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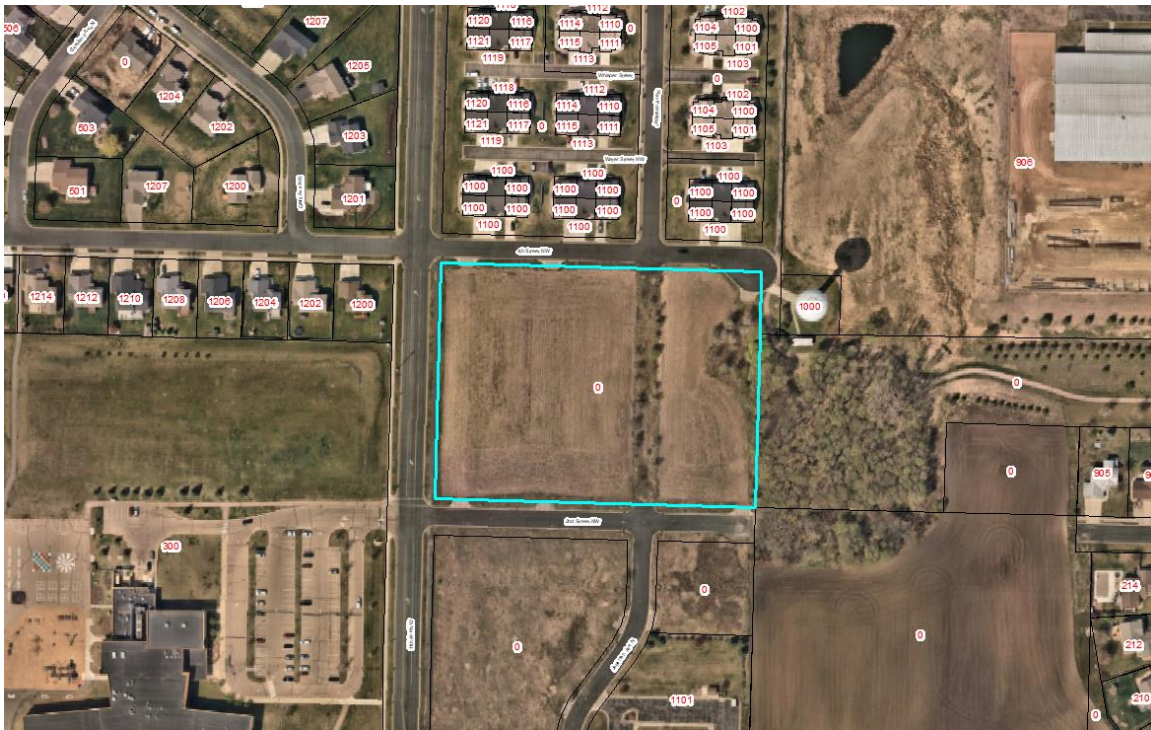
## MEMORANDUM

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**TO:** HONORABLE MAYOR AND CITY COUNCIL  
**CC:** JOSHUA M. TETZLAFF, CITY ADMINISTRATOR  
**FROM:** KEN ONDICH, PLANNING / COMMUNITY DEVELOPMENT DIRECTOR  
**SUBJECT:** INTRODUCTION OF POSSIBLE +/- 155 UNIT MARKET RATE APARTMENT BUILDING AND POSSIBLE TAX ABATEMENT – AS PROPOSED BY YELLOW TREE  
**DATE:** AUGUST 29, 2024

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This memo is being written to introduce a possible +/- 155 unit market rate apartment development that could occur on PID 25.113.0050 (Outlot C, Raven Stream Village Third Addition) which is a 4.86 acre vacant lot near Raven Stream Elementary.



The current owner of the property is JRD Holdings, LLC with whom Yellow Tree has a purchase agreement. The property is currently zoned RM Medium Density Residential and has utilities directly adjacent to the site. Since the property is currently an outlot, it does need to be platted and the site

would also need to be rezoned to RH High Density Residential (which is a recommendation of the draft Comprehensive Plan update) to accommodate +/- 155 units.

The developer is currently completing their due diligence on the property and this includes an inquiry to the City Council regarding their request for Tax Abatement to close the financial gap that exists to make the project a reality. Attached is a memo from Mikaela Huot with Baker Tilly, who is the City's financial consultant, regarding the tax abatement request and how said request could be accommodated. Ms. Huot will also be in attendance at the meeting to discuss her memo. Also attached to this memo is Yellow Tree's Company Profile which includes a listing of awards and publications that they have appeared in.

At tonight's meeting, this is intended only to be an introduction to the project and an introduction to possible housing tax abatement. If there is council concurrence in general on the project, specifically interest in participating in tax abatement, staff would continue to work with the Yellow Tree, Baker Tilly and also discuss possible participation with the School District and Scott County in the tax abatement to share the tax burden among all three entities.

### **Staff Recommendation**

Staff recommends hearing the overview of the possible +/- 155-unit market rate apartment building including possibly providing housing tax abatement and provide direction to staff regarding the project and tax abatement going forward.

