



Public Hearing
Sale of Lot 1, Block 1, Great River Acres

Oppidan Inc.
Grand Rapids Workforce Housing Project

November 14, 2024



Project Background

- **Oppidan Inc. of Excelsior, MN (Developer) filed an application for Business Assistance requesting Tax Increment Financing (TIF) to partially address a financial gap in a proposed housing development.**
- **Project Scope – The Developer’s application detailed a proposal for the construction of a 132-unit market rate apartment development with rents and unit mix designed for providing workforce housing.**
- **Project Timeline and Cost - The project is proposed to begin in the spring of 2025, contingent upon this business assistance and an award from Minnesota Housing Finance Agency Workforce Housing Development Program. The estimated total development cost is approximately \$33 million.**
- **Project Location – The project is proposed to be located on an appropriately zoned 15-acre GREDA owned parcel in the plat of Great River Acres.**



Project Background

Map of City Development District





Project Background

Grand Rapids Workforce Housing Project - Proximity to Major Employers





Project Background

Elevations





Project Background



Interior Finish Examples



Project Background



Interior Finish Examples



Project Background

Project Sources and Uses:

| Sources/Revenue: | | Uses/Development Costs: | |
|----------------------------------|---------------------|---|---------------------|
| First Mortgage | \$13,762,000 | Special Assessments for Infrastructure | \$412,000 |
| TIF Mortgage | \$1,369,000 | Construction Costs | \$28,624,401 |
| Equity | \$8,011,653 | Professional Fees and Permits | \$1,286,288 |
| MHFA WF Housing | \$7,946,500 | Financing Costs | \$1,281,464 |
| Tax Abatement | \$715,000 | Development Fee (3.1%) | \$1,000,000 |
| IRRRB | \$800,000 | Acquisition | \$585,000 |
| Land Write-Down GREDA | \$585,000 | | |
| Total: | \$33,189,153 | Total: | \$33,189,153 |



Project Background

Current and Future Assessed Value Estimate:

| | Base Value – Pay 2022 (Itasca County Assessor) | Future (Itasca County Assessor) |
|--|---|--|
| Land Value (15.0 acres) | \$46,500 | \$566,400 |
| Building Value | \$0 | \$12,297,400 |
| Total Value | \$46,500 | \$12,863,400 |
| Annual Property Taxes (Pay 2023 Rate) | Exempt | \$253,779 |



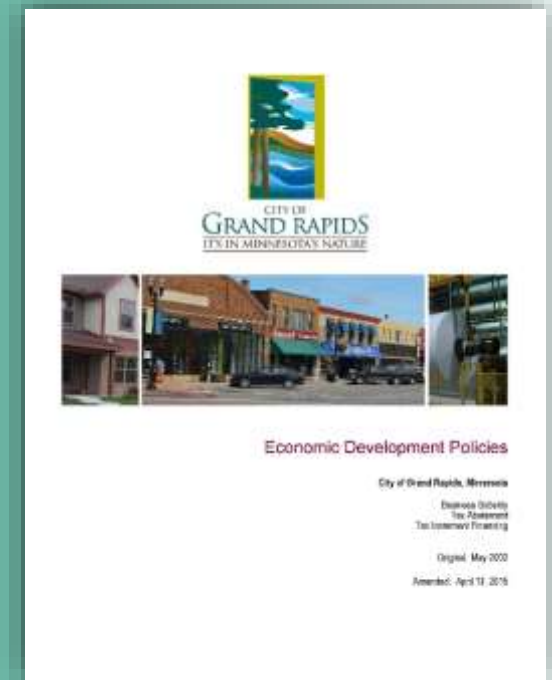
TIF & Abatement Business Assistance

- **The proposed TIF district would be an Economic Development District which has a maximum term of 9 years.**
- **The proposed Tax Abatement would commence upon completion of the TIF district term and would continue until the amount of the request is provided. The maximum term for the Abatement is 20 years if the City is the only political subdivision that approves an abatement.**
- **The total value of TIF and Abatement in today's dollars (using a 6% discount rate) is estimated to be \$2,084,000.**
- **In Minnesota, TIF can be used for two purposes:**
 - **To finance public infrastructure that is related to the development, or**
 - **To induce or cause a development or redevelopment that otherwise would not occur. (The economics of the development won't work without the assistance, for reasons such as; added cost of building acquisition and renovation, development costs won't allow for market rate rents, added cost of site cleanup, etc.)**
 - **For this project, it will be used to induce or cause development as no public infrastructure is needed.**



