construction work.
   Rivers Edge is a sixty (60) unit market rate workforce housing new construction in Fergus Falls. No zoning changes necessary for this site. A building permit would be required to start construction.

6. Will any of the units have income restrictions? If yes, how many of the units will have a restriction? Describe the sources and reasons for the restrictions (for example, another funding source requires the restrictions) and what the restrictions will be.
   No

7. Describe:
   Who currently owns the property? Mark & Brenda Christopherson
   Who will own the property during construction? Rivers Edge LLC
   Who will own the property at the time of rental availability? Rivers Edge LLC
   Will any of the above ownership structures include a public entity? Yes. The City of Fergus Falls currently has a Purchase Agreement with Mark & Brenda Christopherson for $950,000. The City has also received a grant from MN DEED under the Community Energy Transition Program to return the site to a greenfield for construction of workforce housing. The City has entered into a Letter of Intent with Rivers Edge LLC to sell the site clear of building, debris and environmental concerns for $300,000.

8. If this project is rehabilitation/repurpose or acquisition/rehabilitation, provide:
   a. Description of the current use of the property
   b. Description of how the proposal will expand the supply of workforce housing in the community

   N/A. Rivers Edge is a sixty (60) unit market rate workforce housing new construction in Fergus Falls.

Market Information

9. How does the proposal meet the workforce housing needs identified in the community?
   a. Include the need for additional market-rate housing related to actual and/or future job expansion/growth: Rivers Edge will be an added benefit to the community as it will offer sixty (60) units of needed market rate workforce housing which is in short supply and high demand. The Rivers Edge location will be easily accessible, being 1/2 mile away from many venues and destinations in downtown Fergus Falls. This 60 unit design will

include a community space for resident activities and unit amenities, competing with alternative market rate options found within the market area. An Initial Market Assessment for General Occupancy Workforce Rental Housing for Fergus Falls was completed by Maxfield Research & Consulting dated February 9, 2024. This study states that the city is still in need of rental housing units, estimating that the Fergus Falls 2030 employment base will be 9,810 jobs (up from 9,336 employment base in 2020). All developments draw a portion of their residents from outside of the PMA, who would be interested in relocating for new workforce rental units. Maxfield Research predicts the demand will be between 98-117 units over the next five years for residents outside the PMA. Given the absence of other projects and the relative lack of newer rental housing in the PMA in general, a new workforce housing development in the PMA would be able to capture 50% of the excess demand, or 49-59 units over the next five years.

b. Explain why the market has not filled (or will not fill) the documented need for workforce housing and why financial assistance is necessary: There were an estimated 2,255 rental units in Fergus Falls in 2024, with five newer market rate properties in the PMA, that were built after 2000. Within these five properties there were 214 units, of which eight were vacant. A vacancy rate of 3.7% is below the equilibrium rate of 5.0% and suggests that there is pent up demand in the marketplace. Affordable properties in the PMA are considerably older than their market rate counterparts, with the newest property being built in 1997, and the remaining five properties were built in the 1980's. Units at Rivers Edge would have significantly higher rents than the surveyed affordable units in the PMA and would likely have more attractive floor plans and amenities, which would likely make them well-received by the market. Workforce housing has higher rents than affordable units because workforce housing units target households that have higher incomes. The unit mix of Rivers Edge will be attractive to working households in the PMA. Given that the proposed development would be the newest affordable property in the PMA since the late 1990's, it will compete more directly with units at market rate properties. It is also serving a segment of the market that is not able to be served by LIHTC housing units. The primary reason the market has not filled the housing needs is simple. PreCovid interest rates for similary projects that D.W. Jones has developed were about 3.5%. For Rivers Edge, the higher cost of money reduces our borrowing capacity by $1,620,000. The other issue is inflation. Minnesota saw construction costs increase 30% during this time. This added $3,150.000 of extra cost to Rivers Edge. During this same time period, rents have increased 5% per year making little difference to high interest rates and construction costs. Without the assistance of the Workforce Housing Development Program, housing would not take place in Greater Minnesota.