# Memo

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**To:** Members of New Prague City Council  
Joshua Tetzlaff, Ken Ondich, Robin Pikal, City of New Prague

**From:** Mikaela Huot, Director, BTMA

**Date:** September 3, 2024

**Subject:** Preliminary Tax Abatement Revenue Projections and Financial Analysis for Proposed New 155-Unit Multifamily Market Rate Housing Project

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## Executive Summary

The City of New Prague (the “City”) has been approached by Yellow Tree (the “developer”) regarding construction of a proposed 155-unit multifamily residential rental housing development in the City and need for public assistance. The developer has estimated the total development cost to be \$39,870,000 and the City has received preliminary taxable value estimates from the County in the range of \$34,875,000 - \$37,200,000 resulting in total taxes between \$449,432 and \$479,394. The developer has requested assistance through tax abatement that would provide additional cash flow to the project as necessary to meet minimum debt coverage and equity returns. The developer’s request for assistance for the project is annual tax abatement revenues of approximately \$299,650. As illustrated in Table 2 on page 4, 100% of the City’s share of taxes based on a taxable value of \$34,875,000 is projected to generate approximately \$184,257 in annual tax abatement revenues. For the project to be financially feasible and meet the developer’s request based on the preliminary financial gap, participation of up to 100% of City only tax abatement assistance plus participation by the County and School District would be required. The actual percentage of pledged City participation amounts would subject to participation by one or more other taxing entities to result in annual cash flow assistance of approximately \$299,650. Tax abatement is a financing tool the City may consider utilizing to provide cash flow assistance to the project as a portion of the taxes paid by the developer would be rebated back subject to terms of an agreement.

Prior to granting a tax abatement, the City will need to determine that the benefits gained equal or exceed the cost to the City and the abatement is in the public interest. There is not a statutorily required ‘but-for test; however, many communities consider incorporating a determination that the project as proposed would not proceed without public assistance as well as consideration of increased market value of the property to be developed. When reviewing requests for financial assistance it is important to understand how the level of financial assistance would impact the ability of the project to proceed as proposed and maximize new value created on the current project site.

Review of the sources and uses and operating proforma based on the developer assumptions with pay-as-you-go assistance as compared to no assistance provides an understanding of financial feasibility for this project and need for public assistance. The purpose of the analysis is to test the level of assistance that may be needed using those assumptions and if the recommended structure is reasonable while remaining consistent with the City’s objectives for providing assistance.

Based on the financial analysis and available financing assumptions, without financial assistance, the project does not appear to be feasible due to the projected cash flow projections. Without assistance, the projected cash flow is less than what would be necessary to support the level of debt financing and equity investment required for this type of project. The analysis indicates that the provided financing structure without assistance would not be financially viable without one or more of the following: 1) reduction in project costs 2) additional annual cash flow (tax abatement revenues), and/or 3) additional funding sources. With annual public assistance, the project is projected to be more financially feasible by providing additional cash flow (annual tax abatement revenues) to the project. Public assistance is projected to have a positive impact on what the projected returns for the project could be as compared to no assistance.

The purpose of the memorandum is to provide a summary of the financial review of the development project costs and sources of revenue and operating pro forma as provided by the developer to provide preliminary tax abatement revenue projections based on varying assumptions for levels of participation by the City and potentially other taxing entities (subject to future discussions and considerations) and assist the City with understanding if public assistance is necessary. We anticipate further analysis and discussion to determine an appropriate level of public assistance that may be considered based on other taxing entity participation and project need for assistance over 15 years. Should the City choose to provide assistance, annual tax abatement revenues generated by the project would be remitted back to the developer to provide additional cash flow.

### **Developer Request for Assistance**

The developer has requested assistance from the City through tax abatement with an estimated annual amount of approximately \$299,650 based on taxes due of \$399,534. The total development costs are approximately \$39,870,000. Upfront funding sources to support development costs include construction financing and developer equity. The primary loan is approximately 70% of total funding sources and investor equity would be 30%. We would expect to see the primary debt financing percent in the range of 60-75%, subject to availability of net operating income with the remaining sources as secondary mortgage, equity or grants, as applicable. The overall project performance without assistance is lower than typical lenders and investors would tolerate, thus resulting in a financial gap. Due to the current market environment and interest rates, annual debt service payments are higher with increased interest costs and lower overall funding amounts.

Total project costs that cannot be supported solely by the project alone could justify the need for public financial assistance and allow the project to proceed as proposed. In addition, current market conditions of increased interest rates requiring reduced debt financing and increased equity amounts have resulted in higher funding gaps. Tax abatement from the City would provide an additional funding source to the project that would facilitate the developer being able to obtain an appropriate level of upfront debt and equity funding and meet minimum debt coverage and investor return metrics. Summary of the sources and uses of funds is illustrated in Table 1 below.

The recommendation for a reasonable level of public assistance is balanced by a combination of public benefit and projected financial cash flow performance of the project, public policy guidelines/considerations and potential financial parameters as further outlined below:

- Return on Investment: *(City benefits)*
- Purchase price and other development costs: *(reasonable ranges and supported by project)*
- Public to private investment: *(public participation limit of 10%)*
- Public assistance and private equity: *(public does not exceed private equity)*
- Extraordinary costs: *(new development)*
- Financial gap: *(limit on private debt and equity)*
- Market conditions *(financing limitations)*
- Term of assistance: *(up to 15-20 years)*
- Other identified public improvements: *(case by case basis to be determined)*

## **Sources and Uses of Funds**

The proposed total development cost of the project is estimated to be \$39,870,000 and is summarized below.

