

Special City Council Meeting  
April 24, 2024

The Fergus Falls City Council held a special meeting on Wednesday April 24, 2024, at 7:00 am in the City Council Chambers. Mayor Schierer called the meeting to order, and the following council members were in attendance: Kremeier, Thompson, Rachels, Hicks, Fish, Job, Kvamme and Rufer.

**Redevelopment Tax Increment Financing District for 801 W Stanton Avenue**

Mikaela Huot of Baker Tilly Municipal Advisors reviewed the assistance request for Tax Increment Financing (TIF) for redevelopment district 4-17 at 801 W Stanton Avenue. The developer is proposing to build a 60-unit apartment complex to accommodate the city's need for workforce housing and the estimated project cost is \$11,534,700. The developer is seeking \$1,124,260 financial assistance in the form of TIF and \$4,493,400 from the Minnesota Housing Workforce Housing grant program. Prior to establishing a tax increment financing district, the city must determine the project qualifies for a TIF district, if it would proceed without public assistance (but/for test) and if the increased market value of the property to be developed is greater with tax increment than if no public assistance is provided. Based on their financial analysis the project would not be possible without financial assistance due to the extraordinary redevelopment costs, current market conditions, projected debt coverage ratios and rates of return being below industry standards for these types of projects. Huot reviewed the sources and uses of funds, tax increment revenue assumptions and estimates and noted this will be a pay-as-you-go financing where the developer would finance all project costs upfront and would be reimbursed over time for a position of those costs as revenues are available. The existing land value is \$409,300 with a base net tax capacity of \$5,116. The estimated total completion value is the project is \$6,300,250. The total estimated net tax increment over 26 years is \$2,790,582.

Hicks was concerned with the economics of the project and felt 26 years was too long to offer TIF and asked about the infrastructure needs. There are water and sewer mains running to the building and it would be the developer's responsibility to run the utilities from the main to the building. Kremeier asked for the cost of the monthly mortgage which was confirmed as \$29,000 per month. Mayor Schierer spoke about the Minnesota Workforce Housing Program; the city's need to offer more housing to help our local businesses grow and prevent Fergus Falls from falling behind other communities. The city will continue to generate \$5,116 annually in taxes. Although the collection of the additional revenue will be delayed by offering TIF over 26 years, it will cost the community more if nothing happens. Developer Skip Duchesneau of D. W. Jones Inc. explained the Minnesota Workforce Housing Development Program normally has \$2-4 million available for housing projects. This year \$39 million is available through a competitive grant process. D. W. Jones plans to submit seven applications on behalf of other communities, and he spoke about 24-26 years of TIF and/or tax abatement being provided by those communities. The city would be giving up additional taxes for some time, but with additional housing options, more people are moving to the community which supports our schools and local economy. He stated other communities are moving forward to meet their housing needs and it is up to Fergus Falls to decide if they want workforce housing.

Kremeier said Alexandria is getting new businesses while Fergus Falls is not, questioned if there truly is a need for more housing and stated his opposition to providing TIF for 26 years. Duchesneau said it is possible for companies to grow without housing, but with the competitive nature of attracting businesses, housing for the workforce is a genuine concern of businesses. Mayor Schierer agreed noting Lake Region Healthcare, Pioneer Care and Vector Windows have all provided letters of

support for the Minnesota Workforce Housing funds and their desire for Fergus Falls to develop more housing options to attract workers. Rufer said if our community's largest employers are supportive of workforce housing projects, it should not be the council's role to second guess their business decisions. He felt the anti-TIF sentiment is prohibiting Fergus Falls from growing and questioned why the city would not do everything in their power to grow businesses and attract new residents. Duchesneau reminded the council the city agreed to loan the current property owner \$950,000 to remove the structures and clean up the site and they have received \$650,000 from the state to fund the loan. Their letter of intent for \$300,000 to purchase the property would make the city whole on this transaction, clean up a blighted site and develop workforce housing, an identified community need.