c. Briefly summarize other important benefits of the proposal: Fergus Falls is a unique community with a strong sense of history and a bright future. Running through the heart of town is the Otter Tail River, which, for over 100 years, served Otter Tail Power's (OTP) coal-fired Hoot Lake plant. At full production in 1969, the Hoot Lake facility used 120 train cars of coal per week and employed 48 people, but times change and companies must adapt. OTP's modern energy portfolio diversification goals include a shift from coal-generated electricity toward clean energy initiatives. Closure of its coal-fired plant became inevitable. Headquartered in Fergus Falls and cognizant of its position as a pillar of the tax base, OTP began talks with the City of Fergus Falls regarding the closure of the Hoot Lake plant years before the closure occurred in 2021. In the years leading up to the plant closure and the years since, the City of Fergus Falls undertook studies and plans to best position the community for the estimated 6% loss to the tax base the plant closure would cause. For its part, OTP undertook an expansive solar project that annexed a further 360.05 acres into the City of Fergus Falls. However, a gap in the tax base will still be realized when the Hoot Lake plant is completely removed from the tax rolls. A 2017 master planning process brought the community's focus back to the Otter Tail River. Projects utilizing the river as a resource and inspiration for recreation and economic diversification came to fruition. Spies Riverfront Park, complete with river overlook, trail, food truck hookups, and an impressive 3-season building for hosting events and the weekly farmers market opened in the summer of 2022. By the summer of 2024, an extension of the trail across Mill St will connect a splash pad and another river overlook to Spies Park, totaling an investment of approximately $1O million in riverfront development across the two project phases. The historic Red River Flour Mill, which has been part of the city's skyline since 1915, is on track to be redeveloped into a boutique hotel by the fall of 2024 in a $7 million dollar renovation. A $9 million dollar redevelopment of a former big box retailer will anchor downtown after construction starts in 2024. The Fergus Falls Port Authority completed cleanup of a former industrial site along the river in 2022 and began marketing the property for housing development in early 2023. The 2023 legislative session ended with Fergus Falls receiving $4 million to connect the downtown trail system and update the rail crossings across the Port Authority's property to establish new public access to the river on the site. The idea to transition former industrial sites along the river into housing stemmed initially from anecdotal evidence regarding a lack of housing brought forth during the public engagement process of the 2017 master planning process and was further supported by a 2021 Housing Needs Analysis for Otter Tail County (OTC). The analysis notes that OTC has a diverse employment base. The Education and Health Services Sector is the largest employment sector, though manufacturing firms are the most common industry sector. Most of OTC's largest employers are in Fergus Falls, which contains 13 of the 20 largest employers. Employment data from the Minnesota Department of Employment and Economic Development (MN DEED) projects total employment in the Northwest Planning Area (in which OTC is situated) to increase by 3.2% between 2018 and 2028. As firms in the area have grown, they have required more workers. Workers require affordable housing, often rental housing, until they can find a single-family home that is in their price range. According to multiple sources, the mismatch between employees being able to find affordable housing near their place of work and the price and inventory of housing currently available has been a growing problem for many years. This mismatch is recognized by employers, who comment that they are having trouble recruiting and retaining employees due to a lack of housing that employees can afford. In an effort to support and grow its existing tax base, the City of Fergus Falls is therefore taking the lead on a workforce housing project. Noted as a redevelopment opportunity site for housing development in the 2017 Downtown Riverfront Master Plan is a site called the Old Lumber Yard. The Old Lumber Yard is the site where Rivers Edge will be constructed. This site is just over 8 acres along residential Stanton Avenue and is adjacent to the Port Authority's riverfront property. The old lumber yard site is currently used for storage. It attracts numerous police calls every year for break-ins and vandalism. The City of Fergus Falls will use $650,000 of Energy Transition dollars to acquire the site. The purchase agreement will provide that the seller will conduct environmental and geotechnical investigations to determine if hazardous substances or petroleum products have been stored, disposed of, or located on the property. If the investigation identifies contamination, the seller shall remediate and clean up the property. The site is to be returned to a graded level buildable site by closing on or before June 1, 2025. All demolition costs, environmental and geotechnical investigation costs, clean up and remediation costs, and site leveling costs will be incorporated in the $950.000 acquisition price.

NOTE: A market analysis or formal market study is not required; however, if a market analysis or formal market study is submitted, provide information in the narrative below and refer to the supporting information. If the market analysis or formal market study is two or more years old, provide current market information to support the finding.

10. Describe how the proposed housing will serve the local workforce. Specifically:
    a. Demonstrate that the proposed rent levels match the community's local wages, particularly for sectors with job growth and employees who are likely to rent.
    b. Provide information about actual or expected job growth and describe the type of industry and the anticipated wages. Provide the source of the job and wage information. If you collected the information, explain how you collected it.
    c. Describe how the proposed unit sizes match the household sizes of the local workforce, particularly for sectors with job growth and employees who are likely to rent (if the information is available).
    d. Provide other relevant information.