**Table 1: Sources and Uses of Funds**

| <b><u>Sources</u></b>  |                   |                | <b><u>Uses</u></b>         |                   | <b>Percent</b> | <b>Per Unit</b> |
|------------------------|-------------------|----------------|----------------------------|-------------------|----------------|-----------------|
| Bank Loan              | 27,909,000        | 70.00%         | Land                       | 1,100,000         | 2.76%          | 7,097           |
| Equity                 | 11,961,000        | 30.00%         | Construction               | 32,550,000        | 81.64%         | 210,000         |
| Grants                 | -                 | 0.00%          | Construction Contingent    | 1,000,000         | 2.51%          | 6,452           |
| Deferred Developer Fee | -                 | 0.00%          | Soft Costs                 | 1,270,000         | 3.19%          | 8,194           |
|                        |                   |                | Construction Loan Interest | 1,800,000         | 4.51%          | 11,613          |
|                        |                   |                | Closing Costs              | 500,000           | 1.25%          | 3,226           |
|                        |                   |                | Operating Reserve          | 250,000           | 0.63%          | 1,613           |
|                        |                   |                | Developer Fee              | 1,400,000         | 3.51%          | 9,032           |
|                        |                   |                | Other                      |                   | 0.00%          | -               |
|                        |                   |                |                            |                   | 0.00%          | -               |
|                        |                   |                |                            |                   | 0.00%          | -               |
|                        |                   |                |                            |                   | 0.00%          | -               |
| Total                  | <b>39,870,000</b> | <b>100.00%</b> | Total                      | <b>39,870,000</b> | <b>100.00%</b> | <b>257,226</b>  |

## **Operating Assumptions**

The developer provided a breakdown of the projected revenues from the individual unit types for the residential housing units based on number of bedrooms (studio, 1, 1+, 2, 2+ and 3-bedrooms). The estimated range is rents for each unit type of \$1,275, \$1,400, \$1,650, \$1,900, \$2,200 and \$2,300. The estimated operating revenues and expenditures include 3% annual inflationary increases and 5% stabilized vacancy rates (revenues). Total operating expense ratio for the residential project component is approximately 40% annually. Assumptions utilized for the operating proforma are generally reasonable as compared to industry standards and may warrant additional analysis as the project proceeds.

## **Tax Abatement Analysis**

The following assumptions were used to estimate the amount of projected tax abatement revenues based on the respective taxing entity participants:

- Total project area
  - Parcel ID: 24.113.0050
- Total estimated base value of \$131,200
  - Assumed existing land value would be calculated as 'base'
- Estimated total taxable value upon completion (including base)
  - \$34,875,000 classified as residential rental
- Maximum term of tax abatement
  - 15 years with 3 taxing entity participation (City, County and School District)
  - 20 years with 1 or 2 taxing entity participation
- Anticipated term of tax abatement based on initial review
  - Up to 15 years with 100% City only
  - Up to 15 years with 75% City and School District share pledged
  - Up to 15 years with 75% City, County and ISD #721 share pledged
  - Sliding scale (reduced percentages in future years anticipated for all scenarios subject to further analysis and discussion)
- Construction commences in 2025 and completes in 2026
  - 100% assessed in January of 2027 for taxes payable in 2028

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- Tax rates, class rates and future market values remain constant
  - Tax rates
    - City share: 42.427%
    - County share: 26.126%
    - ISD #721 share: 20.264%
  - 1.25% class rates for residential rental
  - 0% annual market value inflator

**Table 2: Tax Abatement Revenue Estimates**

| <b>Tax Abatement Revenue Projections</b>                               |                  |
|--|------------------|
| Total Estimated Taxable Value  | \$34,875,000     |
| <b>Scenario 1: City Only Participation 100% 15 Years</b>               |                  |
| City Share Total Estimated Annual Revenue Full Buildout                | \$184,257        |
| County Share Total Estimated Annual Revenue Full Buildout              | \$0              |
| School Share Total Estimated Annual Revenue Full Buildout              | \$0              |
| Total Gross Annual Revenues  | \$184,527        |
| Estimated City Share (15 Years)  | \$2,763,858      |
| Estimated County Share (15 Years)                                      | \$0              |
| Estimated School District Share (15 Years)                             | \$0              |
| Total over 15 Years  | \$2,763,858      |
| <b>Scenario 2: City and School District Participation 75% 15 Years</b> |                  |
| City Share Total Estimated Annual Revenue Full Buildout                | \$138,193        |
| County Share Total Estimated Annual Revenue Full Buildout              | \$0              |
| School Share Total Estimated Annual Revenue Full Buildout              | \$66,004         |
| Total Gross Annual Revenues  | \$204,196        |
| Estimated City Share (15 Years)  | \$1,842,572      |
| Estimated County Share (15 Years)                                      | \$0              |
| Estimated School District Share (15 Years)                             | \$880,047        |
| Total over 15 Years  | \$2,722,620      |
| <b>Scenario 3: City County and School District 75% 15 Years</b>        |                  |
| City Share Total Estimated Annual Revenue Full Buildout                | \$138,193        |
| County Share Total Estimated Annual Revenue Full Buildout              | \$85,098         |
| School Share Total Estimated Annual Revenue Full Buildout              | \$66,004         |
| <b>Total Gross Annual Revenues</b>                                     | <b>\$289,295</b> |
| Estimated City Share (15 Years)  | \$2,072,894      |
| Estimated County Share (15 Years)                                      | \$1,276,476      |
| Estimated School District Share (15 Years)                             | \$990,053        |
| Total over 15 Years  | \$4,339,424      |

