



CITY COUNCIL MEETING

AGENDA ITEM

Prepared By: <i>Allie Polsfuss, City Administrator</i>	Meeting Date: <i>July 6, 2026</i>	Item Name: <i>Tax Assistance Discussion</i>
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BACKGROUND

At the City Council meeting on June 1st, the Council held preliminary discussion on the tax assistance request submitted from Whitebirch Inc. for the proposed Northstar Apartment Complex. The items from that meeting can be [found here](#).

At that meeting, the Council tabled this item and directed me to follow up with the below information as it relates to the Tax Assistance request for the 74 units apartment complex development:

- Sewer impact
- County Road 11 Impact
- Similar development proposals in other communities
- Housing needs information

Throughout the month of June, I sent the Council information related to all these items so there was adequate time to review and ask further questions. In this memo, you will find a summary of the information.

Additionally, the City received a petition opposing tax assistance. You can see that petition in attachment A.

OVERVIEW

Sewer Impact

Based on the 2025 Wastewater Facility Study and the recently completed sewer rate study, the City is expected to begin planning for a wastewater treatment plant expansion when the system reaches approximately 85% capacity (about 80 additional ERUs), which is currently projected to occur between 2030 and 2032. If the proposed apartment development proceeds, this timeline would likely accelerate.

Advancing the estimated \$5 million expansion would primarily affect the timing of expenditures rather than the overall long-term financial impact. While sewer rates are expected to remain similar to current projections, an earlier expansion would reduce Capital Sewer Fund reserves sooner, result in the loss of approximately two years of investment earnings (estimated at \$160,000 annually), and would likely require financing.

Regardless of timing, the City would continue its plan of annual sewer rate adjustments to rebuild Capital Sewer Fund reserves to the target balance of \$1.0–\$1.5 million.

The ultimate timing of the expansion will depend on factors such as the project's construction schedule, occupancy, and actual sewer usage.

Traffic Impact

Joe Zierden, Jerry Bohnsack, and I met with Crow Wing County engineers to discuss the proposed development and its potential impact on County Road 11. Attachment B includes the County's official response. A few key points:

- The current development proposal is consistent with the assumptions used in the traffic study completed in 2018, and a new traffic analysis is not warranted at this time.
- The proposed development would trigger the existing developer's agreement which includes improvements to the south leg of Ranchette Drive.



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- The proposed development alone will not trigger the need for a roundabout. If additional commercial development occurs in the area, traffic volumes may reach a point where a roundabout becomes a long-term solution.

Housing

In 2020, the Crow Wing County HRA commissioned a full housing study for Crow Wing County. Attachment C is the official study completed by the County.

References

Staff contacted several Minnesota communities that have worked with Alliance Building Corp. on similar multifamily housing developments. Overall, the feedback was positive. Communities consistently reported that the developer constructed quality projects, met program requirements, maintained good communication, and did not create notable law enforcement, traffic, or public safety issues. Several communities indicated they would welcome future projects from Alliance Building Corp. Staff did not receive any information that raised concerns regarding the developer or its past performance.

Income Restriction and TIF

Based on the Council’s general feedback, if any tax assistance were to be approved, it would likely be in the form of a TIF district. Below are some clarifying points:

- The term of any TIF district can be negotiated.
 - Max term for TIF Housing is 26 years
 - Max term for TIF Workforce housing is 8 years
- The City could negotiate that a portion of the TIF be given to the developer and the remaining is captured and held by the City for public improvements as result of the project.
 - An example; if the maximum TIF amount annually was \$80,000, 50% could be captured and given back to the City
- With a TIF housing district, there are income eligibility requirements. With TIF Workforce Housing, these requirements do not apply. Those requirements are clarified below:
 - 20% of units must be occupied (~15 of the 74 units) by households with income at or below 50% AMI or
 - 40% of units must be occupied (~30 of the 74 units) by households with income at or below 60 % AMI

For a housing TIF district, these are specific income limits that must be met, but there are no direct rent restrictions tied to the TIF itself. Out of the 74 units, either 15 or 30 units must be income qualified for the term of the assistance. It is common practice to not charge the same rents for all units to meet the requirement. Below are the updated 2026 income restrictions for our area.

INCOME RESTRICTIONS		
Number of Persons	50% of Median Income	60% of Median Income
1-Person	34,300	41,160
2-Persons	39,200	47,040
3-Persons	44,100	52,920
4-Persons	49,000	58,800



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Tax Capacity Impact

If the apartment development were constructed without TIF assistance, it would immediately contribute to the City's tax base through the additional net tax capacity it creates. It is important to note that this is not new revenue above and beyond the City's adopted levy. Rather, the additional net tax capacity expands the City's tax base, allowing the levy to be distributed across more taxable property. As a result, the apartment development would contribute each year toward funding the City's levy, reducing the share of the levy of existing taxpayers.

This same principle applies at the conclusion of the TIF district. During the life of the district, the tax increment generated by the development is used to reimburse the developer for eligible project costs. Once the TIF district expires, the full net tax capacity of the development returns to the general tax base. At that point, the City begins receiving the full benefit of the property's tax capacity, and the City is able to use that additional tax base to support future levies or reduce the tax burden on existing properties.

STAFF RECOMMENDATION

Staff recommends the City Council discuss the points above. Tonight, we are looking for clear direction on whether the Council wishes to:

1. Advance the proposal to formal application stage for tax assistance.
 1. This process includes land use approvals.
2. Do not proceed with the tax assistance process