Public Hearing
Tax Increment Financing (TIF)
Housing District 1-18

Elevation Grand Rapids LLC/Unique Opportunities

Elevation Apartment Project
1250 SE 2nd Ave.

July 27, 2026

Project Background

- **Unique Opportunities Grand Rapids, LLC of Alexandria, MN (Developer) filed an application for TIF Business Assistance on May 11th of this year requesting Tax Increment Financing (TIF) in the amount of $2,167,000. This will be the third housing development by Unique in the City of Grand Rapids.**

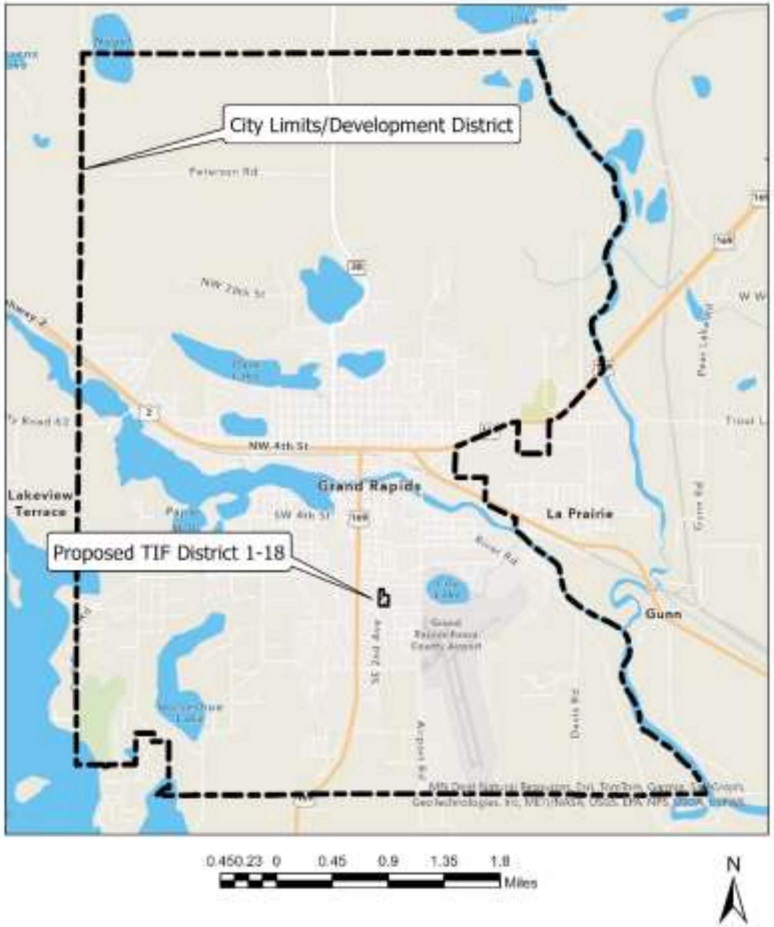
- **Project Scope – The Developer's application detailed a proposal for the development of a 99-unit 4-story apartment, with underground parking, community room, fitness room, outdoor playground and pickleball court. The unit mix will consist of 11 Studio, 12-Alcove 1 bdrm., 16-1 bdrm., 44-2 bdrm., 8-3 bdrm. and 8-4 bdrm.**

- **Project Timeline and Cost - The project is proposed to begin either this fall or spring of 2027, with a projected completion in the summer of 2028 The estimated total development cost is approximately $20,169,081.**

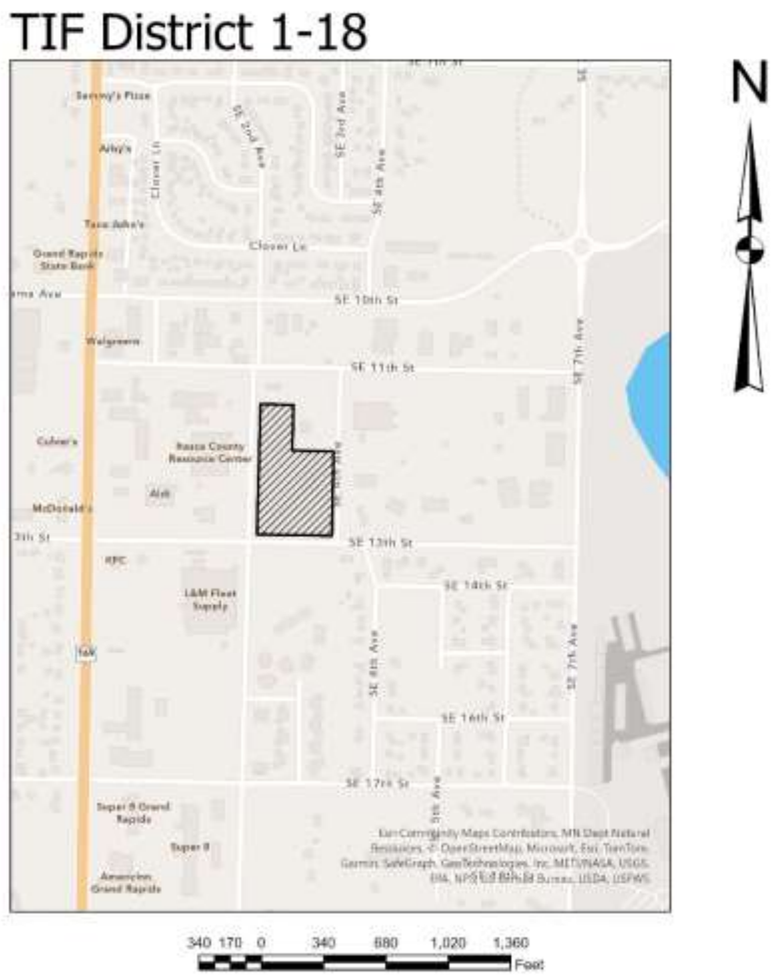
- **Project Location – The project is proposed to be located on an undeveloped, privately held 5.7-acre site with a future address of 1250 SE 2nd Ave, for which Unique Opportunities has secured a purchase agreement.**