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Based on current development assumptions, Scenario 3 with 75% participation by all three taxing entities (City, County and School District) would generate tax abatement revenues of \$289,295 and would be in an amount close to the developer's request for assistance of \$299,650. It is important to note that granting of a tax abatement requires review and approval by each participating entity. Therefore, any approving participation levels and amounts would be subject to obtaining approval, after following establishment process. The annual percentage pledged to the project by each entity could also be reduced from 75% in later years as overall project cash flow stabilizes and increases. Additional review of terms would be determined based on project financing approvals.

There is a statutory limit on the total amount of property taxes that may be abated by a political subdivision. The City's annual property tax abatement may not exceed (1) ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (2) \$200,000, whichever is greater. We estimate the total City share of tax abatement from this project could be up to \$184,257 with 100% participation based on a taxable value of \$34,875,000. We recommend consideration for both existing abatements and potential future abatements as it relates to the City's maximum participation level on an ongoing basis. The City's 2024 taxable net tax capacity is \$11,371,733 allowing for the City's total tax abatement capacity of approximately \$1,137,173.

### **Project Financing**

There are generally two ways in which assistance can be provided for most projects, either upfront or on a pay-as-you-go basis. With upfront financing, the City would finance a portion of the applicant's initial project costs through the issuance of bonds or as an internal loan. Future tax abatements would be levied for collection by the City and used to pay debt service on the bonds or repayment of the internal loan. With pay-as-you-go financing, the developer would finance all project costs upfront and would be reimbursed over time for a portion of those costs as revenues are available.

Pay-as-you-go-financing is generally more acceptable than upfront financing for the City because it shifts the risk for repayment to the developer. If revenues are less than originally projected, the developer receives less and therefore bears the risk of not being reimbursed the full amount of their financing. However, in some cases pay as you go financing may not be financially feasible. With bonds, the City would still need to make debt service payments and would have to use other sources to fill any shortfall of revenues. With internal financing, the City reimburses the loan with future revenue collections and may risk not repaying itself in full if revenues are not sufficient. The City has historically financed projects as pay-as-you-go for reimbursement to the developer of eligible costs. The request for assistance as related to this project would be as annual reimbursement/remittance based on a determination of a certain percentage of pledged annual abatements.

### **Conclusion**

The developer has requested financial assistance as related to construction of a new 155-unit multifamily housing project that would include studios, 1 bedroom, 1 plus den, 2 bedrooms, 2 plus den and 3-bedroom units. The total development cost for the project is \$39,870,000 and the request for financial assistance is annual tax abatement assistance with an estimated annual amount of \$299,650. The project would be funded by approximately 70% debt (based on LTC ratio) with remaining sources being private equity or public assistance. The project has a financial gap and is seeking financial assistance from the City to close it. Through submission of the tax abatement request and supporting financial information, the developer has indicated that the project would not occur as proposed without financial assistance from the City due to below market rates of equity returns and debt financing.

Following analysis of the developer's financing assumptions and considering current market environment, without financial assistance, the project would not be financially feasible. However, the level of public assistance as requested is projected to have positive impact on the project performance. Without any public assistance, the projected debt coverage ratios are projected to be below industry standards. The analysis indicates that the provided financing structure would not be financially viable without one or more of the following: 1) reduction in project costs 2) additional annual cash flow (tax abatement revenues), and/or 3) additional funding sources (grant/low interest financing).

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With public assistance through tax abatement assistance with additional annual cash flow, the project is projected to achieve higher debt coverage and returns. The project is projected to have sufficient cash flow after debt service and a structure that provides additional annual revenues. There are ranges of what would be considered market returns and are generally subject to the project type, market indicators, investor demands and financing structure. The level of public assistance is expected to have positive impact on projected returns for the project.

Considered parameters for level of public assistance include the following:

- Return on Investment: *(City benefits)*
- Purchase price and other development costs: *(reasonable ranges and supported by project)*
- Public to private investment: *(public participation limit of 10%)*
- Public assistance and private equity: *(public does not exceed private equity)*
- Extraordinary costs: *(new development)*
- Financial gap: *(limit on private debt and equity)*
- Market conditions *(financing limitations)*
- Term of assistance: *(up to 15-20 years)*
- Other identified public improvements: *(case by case basis to be determined)*

The developer has requested tax abatement from the City as a method of providing additional cash flow revenues required to achieve financial feasibility. Assistance may be provided through a pledge of annual tax abatement to provide additional cash flow to support debt repayment, enhance cash flow and increase the developer's return. We typically review both the annual (upon stabilization) and longer-term (10-year period) investment returns to understand financial performance and verification of need for public assistance, as well as identifying those costs considered extraordinary to the project.