Rivers Edge will be constructed to address the workforce housing shortage in Fergus Falls. Rivers Edge will provide a mix of studio, one and two bedroom units of workforce housing to fill the housing gap in the community. The building will consist of ten (10) studio units with rent of $850, twenty-three (23) 1 bedroom 1 bathroom units with rent of $950-$985, fourteen (14) 2 bedroom 1 bathroom units with rents of $1,075-$1,125, five (5) 2 bedroom 2 bathroom units with rents of $1,225, and eight (8) 3 bedroom 2 bathroom units with rents of $1,300-1,350. Rivers Edge will be favorable to all households currently in Fergus Falls or moving into the area as it will be the newest rental property in the area since the late 1990's. The site is located in an area attractive to its targeted tenants. The project's proximity to existing residential housing demonstrates the site's viability for residential use. Grocery, pharmacy, retail services, and public facilities (government offices, post office, parks and schools) are all found within two miles of the site, and are readily available via automobile, Otter Express, or other public transportation. Proximity to employment is often a primary consideration when choosing where to live. Approximately 75% of the workers employed in Fergus Falls reside inside the PMA, while 25% commute from outside the PMA. There appears to be an opportunity to provide housing options for a portion of these workers. Education and Health Services is the largest employment sector in Fergus Falls with 3,135 jobs, or 33% of the total workforce. The number of business establishments expanded by 0.5% over the year, adding 3 businesses, with the largest growth occurring in the Leisure and Hospitality sector and Other Services sector, which saw increases of 4 and 2 firms, respectively. Average weekly wages in Fergus Falls are $1,013, which is 8.4% higher than Otter Tail County ($934). Average rents for newer market rate properties in Fergus Falls ranged from a low of $650 for an efficiency unit to a high of $1,201 for a three bedroom unit. The average market rental rate for a one bedroom unit was $971 per month. Based on this rent, a household will need to have an annual income of $38,840 or greater to not exceed 30% of its income on housing. A household earning the average weekly wage in Fergus Falls would be able to afford a home/unit renting for an estimated $1,216 per month. A single earner would need to make $16.35 per hour for a studio, $18.27 for a one bedroom, $22.21 for a two bedroom, and $25.00 for a three bedroom. Two earner families would need to make $8.17 per hour for a studio, $9.13 for a one bedroom, $11.11 for a two bedroom, and $12.50 for a three bedroom, making Rivers Edge affordable. Based on current and projected market conditions and vacancy rates among the existing competitive properties in the PMA, a multi-unit rental development starting construction in late spring of 2025 and and coming on-line in spring 2026 would have approximately 30% of its units pre-leased with the remaining units leasing at a rate of 8-10 units per month, on average. At this absorption rate, stabilized occupancy would be reached in roughly four to five months.

11. List the name(s) of the local business(es) that have provided letters of support and the number of full-time employees each business has.
    Local businesses such as Lake Region Healthcare with over 1,100 employees, and Vector Windows with 143 employees, have stated their plans for growth is limited by the lack of workforce housing to accommodate new employees, and have lost potential employees during the hiring process due to them not being able to find affordable housing in the area. A rapid improvement to workforce housing is a critical need for the community in general. The mix of

studio, one, two and three bedroom units are favorable for all households currently in Fergus Falls or wishing to move into the area.

Development Team

Development Team Information Requested	Response
Developer	D. W. Jones, Inc.
Architect	Cole Group Architects
General Contractor	Miller Architects & Builders
Management Company	D. W. Jones Management, Inc.
Will the developer also be acting as the general contractor? (Yes or No)	No

12. Briefly explain the developer's experience with multifamily housing development, including the number of years and other projects they have recently worked on.

- D. W. Jones, Inc. has demonstrated their commitment to "Creating Better Living" through the development and acquisition of sixty-five (65) multi-family housing tax credit and subsidized housing properties, including Rural Development, Minnesota Housing, HUD, market rate and assisted living properties. These projects are located in thirty-three different communities throughout Minnesota totaling 2,343 units with a development, acquisiton & rehabilitation costs of over two hundred seventy five million dollars.
  D. W. Jones, Inc. has previously been awarded workforce housing funds for several projects originally administered through DEED, then subsequently administered by Minnesota Housing. West River Falls Estates, a one hundred four (104) market rate unit housing project in Thief River Falls opened June 2016. Forest Ridge Apartments, a thirty-two (32) unit market rate housing project in Glenwood opened April 2018. The Colony, a thirty-six (36) unit market rate housing project in Pelican Rapids opened September 2020. Central Lakes Apartments, a thirty-seven (37) units market rate housing project in Alexandria opened March 2021. 2nd Ave Apartments, a thirty-seven (37) unit market rate housing project in Long Prairie opened June 2021. Eleven01, a thirty-seven (37) unit market rate housing project in Roseau opened July 2022. Icon Apartments, a sixty-five (65) unit market rate housing project in Warroad opened October 2023.

13. Briefly explain the architect's experience with multifamily housing development, including the number of years and the projects they have recently worked on.
    Cole Group Architects, LLC, was established in 1992. Cole Group offers complete architectural services from early planning and feasibility studies to construction documents, specifications, and job site inspections. D. W. Jones, Inc. has worked with Cole Group on several projects, including all seven of the D. W. Jones, Inc. workforce housing projects listed above.

