

**DDA****David Drown Associates, Inc.
Public Finance Advisors**

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March 26, 2025

City of St. James
Attn: Amanda Knoll, City Manager
Attn: Brianna Sanders, EDA Director
P.O. Box 70
St. James, MN 56081

RE: Proposed Tax Increment Financing District No. 1-8

Honorable Mayor, City Council Members, Administrator Knoll, and Director Sanders:

Bramer and Michelle Powers dba Crystal Clear Car Wash, LLC (the "Developer") has expressed an interest in constructing a new car wash/laundromat/pet wash on vacant property located near the hospital. The Developer has indicated that the provision of tax increment financing assistance will be necessary to implement the project as proposed.

Tax Increment Financing or TIF is a tool that captures new property taxes (city, county, school district) that are generated as a result of new development that occurs within the boundaries of a designated TIF District. For the proposed project, the City could create an economic development tax increment district which can capture tax increments for up to 9-years. Typically, economic development TIF Districts can only include manufacturing, warehousing, and distribution businesses, but there is a small-city exemption which indicates that communities below 5,000 population can include commercial projects of up to 15,000 sq ft if they are located more than 5-miles from a city of 10,000 population or greater.

The Developer has requested the reimbursement of 90% of the available tax increments (new property taxes) from the project for a term of 9-years. Based on an estimate of market value from the county assessor, the requested assistance would total approximately \$107,114, or nine consecutive years of reimbursement, whichever occurs first. The reimbursement would be made for actual eligible costs incurred for the project, so if for any reason the project does not proceed, the City would not be required to provide project funding.

For tax increment financing to be available for a project, the city must undertake a process defined by Minnesota Statutes to create a tax increment district. A public hearing is required as part of this process. The TIF District would be created by the City Council if determined to be appropriate to proceed. Copies of the tax increment plan are distributed to the County and the School District in advance of the public hearing so that they have an opportunity to comment.

Following the public hearing the City Council would be asked to consider a resolution adopting a tax increment plan and authorizing the execution of a development agreement. Due to the notifications to the County and School District which are requirements of this process, it generally takes approximately 60-days to complete.

A tentative schedule should the City Council determine that it is appropriate to proceed would include the following:

EDA makes recommendation to the City Council	March 25, 2025
City Council Calls Public Hearing	April 1, 2025
Notification to Commissioner	by April 18, 2025
Impact letters to County and School District	by May 2, 2025
Deadline for hearing notice to Official Newspaper	Friday, May 16
Hearing Notice published in Official Newspaper	Thursday, May 22
Public Hearing - Council	Tuesday, June 3
Council resolution approving District & Authorizing Execution of Agreement	Tuesday, June 3
Request for Certification sent to County and State	before 6/30/2025

At its March 25, 2025, meeting, the Economic Development Authority voted to recommend that the City Council initiate the process to create a TIF District to provide tax increment assistance consistent with the request made by the Developer. One commissioner voted against the recommendation.

If the Council determines that it is appropriate to proceed, I have recommended to staff that the new TIF District include all of the parcels in the business park/commercial area proposed for development which is immediately adjacent to the proposed car wash location. If any additional development is implemented in a timely manner, the tax increments captured could be beneficial for funding infrastructure improvements in that area.

If determined to be appropriate to proceed, I would recommend that the City Council approve the attached resolution calling for a public hearing on the creation of Tax Increment Financing District No. 1-8 to be held at the June 3, 2025, City Council meeting.

Please feel free to contact me if I can be of any assistance in answering questions regarding the information provided. Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Shannon Sweeney".

Shannon Sweeney, Associate
David Drown Associates, Inc.