Thank you for the opportunity to be of assistance to the City of New Prague. Please contact me at 651-223-3036 or [mikaela.huot@bakertilly.com](mailto:mikaela.huot@bakertilly.com) with any questions or to discuss.



## **Definition of Tax Abatement**

Any political subdivision, including statutory cities, home rule charter cities, towns, counties, and school districts, is authorized to abate property taxes on selected parcels or defer the payments of the taxes and abate the interest and penalty that otherwise would apply, if:

- The benefits gained equal or exceed the cost to the political subdivision or the abatement phases in a property tax increase, and
- The abatement is in the public interest because it will:
  - increases or preserves the tax base;
  - provides employment opportunities;
  - provides or helps acquire or construct public facilities;
  - helps redevelop or renew blighted areas;
  - helps provide access to services;
  - finances or provides for public infrastructure;
  - phase in a property tax increase on the parcel resulting from an increase of 50% or more in one year on the estimated market value of the parcel, other than an increase due to improvement of the parcel; or
  - stabilize the tax base through equalization of property tax revenues for a specified time period with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100.

Cities, counties, and school districts as combined jurisdictions may grant an abatement for no longer than 15 years (8 year maximum if no initial duration is specified), or for no longer than 20 years if two or fewer jurisdictions participate.

No back-to-back abatements. Eight years must pass before a new abatement can be applied.

In any given year, the total amount of property taxes abated by a political subdivision for all parcels may not exceed the greater of (1) 10% of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (2) \$200,000.

The State will not reimburse school districts for lost taxes resulting from abatement.

Property in a tax increment financing district is not eligible for abatement; however, a tax abatement can be established following a tax increment district (as the proposed financing structure for this project).

## Projected Tax Abatement Report

City of New Prague, Minnesota  
Proposed Tax Abatement Assistance  
155 Unit Apartment Complex  
Draft Abatement Revenues: \$34.875M new taxable value

| Annual<br>Period<br>Ending | Total<br>Market<br>Value <sup>(1)</sup> | Total<br>Net Tax<br>Capacity <sup>(2)</sup> | Less:<br>Non-<br>Abated<br>Net Tax<br>Capacity <sup>(3)</sup> | Retained<br>Captured<br>Net Tax<br>Capacity | Times:<br>Tax<br>Capacity<br>Rate <sup>(4)</sup> | Estimated<br>Annual<br>Property<br>Taxes | Maximum<br>Tax<br>Abatement<br>City *<br>42.43% | Maximum<br>Tax<br>Abatement<br>County *<br>26.13% | Maximum<br>Tax<br>Abatement<br>School *<br>20.26% | Estimated<br>Project<br>Abatement |         |
|----------------------------|---|---|---|---|--|--|---|---|---|-----------------------------------|---------|
| (1)                        | (2)                                     | (3)   | (4)   | (5)   | (6)  | (7)                                      | (8)   | (9)   | (10)  | (11)                              |         |
| 12/31/28                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/29                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/30                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/31                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/32                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/33                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/34                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/35                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/36                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/37                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/38                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/39                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/40                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/41                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
| 12/31/42                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 100%  | 184,257   | 0%  | 0                                 | 184,257 |
|                            |   |   |   |   |  | \$5,970,465                              | \$2,763,858                                     | \$0   | \$0   | \$2,763,858                       |         |

<sup>(1)</sup> Total estimated market value based on preliminary value estimate following review by County Assessor  
**very preliminary and subject to further review. Includes 0% annual market value inflator**

<sup>(2)</sup> Total net tax capacity based on rental class rate of 1.25%

<sup>(3)</sup> Original net tax capacity based does include existing land value

<sup>(4)</sup> Local tax capacity rate for the City of New Prague, Scott County and ISD 721 for taxes payable 2024

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| Annual<br>Period<br>Ending | Total<br>Market<br>Value <sup>(1)</sup> | Total<br>Net Tax<br>Capacity <sup>(2)</sup> | Less:<br>Non-<br>Abated<br>Net Tax<br>Capacity <sup>(3)</sup> | Retained<br>Captured<br>Net Tax<br>Capacity | Times:<br>Tax<br>Capacity<br>Rate <sup>(4)</sup> | Estimated<br>Annual<br>Property<br>Taxes | Maximum<br>Tax<br>Abatement<br>City *<br>42.43% | Maximum<br>Tax<br>Abatement<br>County *<br>26.13% | Maximum<br>Tax<br>Abatement<br>School *<br>20.26% | Estimated<br>Project<br>Abatement |
|----------------------------|---|---|---|---|--|--|---|---|---|-----------------------------------|
| (1)                        | (2)                                     | (3)   | (4)   | (5)   | (6)  | (7)                                      | (8)   | (9)   | (10)  | (11)                              |
| 12/31/28                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193 0%                                  | 0   | 75%   | 66,004 204,196                    |
| 12/31/29                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193 0%                                  | 0   | 75%   | 66,004 204,196                    |
| 12/31/30                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193 0%                                  | 0   | 75%   | 66,004 204,196                    |
| 12/31/31                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193 0%                                  | 0   | 75%   | 66,004 204,196                    |
| 12/31/32                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193 0%                                  | 0   | 75%   | 66,004 204,196                    |
| 12/31/33                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193 0%                                  | 0   | 75%   | 66,004 204,196                    |
| 12/31/34                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193 0%                                  | 0   | 75%   | 66,004 204,196                    |
| 12/31/35                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193 0%                                  | 0   | 75%   | 66,004 204,196                    |
| 12/31/36                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193 0%                                  | 0   | 75%   | 66,004 204,196                    |
| 12/31/37                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193 0%                                  | 0   | 75%   | 66,004 204,196                    |
| 12/31/38                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 50% 92,129 0%                                   | 0   | 50%   | 44,002 136,131                    |
| 12/31/39                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 50% 92,129 0%                                   | 0   | 50%   | 44,002 136,131                    |
| 12/31/40                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 50% 92,129 0%                                   | 0   | 50%   | 44,002 136,131                    |
| 12/31/41                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 50% 92,129 0%                                   | 0   | 50%   | 44,002 136,131                    |
| 12/31/42                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 50% 92,129 0%                                   | 0   | 50%   | 44,002 136,131                    |
|                            |   |   |   |   |  | \$5,970,465                              | \$1,842,572                                     | \$0   | \$880,047   | \$2,722,620                       |