14. Will the architect firm provide architectural supervision? If not, what are the plans to provide such supervision?
    Yes. Architectural supervision is included in the contract.

15. Briefly explain the general contractor's experience with multifamily housing development, including the number of years and other projects they have recently worked on.
    Miller Architects & Builders, Inc. was established in 2016. Miller Architects has provided General Contractor and construction supervision services to 22 projects totalling 1,385 units for a total construction cost of over two hundred and twelve million. D. W. Jones, Inc. has worked with Miller Architects on several projects, including all seven of the D.W. Jones, Inc workforce housing projects listed above.

16. Briefly explain the property management company's experience with multifamily housing development, including the number of years and other projects they have recently worked on.
    D.W. Jones Management, Inc, was established in 1997 to ensure that proper management was being administered to a growing multi-family low-income housing tax credit and subsidized housing portfolio. To date, D.W. Jones Management has fee contracts for 111 projects totaling 3,691 units located throughout Minnesota. The staff size has increased to thirty-six full time employees managing rental property in a geographic area defined by Zimmerman, MN, to the south, Roseau and Warroad, MN, to the north, Duluth and Silver Bay, MN, to the east and East Grand Forks, MN, to the west. D.W. Jones Management, Inc. currently staffs two site office locations to better serve the owner, the property and the community. These sites are located in Grand Rapids, and Baxter, MN. D.W. Jones Management, Inc. is the management agent on all seven workforce housing projects listed above.

General Information

17. Describe the current public infrastructure to support this development (ex. water, sewer, roads, and electricity). If not currently in place, describe the infrastructure needed, include the cost, the timetable of installation, and how the infrastructure will be paid.
    The proposed site currently has buildings located on it and is served by public water and sewer. Water enters the site off of Stanton Avenue, a paved public street, through a 6" main. There are two existing fire hydrants on site. Sewer is coming from the south from a 24" line that connects to the site under the railroad tracks.

18. Describe the current status of all required approvals, building permits and zoning, and identify any that have not yet been formally obtained.
    Rivers Edge is a sixty (60) unit market rate workforce housing new construction project in Fergus Falls. There is no rezoning necessary for this site. All approvals are in place . Rivers Edge is ready to move forward with construction. Working drawings have been reviewed and is

shovel ready to start once funding has been awarded. Rivers Edge would only require a building permit to start construction.

19. f funds are awarded, when do you expect construction to begin and to be completed? Provide the expected month and year for both.
We anticipate construction to begin July 2025 with completion June 2026.

Financing Information

20. Who or what is providing the minimum matching funds of one dollar for every two dollars requested? In addition to the government resolution, provide documentation (for example, a letter from a local business, government or nonprofit) stating the amount of the match. If the match will be an in-kind donation, include the monetary value and supporting documentation of the value (for example, a valuation of land donation or an invoice for the materials donated).
NOTE: Funds from the developer, or an entity affiliated with the developer, will not qualify for the match requirement unless they are an Eligible Recipient and approved in writing.
The total amount of Tax Increment Financing generated is $2,790,582 plus a donation from the Housing and Redevelopment Authority of Fergus Falls in the amount of $25,000 for a total of $2,815,582.

21. For all other sources of financing listed in the workbook's Sources and Uses table, indicate below where they are coming from and if they have been formally secured. Review the Application Checklist for more information about what supporting documentation is needed and what must be included for it to count toward the project's secured financing.

- $4,835,000 - First Mortgage
- A First Mortgage has been requested from Bremer Bank for a 5 year loan at the rate of 6% and interest only for 24 months.
- $1,124,260 - TIF Mortgage
- A TIF Mortgage has been requested from Bremer Bank for a 26 year loan at the rate of 6% and interest only for 24 months.
- $1,045,000 – Developer Cash Equity
- $15,400 - Energy Rebates
- We have currently identified energy rebates to benefit Rivers Edge.
- $25,000 - Housing and Redevelopment Authority Donation
- The Fergus Falls Housing and Redevelopment Authority has committed $25,000 to the construction of Rivers Edge.
- $4,493,400 - Minnesota Workforce Housing Development Program
A grant has been requested from Minnesota Housing.

Certification

I certify that, to the best of my knowledge, the information I have provided in the application material is true and accurate. I acknowledge that some information provided in the application material may be or become public data, which is accessible to the public pursuant to the Minnesota Government Data Practices Act (Minnesota Statutes, Chapter 13).

Signature	Printed Name
Title	Date

Workforce Housing Development Program Certification Form

Effective January 2024

Instructions: Applicants must complete, sign, and submit this Certification Form with their application for Workforce Housing Development Program funds.

