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Public Hearing
Tax Increment Finance (TIF)
Housing District 1-16

Unique Opportunities Grand Rapids, LLC.
Block 20/21 Downtown Apartment Project

August 12, 2024



Project Background

- **Unique Opportunities Grand Rapids, LLC of Alexandria, MN (Developer) filed an application for TIF Business Assistance on February 8th of this year requesting Tax Increment Financing (TIF) in the amount of \$1,328,254.**
- **Project Scope – The Developer’s application detailed a proposal for the development of a 63-unit 4-story apartment, with underground parking, community room, fitness room, bike storage and dog washing area. The unit mix will consist of 8 Studio, 8-Alcove 1 bdrm., 23-1 bdrm., 16-2 bdrm., 8-3 bdrm.**
- **Project Timeline and Cost - The project is proposed to begin in the fall of this year or, if bids aren’t obtained in time, the spring of 2025. The estimated total development cost is approximately \$10,150,000.**
- **Project Location – The project is proposed to be located on the 1.45-acre, GREDA owned, Block 20/21 site on the north side of 2nd St. N., across from the Library and Northern Community Radio (KAXE).**



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Project Background

Map of City Development District



Legend
City Limits/Development District

0 0.2 0.4 0.8 1.2 1.6
Miles





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Project Background

Unique Opportunities Grand Rapids TIF District 1-16

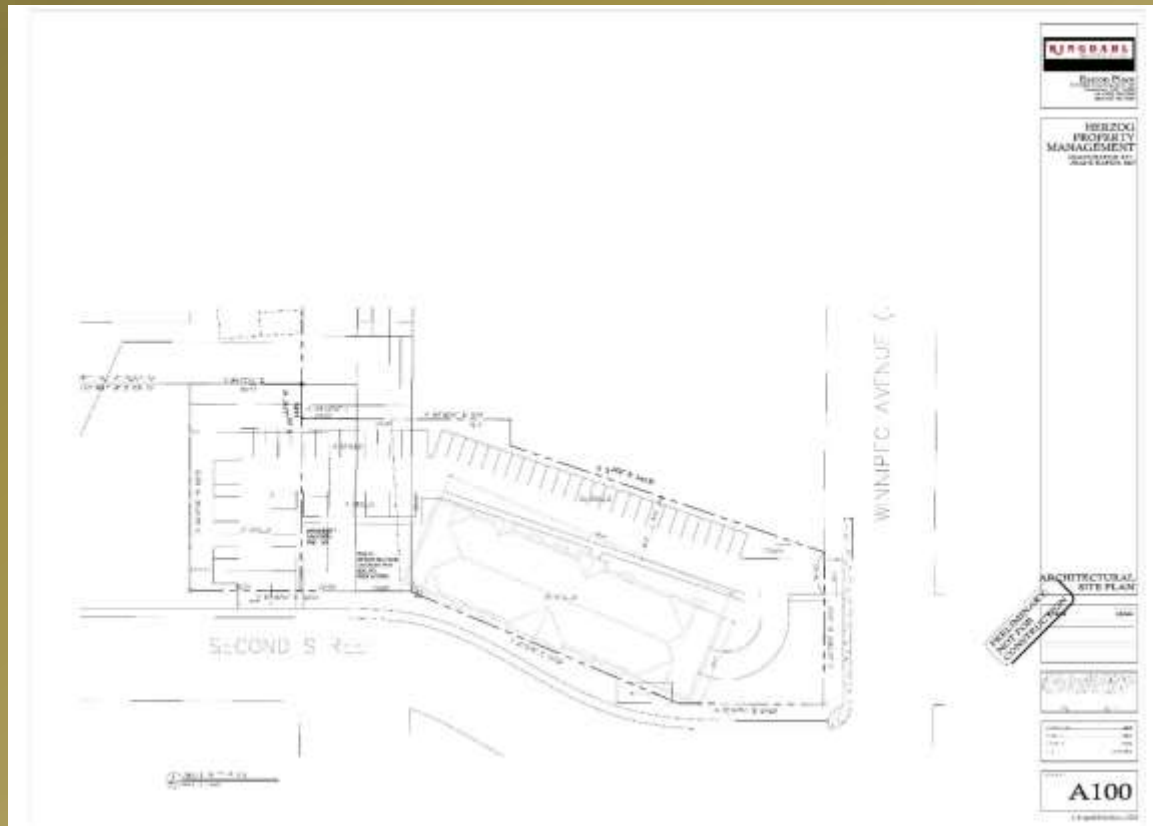


60 30 0 60 120 180 240
Feet



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Project Background





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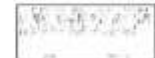


W&P ARCHITECTS

PRELIMINARY
NOT FOR
CONSTRUCTION

CONCEPT
RENDERING

DATE	10/14/14
SCALE	1/8" = 1'-0"
PROJECT	
NO.	