<sup>(1)</sup> Total estimated market value based on preliminary value estimate following review by County Assessor

**very preliminary and subject to further review. Includes 0% annual market value inflator**

<sup>(2)</sup> Total net tax capacity based on rental class rate of 1.25%

<sup>(3)</sup> Original net tax capacity based does include existing land value

<sup>(4)</sup> Local tax capacity rate for the City of New Prague, Scott County and ISD 721 for taxes payable 2024

Baker Tilly Municipal Advisors, LLC is a registered municipal advisor and controlled subsidiary of Baker Tilly Advisory Group, LP. Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm and provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms. ©2024 Baker Tilly Municipal Advisors, LLC

## Projected Tax Abatement Report

City of New Prague, Minnesota  
Proposed Tax Abatement Assistance  
155 Unit Apartment Complex

Draft Abatement Revenues: \$34.875M new taxable value

| Annual<br>Period<br>Ending | Total<br>Market<br>Value <sup>(1)</sup> | Total<br>Net Tax<br>Capacity <sup>(2)</sup> | Less:<br>Non-<br>Abated<br>Net Tax<br>Capacity <sup>(3)</sup> | Retained<br>Captured<br>Net Tax<br>Capacity | Times:<br>Tax<br>Capacity<br>Rate <sup>(4)</sup> | Estimated<br>Annual<br>Property<br>Taxes | Maximum<br>Tax<br>Abatement<br>City *<br>42.43% | Maximum<br>Tax<br>Abatement<br>County *<br>26.13% | Maximum<br>Tax<br>Abatement<br>School *<br>20.26% | Estimated<br>Project<br>Abatement |
|----------------------------|---|---|---|---|--|--|---|---|---|-----------------------------------|
| (1)                        | (2)                                     | (3)   | (4)   | (5)   | (6)  | (7)                                      | (8)   | (9)   | (10)  | (11)                              |
| 12/31/28                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/29                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/30                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/31                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/32                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/33                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/34                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/35                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/36                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/37                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/38                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/39                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/40                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/41                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
| 12/31/42                   | 34,875,000                              | 435,938                                     | 1,640   | 434,298                                     | 91.649%  | 398,031                                  | 75% 138,193                                     | 75% 85,098  | 75% 66,004  | 289,295                           |
|                            |   |   |   |   |  | \$5,970,465                              | \$2,072,894                                     | \$1,276,476                                       | \$990,053   | \$4,339,424                       |

<sup>(1)</sup> Total estimated market value based on preliminary value estimate following review by County Assessor  
**very preliminary and subject to further review. Includes 0% annual market value inflator**

<sup>(2)</sup> Total net tax capacity based on rental class rate of 1.25%

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# YELLOW TREE

DEVELOPER | INVESTOR | BUILDER

## COMPANY PROFILE

Let's build something together

**YELLOW TREE** is an award-winning Minneapolis-based real estate development, construction, and property management firm, specializing in the revitalization of underutilized urban properties. With over 30 buildings and 2,300 units completed since 2018, our experienced team thrives on community-focused projects, and has invested over \$504 million in the Twin Cities.

Navigating complex urban builds is our forte. As owner, developer, manager, and builder, we guide you from project inception to occupancy, offering our unique real estate expertise. We partner with like-minded investors to develop and manage a diverse \$237 million portfolio of commercial and residential properties, all with emphasis on long-term profitability.

Our leadership team has over 100 years of combined experience, adept at managing projects of any scale. We collaborate with top architects, engineers, and subcontractors to ensure quality-focused, visually captivating commercial builds and renovations. Our specialized design-build process offers a single point of contact, which streamlines efficiency and reduces fees, resulting in faster delivery and maximized project value.

Our full-service property management department oversees 26 properties encompassing a \$330 million portfolio of housing across the Twin Cities metro area, from single family homes to large developments. Our reputation rests on tailored, responsive service delivered by our dedicated property managers and in-house maintenance techs, available 24/7, that are committed to accelerating your community's occupancy and profitability.