Eligible Project Area

The applicant certifies that the application being submitted is for the following Eligible Project Area type:

- ☒ A home rule charter or statutory city located outside of the metropolitan area with a population exceeding 500; or
- ☐ A community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city, located outside the metropolitan area;
- ☐ An area located outside of a Metropolitan County that serves a federally recognized Indian Tribe in Minnesota, or their associated Tribally Designated Housing Entity as defined by United States Code, title 25, section 4103(22), as approved in writing by the Minnesota Housing Finance Agency (Minnesota Housing); or
- ☐ An area served by a joint county-city economic development authority.

Vacancy Rate

The applicant certifies that the average vacancy rate for rental housing located in the Eligible Project Area, and in any other city located within 15 miles of the boundaries of the area, has been 5% or less for at least the prior two-year period.

Qualified Expenditures

The applicant certifies that the Workforce Housing Development Program funds requested will be used for project-specific costs resulting in the direct development of Market Rate Residential Rental Properties to serve employees of businesses located in the Eligible Project Area or surrounding area.

Environmental Issues

The applicant certifies that any known environmental issues, and any issues discovered during project construction, will be mitigated in accordance to all local, state, and federal laws.

Building Standards

The applicant certifies that the developer, architect, general contractor, and all other parties will adhere to the local building code. If an eligible project area does not have a local building code, the applicant certifies that the developer, architect, general contractor, and all other parties will adhere to the state of Minnesota building code.

Compliance with Local, State and Federal Laws

The applicant certifies that the project will be completed in accordance with all local, state, and federal laws, as well as applicable Minnesota Housing policies.

Maximum Loan Funds

The applicant certifies that the amount of loan funds may not exceed 50% of the rental housing development project cost.

Eligible Properties

The applicant certifies that funds will only be used for Market Rate Residential Rental Properties, which are properties that are rented at market value, including new modular homes, new manufactured homes, and new manufactured homes on leased land or in a manufactured home park. Properties may include rental developments that have a portion of income or rent restricted units.

Matching Funds

The applicant certifies that the source of matching funds is not from the developer or from an entity affiliated with the developer, unless they are an Eligible Recipient and the match is approved in writing by Minnesota Housing.

Signature

I certify and acknowledge that:

A. The statements and information contained on this Workforce Housing Certification Form, based upon reasonable inquiry and belief, are true, accurate, and complete.

The applicant will promptly notify the Minnesota Housing in writing of a change of any fact or circumstance represented in this certification form, or in any other document furnished in connection with the application, which is reasonably likely to have a material effect on the information contained in the application.

Authorized Signatory Printed Name

Title Date

CERTIFIED COPY OF RESOLUTIONS ADOPTED BY THE

MEMBERS OF _____

____

I HEREBY CERTIFY, that I am the duly elected Secretary and keeper of the records of _____ {Insert Legal Name of Recipient}, a _____ {Insert Designation} ("Recipient"), that the following is a true and correct copy of Resolutions duly and unanimously adopted by all of the members of the [*city council]* of Recipient on _____, 20______, all of the members being present and constituting a quorum for the transaction of business; further, that such meeting was called in compliance with all applicable laws and any other requirements of Recipient; that such Resolutions do not conflict with any laws of Recipient nor have such Resolutions been in any way altered, amended or repealed and are in full force and effect, unrevoked and unrescinded as of this day, and have been entered upon the regular Minute Book of Recipient, as of the aforementioned date, and that the members of the [*city council]* of Recipient have, and at the time of adoption of such Resolutions, had full power and lawful authority to adopt such Resolutions and to confer the powers thereby granted to the officer(s) therein named who has (have) full power and lawful authority to exercise the same:

WHEREAS, Recipient has submitted an application (the "Application") for a project (the "Project") pursuant to the Workforce Housing Development Program ("Program") in order to obtain funding from the Minnesota Housing Finance Agency ("Minnesota Housing").

WHEREAS, on this _____ day of _____, 20______, there has been presented to the meeting of the [*city council]* of Recipient a proposal for Recipient, upon selection by Minnesota Housing, to enter in to a Deferred Loan Agreement pursuant to the Program in order to obtain funding from Minnesota Housing .

NOW, THEREFORE, BE IT RESOLVED, that Recipient is authorized to enter into a Deferred Loan Agreement, substantially in the form as attached to these Resolutions as **Exhibit A**, pursuant to the Program in order to obtain funding from Minnesota Housing in an amount not to exceed $_____ (the "Loan").

BE IT FURTHER RESOLVED, that Recipient is an Eligible Project Area, as defined in Minnesota Statute Section 462A.39, subdivision 2, has the legal authority to apply for financial assistance, and has the institutional, managerial and financial capability to ensure adequate construction, operation, maintenance and replacement of the Project for its design life.

BE IT FURTHER RESOLVED, that Recipient certifies that it will use the Loan for qualified expenditures for the Project to serve employees of business located in the _____ (Eligible Project Area) or surrounding area.