Kremeier asked why other developers were not asked to submit a proposal. Mayor Schierer said the city often speaks to local developers about opportunities, but none of them have technical experience in dealing with multiple funding sources for a project of this magnitude. when he learned of the Minnesota Workforce Housing funds, he called DEED for a list of potential developers and D. W. Jones was recommended as an option. Knowing their experience and reputation he contacted them to gauge their interest. If this project is successful, it can be used as a blueprint for other developers wishing to take on other projects including the redevelopment of the former dairy property. Duchesneau said they don't compete on an RFP process, and it is not unusual for an elected official to contact them about a potential project. Rufer said the city often entertains proposals from developers and this developer is taking the risk on our community with a \$11.5 million project. He felt any implications of impropriety are incorrect and not appreciated.

The public hearing was continued at 7:42 AM

- Laurie Mullen asked the developer for comparisons to their projects in other communities, and Duchesneau answered the questions about tax abatement, TIF financing and those projects.
- Donnie Olson understood the need to be economically competitive with other communities but was not convinced housing is a key to economic development. He was opposed to offering TIF for 26 years.
- Lance Anderson spoke in favor of the project noting in his daily interactions with business owners through Greater Fergus Falls, their biggest struggle is finding workers due to the lack of housing in the community. He felt moving the community forward was more important than worrying about the number of years in a TIF district. An experienced contractor with a successful track record was the best way for the city to proceed.
- Jeff Ackerson, Vector Windows spoke about their need for workforce housing to grow their business and how important it is for other local businesses as well. He reminded the council tax increment financing does not mean the city gives away their tax base. The city will continue to receive the current level of property taxes on this site and the additional revenue will be captured with time. He shared during a business site selection process, communities that offer workforce housing are preferred and he urged the council to help invest and grow businesses within Fergus Falls.
- Debbie Smith questioned the proposed rental rates feeling they are not affordable. Duchesneau explained the rental units were priced at market, not low-income rates which was supported by the market study they completed.

- Bob Noah was concerned with the proximity of the structure to the river and about the site's management. Duchesneau said their management company will oversee the day-to-day operations of the building and spoke of their experience in running 50 other housing structures.
- Pam Ballard felt the opinions and questions all are important to be heard.
- Mark Leighton does not feel the city can afford to give TIF and the developer would benefit from the project more than the community. He referenced figures, scenarios and costs he believes will be passed onto the taxpayers. He did not feel business would come if additional housing was available and as there are already homes available for sale and encouraged the city to purchase the property, clean it up and wait for a developer to come forward later.

The public hearing closed at 8:09 am.

Mayor Schierer clarified Mr. Leighton's comments noting the city would continue to receive the current tax base of \$5,116 per year and the increase would be captured based on the construction in future years. There would be no additional tax burden to the residents as alleged. Thompson shared his wife is a housing leasing agent and apartments listings are at a premium with too few apartments and long waiting lists. Fish offered **Resolution #83-2024** creating a Tax Increment Financing Redevelopment District at 801 W Stanton, which was seconded by Rufer and was adopted 6-2 with Kremeier and Job voting in opposition.

#### **Letter of Intent**

Rachels offered **Resolution #84-2024** accepting a Letter of Intent from Rivers Edge LLC, an affiliate of D. W. Jones Inc. to acquire the property at 801 W Stanton Ave for the development of a workforce housing project, which was seconded by Fish and was adopted 6-2 with Kremeier and Job voting in opposition.

#### **Workforce Development Program Application**

Rufer offered **Resolution #85-2024** authorizing the City of Fergus Falls to act as the legal sponsor for Rivers Edge workforce housing project application and sign all applicable application documents, which was seconded by Rachels and was adopted 6-2 with Kremeier and Job voting in opposition.

The special meeting adjourned at 8:14 am

*Lynne Olson*