## By the Numbers

**30**  
**New Builds**  
**2,314**  
**Units**

**14**  
**Developments**  
**237M**  
**Development Portfolio**

**15**  
**Remodels**  
**26**  
**Properties Managed**

**330M**  
**Housing Portfolio**

**8**  
**Awards Received**

## LEADERSHIP TEAM



**Bryan Walters**  
**Co-Founder & Operations**  
**Manager**

Bryan has over 15 years of experience in executive oversight of the company's development, construction and property management divisions. He is responsible for day-to-day operations and is a member of the NAR & Minneapolis Association of Realtors.



**Robb Lubenow**  
**Co-Founder &**  
**Development Lead**

Robb has over 15 years of development & investment experience, and 20 years of commercial construction experience. He focuses on strategic planning, real estate investment strategies and capital formation.



**Kirk Pennings**  
**President of Construction**  
**Services**

Kirk has over 20 years of experience in the construction industry and has served in leadership positions at Opus Group and Target Corp. Kirk oversees project management, field staff, client acquisition, and preconstruction efforts.



**Don Brown**  
**President of Property**  
**Management**

Don joined Yellow Tree in 2019 after building the foundations as the Vice President of Residential Management for Doran. With over 20 years of experience, he provides senior leadership, asset management and operational oversight for YTPM.



**Vishal Dutt**  
**Development Partner**

Vishal Dutt joined the Yellow Tree team in 2023, taking a key role in shaping and implementing Yellow Tree's development business strategy. His responsibilities include identifying new investment prospects and sourcing project debt and equity.



**Tiffany Lavigne**  
**Financial Controller**

Tiffany Lavigne joined Yellow Tree in 2023 as the Financial Controller. She is responsible for all accounting matters of Yellow Tree Construction, Yellow Tree Development, and Yellow Tree Property Management.



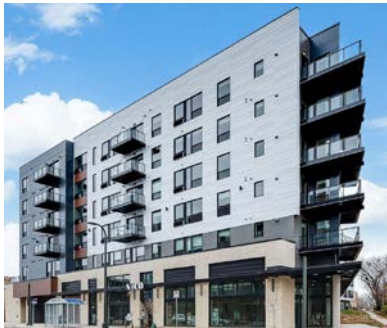
## PROJECT LIST

| New Developments                    | Units       | Year Built |
|-------------------------------------|-------------|------------|
| The Central*                        | 49          | 2018       |
| The Whit*                           | 74          | 2018       |
| Jax*                                | 65          | 2019       |
| Nico East*                          | 147         | 2019       |
| MN46                                | 54          | 2020       |
| Overland*                           | 63          | 2020       |
| Odie*                               | 67          | 2020       |
| 29 Bryant*                          | 91          | 2020       |
| Kolo                                | 41          | 2020       |
| Lumos*                              | 74          | 2021       |
| Nox*                                | 84          | 2021       |
| Alexander*                          | 77          | 2021       |
| Sawyer                              | 49          | 2021       |
| Verso                               | 29          | 2021       |
| Aubrey                              | 47          | 2022       |
| Cityline                            | 102         | 2022       |
| Deco265                             | 100         | 2022       |
| Midline*                            | 156         | 2022       |
| Nico West*                          | 126         | 2022       |
| The Abbey*                          | 126         | 2022       |
| Marshall St Townhomes               | 7           | 2022       |
| Wakpada                             | 126         | 2022       |
| Volo at TexaTonka                   | 111         | 2023       |
| 1000 Main St                        | 49          | 2023       |
| Huck                                | 83          | 2023       |
| Juliette*                           | 113         | 2023       |
| Akin                                | 204         | 2023       |
| Farmington*                         | 185         | 2025       |
| Peltier Reserve*                    | 242         | 2025       |
| *Yellow Tree Developments    Total: | <b>2741</b> |            |

| Remodels                          | Year Built |
|-----------------------------------|------------|
| The Arrive Clubhouse              | 2017       |
| Jackalope Tattoo                  | 2018       |
| Blair Apartment Common Areas      | 2018       |
| FIT (Grand St Commons)            | 2018       |
| Grizzly's Pizza                   | 2019       |
| Riverside Adult Day Center        | 2019       |
| Colonial Villa Clubhouse Addition | 2020       |
| 1836 Daycare                      | 2021       |
| Dela Beauty Supply                | 2021       |
| Dela's Beauty Supply Expansion    | 2022       |
| The Hair Creative                 | 2022       |
| Thompson Exteriors Office         | 2023       |
| Jackalope Tattoo Expansion        | 2023       |
| Avalon Cove Clubhouse             | 2023       |
| Sunset Trail Clubhouse            | 2023       |



FEATURED PROJECTS







## Awards

MN Real Estate Journal 2024 Suburban Multifamily West: *Volo at TexaTonka*

MN Real Estate Journal 2024 Urban Multifamily Minneapolis South: *Akin*

CoStar's 2023 Impact Award: *The Abbey*

Finance & Commerce Top Projects of 2022: *The Abbey*

Finance & Commerce Top Projects of 2022: *Wakpada Apartments*

CoStar's 2022 Multifamily Development of the Year: *The Abbey*

2023 Minneapolis Preservation Award: *The Abbey*

MADACS: YTPM - 2022 Top Maintenance Supervisor

MADACS: YTCS - 2021 Best Innovation

Real Estate Journal 2021 Multifamily Finalist: *Kolo*

Real Estate Journal 2021 Multifamily Finalist: *MN46*

Real Estate Journal 2021 Multifamily Finalist: *Odie*

Finance & Commerce Top 2020 Projects: *Kolo Apartments*

**‘The company’s full range of in-house capabilities gives it an edge in a time of rising prices and supply chain glitches, Lubenow said. “Being fully integrated is important, so we can see those issues early on and have time to adapt.”’**