BE IT FURTHER RESOLVED, that the Loan will be matched by _____ (local unit of government, business, nonprofit organization, or federally recognized Indian Tribe in Minnesota) with at least $1 for every $2 provided.

BE IT FURTHER RESOLVED, that Recipient certifies that the average vacancy rate for rental housing located in _____ (Eligible Project Area), and in any other city located within 15 miles or less of the boundaries of the area, has been five percent or less for at least the prior two-year period.

BE IT FURTHER RESOLVED, that the Loan will not exceed 50 percent of the Project costs.

BE IT FURTHER RESOLVED, that _____ (Title of First Authorized Official) and _____ (Title of Second Authorized Official), or their successors in office, are hereby authorized to execute the Deferred Loan Agreement and such other agreements, and amendments thereto, as are necessary to implement the Project on behalf of Recipient.

BE IT FURTHER RESOLVED, that Minnesota Housing is authorized to rely on the continuing force and effect of these Resolutions until receipt by the Commissioner of Minnesota Housing at its principle office of notice in writing from Recipient of any amendment or alteration of such Resolutions.

ATTEST:

____

Secretary

____

Dated: , 20

____

(Seal)

Exhibit A

MINNESOTA HOUSING FINANCE AGENCY
DEFERRED LOAN AGREEMENT

This Deferred Loan Agreement is between the Minnesota Housing Finance Agency ("MHFA') and [GIVE THE FULL NAME OF THE BORROWER INCLUDING ITS ADDRESS] (the "Borrower").

Recitals

1. Under Minn. Stat. §462A.39, MHFA is empowered to enter into this Deferred Loan Agreement.

2. The MHFA is in need of the development of rental housing to serve the employees of local businesses ("Workforce Housing") in [COUNTY], City of [CITY] pursuant to MHFA's Workforce Housing Development Program (the "Program").

3. The Borrower represents that it is duly qualified and agrees to perform all activities described in this Deferred Loan Agreement to the satisfaction of MHFA. The Borrower agrees to minimize administrative costs as a condition of this Deferred Loan Agreement.

Deferred Loan Agreement

1 Term of Deferred Loan Agreement

1.1 ***Effective date:***

The effective date of this Deferred Loan Agreement is [SPELL OUT FULL DATE (e.g., July 1, 2022)]. The Borrower must not begin work until this Deferred Loan Agreement is fully executed and MHFA's Authorized Representative has notified the Borrower that work may commence. No funds will be disbursed to the Borrower until this Deferred Loan Agreement is fully executed.

1.2 ***Construction period:***

The construction period for the Program begins with the Effective Date of this Deferred Loan Agreement and continues through the later of [SPELL OUT FULL DATE (e.g., June 1, 2025)] or any extension of this period agreed to in writing by MHFA (the "Construction Period"). All funds provided through this Deferred Loan Agreement must be fully expended in compliance with this Deferred Loan Agreement by the end of the Construction Period.

1.3 ***Survival of Terms.***

The following clauses survive the expiration or cancellation of this Deferred Loan Agreement: 8. Liability; 9. State Audits; 11. Publicity and Endorsement; 12. Governing Law, Jurisdiction, and Venue; and 14. Data Disclosure.

2 Duties and Contracts

2.1 **Borrower's Duties**

The Borrower has made application to MHFA for the purpose of administering a Program project in the manner described in the Borrower's application (the "Project") which is incorporated into this Deferred Loan Agreement by reference.

The Borrower, who is not a state employee, is awarded funds to provide financial assistance to address the need for Workforce Housing. The Project includes: [INSERT BRIEF DESCRIPTION OF PROJECT INLCUDING TYPE (NEW CONSTRUCTION/ADAPTIVE REUSE, ETC.), AND NUMBER OF UNITS].

The Borrower will be in compliance with the Workforce Housing Development Program Guide, as amended (the "Program Guide"), which is incorporated into this Deferred Loan Agreement.

2.2 **Provisions for Contracts and Sub-grants.**

(a) Contract Provisions. The Borrower must include in any contract and subcontract, in addition to provisions that define a sound and complete agreement, such provisions that require recipients and subrecipients to comply with applicable local, state and federal laws, rules, regulations and ordinances, as well as any applicable MHFA policies.

(b) Use of Program Funds. The Program Funds (as defined below) awarded under this Deferred Loan Agreement may only be used by the Borrower or awarded by the Borrower to third parties as grant funds or loans in accordance with the terms of the Program Guide. All Program Funds must be used by an Eligible Project Area for the Qualified Expenditures of a Market Rate Residential Rental Property (as such terms are defined in the Program Guide). If awarded as a loan, any fees or interest charged cannot unduly enrich any parties involved beyond the approximate cost of the administrative costs associated with the Project.