Project Background

Map of City Development District



Project Background



Project Background

Project Background

Project Background

Exterior Rendering
Grand Rapids, MN

Project Background

Project Sources and Uses:

Sources/Revenue:		Uses/Development Costs:	
First Mortgage	$10,052,081	Site Acquisition	$600,000
Equity	$7,950,000	Construction Costs	$15,625,000
TIF Note	$2,167,000	Professional Services/Fees	$1,000,000
		Financing Costs	$680,000
		Development Fee	$1,250,000
		Cash Accounts/Escrows/Reserves	$14,081
Total:	$20,169,081	Total:	$20,169,081

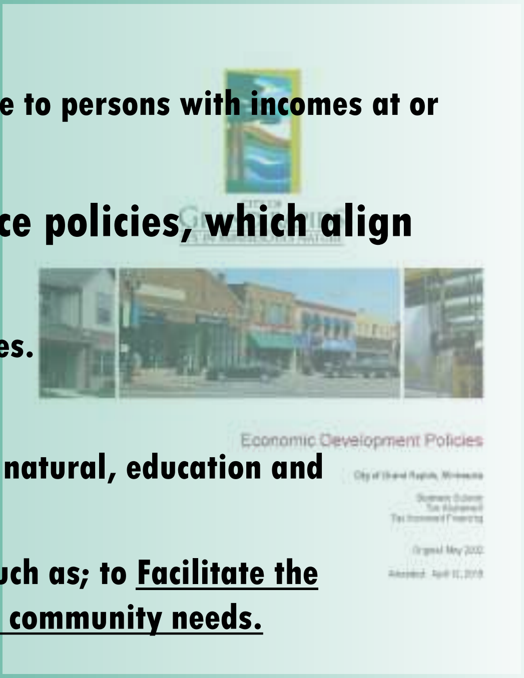
Project Background

Current and Future Assessed Value Estimate:

	Current (Itasca County Assessor)	Future Estimate (Itasca County Assessor)
Land Value (5.7 acres)	$351,500	$351,500
Building Value	$0	$12,771,200
Total Value	$351,500	$13,122,700
Annual Property Taxes (Pay 2026 Rate)	$11,962	$218,501

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 <u>Facilitate the development of a vibrant, varied and interconnected housing stock that meets community needs.</u>**
- **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.)**



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:**

Total Tax Capacity (Post Development) - Original Tax Capacity (Pre Development) = Captured Tax Capacity

Captured Tax Capacity X Local Tax Rate = Tax Increment

  - **It's important to note that <u>the current property taxes collected from this parcel will continue to be collected by the local taxing entities. Only the new Captured Tax Capacity generated by the improvements will contribute to the project.</u>**
  - **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.**

TIF Business Assistance

- <u>TIF Need Analysis</u> – 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, yield on cost, development costs, operating costs, development fees and revenues, debt terms and rent revenue.
  - 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 requested amount is required to achieve an average expected <u>average</u> cash-on-cash ROI of 11.3% over the maximum 26-year term, should it be needed to return the full principal and interest of the assistance.
  - Based on that same analysis, the projected cash-on-cash ROI is 5.2% at stabilization in Year 3 and 9.2% in Year 10.
  - The year 10 Internal Rate of Return is approximately 10.4%. <u>The Project's financial performance is acceptable and does not exceed typical return expectations for this type of project and should make it perform well enough to secure commercial financing.</u>

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 <u>pay-as-you-go</u> 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 6.5%, will be fully funded in over the maximum term.
- In accordance with statutory requirements, 20% of the units (20 units) will be reserved for households earning no greater than 50% of the area median income. No rent restrictions apply to this project, however.

Process

At their July 23rd meeting, GREDA reviewed the TIF application and considered adoption of a resolution supporting the creation of a TIF district within Municipal Development District No. 1, establishing TIF District 1-18, the program and TIF Plan; and recommending approval of a TIF Development Agreement between the City of Grand Rapids and Elevation Grand Rapids, LLC.

Following the Public Hearing, the following items will be considered by the Council:

1. Adoption of a resolution approving the establishment of TIF District No. 1-16 and approving the TIF Plan for the District; and
2. Adoption of a resolution approving the TIF Development Agreement between the City and Elevation 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; and
3. Adoption of a resolution approving an interfund loan in connection with the TIF District.

Questions?