DATE	10/14/14
SCALE	1/8" = 1'-0"
PROJECT	
NO.	

A200

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Project Background

Project Sources and Uses:

Sources/Revenue:		Uses/Development Costs:	
First Mortgage	\$6,193,714	Site Acquisition	\$200,000
Equity	\$2,628,032	Construction Costs	\$8,500,000
TIF Note	\$1,328,254	Professional Services/Fees	\$430,000
		Financing Costs	\$520,000
		Development Fee	\$500,000
Total:	\$10,150,000	Total:	\$10,150,000



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Project Background

Current and Future Assessed Value Estimate:

	Current (Itasca County Assessor)	Future (Itasca County Assessor)
Land Value (1.5 acres)	\$242,800	\$364,800
Building Value	\$0	\$3,900,700
Total Value	\$242,800	\$4,265,500
Annual Property Taxes (Pay 2024 Rate)	\$0	*\$144,029

* Based on a higher (\$7,875,000) post development EMV, requested by Developer



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TIF Business Assistance

- **The proposed TIF district would be a Housing District**
 - Consistent with the TIF Act, 20% of the total number of units will be affordable to persons with incomes at or below 50% of the area median income.
- **The Public Purpose objectives, within the City's business assistance policies, which align with this project are:**
 - To create housing opportunities for senior and low to moderate income families.
 - To enhance or diversify the City's economic base.
 - To provide a diversity of housing adjacent to cultural, recreational, economic, natural, education and transportation systems.
 - To accomplish other public policies consistent with the Comprehensive Plan, such as; to support a vibrant Downtown.
- **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 removal, development costs won't allow for affordable rents, added cost of site cleanup, etc.)



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TIF 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 no property taxes have been collected from this site as it has been publicly owned for many decades.
- The increase in taxes resulting from the new development (increment) is only delayed until the TIF commitment is satisfied.
- Upon that satisfaction, all property taxes resume full distribution to the taxing entities.



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TIF Business Assistance

- **TIF Need Analysis** – the City's fiscal consultant Ehlers has analyzed and evaluated the Developer's updated project budget and pro forma based upon industry standards and market ranges for rent, rate of return, development costs, operating costs, development fees and revenues.
 - Based upon that analysis, it was determined that these elements of the proposed development were within an expected range and that TIF assistance in the amount of \$ 1,328,254 is required to achieve an expected cash-on-cash return on investment of 8% for this project. However, even with the TIF assistance, Ehlers' projections show that that the 8% ROI won't be reached until year 19.



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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 Appendix C 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 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.**
- **Housing TIF districts have a maximum duration of 26 years. It is projected that, at full development, the principal amount of the TIF obligation, assuming a present value rate of 7.5%, will be fully funded in over the maximum term.**
- **In accordance with statutory requirements, 20% of the units (13 units) will be reserved for households earning no greater than 50% of the area median income. No rent restrictions apply to this project, however.**



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Process

At their August 8 meeting, GREDA reviewed the application and adopted a resolution:

- 1. Supporting a modification to the Development Program for the City's Development District No. 1, establishing TIF District 1-16 therein and adopting a TIF Plan, therefore; and**
- 2. Approving the sale of land; and**
- 3. Approving the Purchase and Development Agreement with the City and Unique Opportunities Grand Rapids LLC.**

City Council actions that will be considered immediately following this Public Hearing will include:

- 1. Adoption of a resolution approving the establishment of TIF District No. 1-16 and approving the TIF Plan for the District.**
- 2. Adoption of a resolution approving the Purchase and Development Agreement with GREDA and Unique Opportunities Grand Rapids LLC and awarding the sale of, and providing the form, terms, covenants and directions for the issuance of its tax increment revenue note.**
- 3. Adoption of a resolution establishing an inter fund loan in connection with the TIF District.**



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Questions?