3 Time

The Borrower must comply with all time requirements described in this Deferred Loan Agreement and the Program Guide. In the performance of this Deferred Loan Agreement, time is of the essence. Project construction must commence and be completed within the Construction Period

4 Loan

4.1 ***Loan Amount.***

The total principal loan amount by MHFA to the Borrower under this Deferred Loan Agreement will not exceed $[ENTER AWARD AMOUNT] (the “Program Funds”).

4.2 ***Repayment***

The Borrower promises to pay to MHFA the Program Funds with simple interest, if any, of 0% per annum accruing on such amounts of principal as may be advanced from time to time.

Further, the Program Funds and all accrued interest, if any, less any amounts previously paid or forgiven, are due and payable in one lump sum on the earlier to occur of: (i) a Default (as described below); or (ii) the ____ day of ____, 20___ (the “Maturity Date”).

A Default occurs upon written notice by MHFA to the Borrower of noncompliance with this Deferred Loan Agreement or the Program Guide and failure of the Borrower to cure the noncompliance to the satisfaction of MHFA within 30 days of such notice.

Repayment of the Program Funds will be forgiven upon the Maturity Date provided: (i) MHFA has not given the Borrower notice of a Default; and (ii) the Borrower is in full compliance with this Deferred Loan Agreement and the Program Guide.

All amounts due are payable at the offices of MHFA, 400 Wabasha Street North, Suite 400, St. Paul, MN 55102-1109, or such other place as MHFA may designate in writing.

If a failure to pay the amounts due under this Deferred Loan Agreement occurs, and if the same is submitted for collection by MHFA, its successor and assigns, the Borrower must pay all costs of collection, including reasonable attorney's fees.

All parties to this Deferred Loan Agreement, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest and notice of dishonor.

4.3 ***Disbursement***

For all disbursements of Program Funds, the Borrower must be in compliance with this Deferred Loan

Agreement and the Program Guide and complete and submit a Workforce Housing Development Program Disbursement Request Form, attached to this Deferred Loan Agreement as **Exhibit A,** to MHFA for review and approval. MHFA will promptly pay the Borrower up to one third of the Program Funds on or after closing. The Borrower may request an additional one third of the Program Funds as needed upon commencement of Project construction. The remaining one third of the Program Funds will be withheld for final disbursement and will not be released until construction completion of the Project and upon completion of all reporting and monitoring requirements pursuant to this Deferred Loan Agreement.

4.4 ***Return of Funds***

The Borrower must promptly return to MHFA any Program Funds that have: (i) not been accounted for in a financial report to MHFA due annually or at Deferred Loan Agreement closeout; or (ii) not been used in compliance with the Program Guide.

4.5 ***Contracting and Bidding Requirements***

The Borrower must comply with all applicable prevailing wage requirements as further described in the Legal Addendum attached to the Program Guide.

The Borrower must not contract with vendors who are suspended or debarred in MN: http://www.mmd.admin.state.mn.us/debarredreport.asp

4.6 ***Prepayment***

The Program Funds may be prepaid in whole or in part at any time without premium or penalty; provided, however, that payment by Borrower to MHFA of the amount of the Program Funds or any portion thereof shall not be deemed to be or constitute a release of Borrower from the terms or requirements of this Deferred Loan Agreement.

5 Conditions of Payment

All activities performed by the Borrower under this Deferred Loan Agreement must be performed to MHFA's satisfaction, as determined at the sole discretion of MHFA's Authorized Representative and in accordance with all applicable federal, state, and local laws, ordinances, rules, and regulations. The Borrower will be responsible for repaying any Program Funds found by MHFA to be noncompliant with this Deferred Loan Agreement or used in violation of federal, state, or local law.

6 Authorized Representative

MHFA's Authorized Representative is **Sara Bunn, Program Manager, 651.296.9827, sara.bunn@state.mn.us, 400 Wabasha St N, Suite 400, St. Paul, MN 55102** or her successor, and has the responsibility to monitor the Borrower's performance under this Deferred Loan Agreement.

The Borrower's Authorized Representative is [NAME, TITLE, ADDRESS, TELEPHONE NUMBER, EMAIL]. If the Borrower's Authorized Representative changes at any time during this Deferred Loan Agreement, the Borrower must immediately notify MHFA.

7 Assignment Amendments, Waiver, and Deferred Loan Agreement Complete

7.1 ***Assignment***

The Borrower shall neither assign nor transfer any rights or obligations under this Deferred Loan Agreement without the prior written consent of MHFA, approved by the same parties who executed and approved this Deferred Loan Agreement, or their successors in office.

7.2 ***Amendments***

Any amendments to this Deferred Loan Agreement must be in writing and will not be effective until it has been executed and approved by the same parties who executed and approved the original Deferred Loan Agreement, or their successors in office.

