

HEARING PROCEEDINGS
TIF Request for 24-Plex Multi-Family Building

August 21, 2007

Pursuant to due call and notice, the City Council of Thief River Falls, Minnesota held a hearing at 4:45 p.m. on August 21, 2007 in the City Council Chambers of City Hall on a request to establish Tax Increment Financing District No. 1-8. The following Councilmembers were present: Bendickson, Cullen, Holten, Kajewski, Lee, and Mayor Nordhagen. Absent were Councilmember Erickson and Schmalz. Harold Jesh, developer of the proposed 24-plex, multi-family building in the proposed TIF district was also present. Mayor Nordhagen chaired the hearing.

PRESENTATION AND DISCUSSION

Rebecca Kurtz of Ehlers & Associates, Inc, presented the TIF plan via teleconference. She stated that the plan has \$1.1 million in total project costs that would be eligible expenses under the proposed TIF out of \$1.6 million in total construction costs based on information provided by Mr. Jesh. The project has a market value of \$1.8 according to the estimate from the county auditor's office. The TIF proposal is for 26 years at \$434,700. If the City Council moved forward to approve the plan, the developer's agreement would still need to be drafted and agreed to before this project could proceed. Ms. Kurtz stated that the developer's agreement could include a "look back" clause which allows the City to go back to see what actually happened versus the cost projections. She also stated that the debt coverage without the TIF is 1.04 and with the TIF is 1.2 which is considered standard debt coverage ratio for banks. The return on investment without the TIF is 1.5% and with the TIF is 7.2% with an average return on investment expected to be between 7-12%. This is a pay-as-you-go plan where the developer pays the costs up front and is then reimbursed. No cost is incurred upfront by the city so if the market value ends up being less or the costs are higher, the developer assumes all the risk. There is no financial risk to the city.

Councilmember Lee questioned whether the costs were inflated for site preparation since the streets and sewer are already in this area. Ms. Kurtz stated that the "look back" clause would allow review of that after the fact and actual costs could only be reimbursed through the TIF.

Councilmember Bendickson asked City Attorney Ihle his opinion on whether 26 years was too long for the TIF based on his previous experience with TIFs. He stated that it sets a precedent going forward and is a council decision. Community Development Director Moore added that Mr. Jesh's prior TIF projects have run 15-25 years in other cities. Ms. Kurtz stated that approving the plan does not at this point bind the city to any amount or duration.

ADJOURNMENT

There being no further discussion, Councilmember Cullen moved, being seconded by Councilmember Kajewski, to adjourn the hearing at 5:10 p.m. On vote being taken, the Chair declared the motion unanimously carried and the hearing adjourned.

Steve Nordhagen, Mayor

Attest: _____
Jodie R. Torkelson, City Administrator