TIF Business & Abatement Assistance

- **The Public Purpose Objectives, within the City's *Economic Development Policies*, which this project aligns with are:**
 - **To create housing opportunities for senior and low to moderate income families.**
 - **To provide a diversity of housing types adjacent to the cultural, recreational, economic, natural, education and transportation systems.**
 - **To encourage additional unsubsidized private (re)development**
 - **To accomplish other public policies which may be adopted, projects that are consistent with those community values and objectives described within the Comprehensive Plan.**





TIF & Abatement Business Assistance

- **TIF But-for Test**

- Under Minnesota statute, before a City can establish a TIF district for a project, the developer must demonstrate and the City must verify that, but-for the use of TIF, the project would not occur in the foreseeable future.

- **TIF Basics:**



- **Important to note that the property taxes collected currently are still received and retained by the City during the term of the TIF**
- **Only the increase in taxes resulting from the new development (increment) is delayed until the TIF commitment is satisfied.**
- **Upon that satisfaction, all property taxes resume full distribution to the taxing entities.**



TIF & Abatement Business Assistance

- **TIF Need Analysis** – the City’s fiscal consultant Ehlers has analyzed the Developer’s updated project budget and pro forma, based upon industry standards and market ranges for rate of return, as well as development costs and revenues.
 - Based upon that analysis, it was determined that TIF & Tax Abatement assistance in the amount of \$2,084,000 over the full term is required to achieve a reasonable yield on cost (net operating income / total development costs) return of 5.2% at stabilization. Typically, developers need a yield on cost approaching 6.5% for feasibility.
 - Based upon Ehlers analysis, they concluded that providing the requested business assistance is warranted for the project.



TIF & Abatement Business Assistance

- **Land Write Down** – In addition to the TIF and Tax Abatement assistance to the project a land write down by GREDA is also necessary to both deliver the required return and to also increase the eligible grant request of the MHFA Workforce Housing Development (WHD) Program.
- The current asking price for the GREDA property is \$485,000, with GREDA responsible for the levied infrastructure assessment of \$412,000. Without a write down the transaction would look like this:

$$\begin{array}{|c|} \hline \text{Purchase Price} \\ \$485,000 \\ \hline \end{array} - \begin{array}{|c|} \hline \text{Assessment} \\ \$412,000 \\ \hline \end{array} = \begin{array}{|c|} \hline \text{GREDA Proceeds} \\ \$73,000 \\ \hline \end{array}$$

- The MHFA Program allows a request equal to twice the amount of the local contributions, which includes land write down. A recent Brokers Opinion of Value completed for Oppidan valued the site at \$585,000, which means a full write down makes the project eligible for an additional 2X that, or \$1,170,000.

$$\begin{array}{|c|} \hline \text{Purchase Price} \\ \$585,000 \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Assessment} \\ \text{(Developer Cost)} \\ \$412,000 \\ \hline \end{array} - \begin{array}{|c|} \hline \text{GREDA Write Down} \\ \$585,000 \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Developer Cost} \\ \$412,000 \\ \hline \end{array}$$

- With the write down scenario, GREDA doesn't receive net proceeds of \$73,000, but leverages an additional \$1.17MM of WHD Program eligibility.



TIF Business Assistance

- **When approving a TIF Plan, the City Council must find (among other things) that:**
 - **The proposed development would not reasonably be expected to occur solely through private investment in the reasonably foreseeable future; and**
 - **The increased market value of the site that could reasonably be expected to occur without the use of TIF would be less than the increase estimated to result from the proposed development.**
- **The Draft Resolution, TIF Plan and its appendices address these required findings and describe the basis of the determined need for this public assistance in furthering the public purposes of: creating housing opportunities for senior and low to moderate income families, providing a diversity of life cycle housing adjacent to cultural, recreational, economic, natural, education and transportation systems, and to improve the tax base and to improve the general economy.**
- **The proposed TIF involves pay-as-you-go financing, which means the developer will pay the costs of creating the improvements with their funds, and the increments, as they are generated by the new development, will be used to reimburse the developer for these costs over time.**



Questions?