**- The POWER 30: Developers 2022, Finance & Commerce Dec. 22, 2022**

## Publications

*Top Projects of 2022, Finance & Commerce*

*Notable Projects Finished in 2022, Finance & Commerce*

*The POWER 30: Developers 2022, Finance & Commerce*

*New Housing Pitched near 50<sup>th</sup> & France, Finance & Commerce*

*The POWER 30: Developers 2021, Finance & Commerce*

*Historic Mansion at Project's Core, Finance & Commerce*

*YT Acquires Land for Uptown Apartments, Finance & Commerce*

*Paster, Yellow Tree Team Up, Finance & Commerce*

*Developer Say Eased Parking Rules Foster Building Boom, Finance & Commerce*

*Q&A with Yellow Tree Co-Found Robb Lubenow, Finance & Commerce*

*Developer Yellow Tree Takes Root Near Blue Line, Finance & Commerce*

*Here's the Macro View on Micro Apartment Trend, Finance & Commerce*

*Yellow Tree sells vintage apartments After Major Rehab, Finance & Commerce*

*Four More Apartment Projects Pitched for Minneapolis, Finance & Commerce*

## TESTIMONIALS

**“Yellow Tree’s commitment to excellence, unwavering professionalism, and attention to detail have made my construction experience truly outstanding. From the initial consultation to the final nail, Yellow Tree demonstrated a level of expertise that surpassed my expectations. Their team of skilled professionals exhibited a rare combination of efficiency and precision, turning our vision into a reality. I wholeheartedly recommend Yellow Tree to anyone seeking a construction partner. Their professionalism, expertise, and client-centric approach set them apart in the industry. Working with them has been a pleasure, and I am grateful for the exceptional service they provided.”**

**- Daniel Perkins, Perkins Levin Real Estate Development**

**“It’s been a pleasure to work with Yellow Tree throughout each phase of the construction process. Their development expertise is incredibly valuable, they offer open and clear communication in providing solutions to unexpected issues, and they deliver a quality product on a timeline. In an industry where integrity and honesty are so critically important to the end results, it’s clear that Yellow Tree upholds these values within all levels of the company. I look forward to working with Yellow Tree on more projects in the future. “**

**- Chad Tepley, President of CDT Realty Corporation**

## CONTACT INFORMATION



For more information on Yellow Tree,  
please visit our website:

[YellowTreeCorp.com](http://YellowTreeCorp.com)

## CONTACT US

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**Bryan Walters**  
**(612) 432-1947**

**Kirk Pennings**  
**(612) 718-1934**

**Robb Lubenow**  
**(612) 600-0062**

**Don Brown**  
**(651) 270-6005**





# YELLOW TREE

DEVELOPER | INVESTOR | BUILDER

## Awards

CoStar's 2023 Impact Award; The Abbey

Finance & Commerce Top Projects of 2022:

The Abbey

CoStar's 2022 Multifamily Development of the Year;

The Abbey

2023 Minneapolis Preservation Award; The Abbey

MADACS 2022 YTPM - Top Maintenance Supervisor

MADACS 2021 YTCS - Best Innovation

Top 2022 Projects; Wakpada Apartments

Top 2020 Projects; Kolo Apartments

Real Estate Journal Multifamily Finalist - Kolo

Real Estate Journal Multifamily Finalist - MN46

Real Estate Journal Multifamily Finalist - Odie

## Publications

Top Projects of 2022

Finance & Commerce - July 21, 2023

Notable Projects Finished in 2022,

Finance & Commerce - July 21, 2023

The POWER 30: Developers 2022,

Finance & Commerce - Dec 22, 2022

New Housing Pitched near 50<sup>th</sup> & France,

Finance & Commerce - Mar 18, 2022

The POWER 30: Developers 2021,

Finance & Commerce - Dec 22, 2021

Historic Mansion at Project's Core,

Finance & Commerce - Oct. 21, 2020

YT Acquires Land for Uptown Apartments,

Finance & Commerce - June 25, 2020

Paster, Yellow Tree Team Up,

Finance & Commerce - March 9, 2020

Developer Say Eased Parking Rules Foster Building Boom,

Finance & Commerce - May, 2019

Q&A: Yellow Tree Co-Found Robb Lubenow envisions a smaller apartment,

Finance & Commerce - June 7, 2019

Developer Yellow Tree Takes Root Near Blue Line,

Finance & Commerce - Oct. 9, 2018

Here's the Macro View on Micro Apartment Trend,

Finance & Commerce - Aug. 27, 2018

Yellow Tree sells vintage apartments After Major Rehab,

Finance & Commerce - Sep. 15, 2017

Four More Apartment Projects Pitched for Minneapolis,

Finance & Commerce - June 27, 2017