7.3 ***Waiver***

If MHFA fails to enforce any provision of this Deferred Loan Agreement, that failure does not waive the provision or MHFA's right to enforce it.

7.4 ***Deferred Loan Agreement Complete***

This Deferred Loan Agreement contains all negotiations and agreements between MHFA and the Borrower. No other understanding regarding this Deferred Loan Agreement, whether written or oral, may be used to bind either party.

8 Liability

The Borrower must indemnify, save, and hold MHFA, its agents, and employees harmless from any claims or causes of action, including attorney's fees incurred by MHFA, arising from the performance of this Deferred Loan Agreement by the Borrower or the Borrower's agents or employees. This clause will not be construed to bar any legal remedies the Borrower may have for MHFA's failure to fulfill its obligations under this Deferred Loan Agreement.

9 State Audits

Under Minn. Stat. § 16B.98, Subd.8, the Borrower's books, records, documents, and accounting procedures and practices of the Borrower or any other party relevant to this Deferred Loan Agreement or transaction are subject to examination by MHFA and/or the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this Deferred Loan Agreement, receipt and approval of all final reports, or the required period of time to satisfy all MHFA program retention requirements, whichever is later.

10 Workers Compensation

The Borrower certifies that it is in compliance with Minn. Stat. § 176.181, Subd. 2, pertaining to workers' compensation insurance coverage. The Borrower's employees and agents will not be considered MHFA employees. Any claims that may arise under the Minnesota Workers' Compensation Act on behalf of these employees and any claims made by any third party as a consequence of any act or omission on the part of these employees are in no way MHFA's obligation or responsibility.

11 Publicity and Endorsement

11.1 ***Publicity***

Any publicity regarding the subject matter of this Deferred Loan Agreement must identify MHFA as the sponsoring agency and must not be released without prior written approval from MHFA's Authorized Representative. For purposes of this provision, publicity includes notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for the Borrower individually or jointly with others, or any subcontractors, with respect to the program, publications, or services provided resulting from this Deferred Loan Agreement.

11.2 ***Endorsement***

The Borrower must not claim that MHFA endorses its products or services.

12 Governing Law, Jurisdiction, and Venue

Minnesota law, without regard to its choice-of-law provisions, governs this Deferred Loan Agreement. Venue for all legal proceedings out of this Deferred Loan Agreement, or its breach, must be in the appropriate state or federal court with competent jurisdiction in Ramsey County, Minnesota.

13 Termination

MHFA may immediately terminate this Deferred Loan Agreement if MHFA finds that there has been a failure to comply with the provisions of this Deferred Loan Agreement or the Program Guide, that reasonable progress has not been made or that the purposes for which the funds were loaned have not been or will not be fulfilled. MHFA may take action to protect the interests of the State of Minnesota, including the refusal to disburse additional funds and requiring the return of all or part of the funds already disbursed.

14 Data Disclosure

Under Minn. Stat. § 270C.65, Subd. 3, and other applicable law, the Borrower consents to disclosure of its social security number, federal employer tax identification number, and/or Minnesota tax identification number, already provided to MHFA, to federal and state tax agencies and state personnel involved in the payment of state obligations. These identification numbers may be used in the enforcement of federal and state tax laws which could result in action requiring the Borrower to file state tax returns and pay delinquent state tax liabilities, if any.

15 Responsible Contractor Requirement

The Borrower agrees that it and its contractors will fully comply with all applicable provisions contained in Minn. Stat. §16C.285, as amended.

2. BORROWER

The Borrower certifies that the appropriate person(s) has/have executed the Deferred Loan Agreement on behalf of the Borrower as required by applicable articles, bylaws, resolutions, or ordinances.

By:____

Title:____

Date:____

By:____

Title:____

Date:____

3. MINNESOTA HOUSING FINANCEAGENCY

By:____
(with delegated authority)
Title:____

Date:____

Distribution:
Agency
Borrower
MHFA's Authorized Representative

EXHIBIT A

Workforce Housing Development Program Disbursement Request Form

Workforce Housing Development Program
Payment Information

Summary

This form must be completed, signed, and submitted to MHFA prior to receiving a disbursement of funds. To complete the form, enter the amount of funds you are requesting and a summary of what the funds will be used for. Have the form signed by an Authorized Representative. Submit the completed form to Sara Bunn at WorkforceHousingDevProg.MHFA@state.mn.us.

Disbursement Request and Justification

Amount Requested (not to exceed one-third of the total award): _____

Use the space below to document what the funds will be used for:

_____

Authorized Representative Signature

Authorized Representative Name: ______________________________

Authorized Representative Title: ______________________________

Date Signed: ______________________________

Authorized Representative Signature: ______________________________