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Public Finance Advisors

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May 28, 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 BMP Investments, 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 and the City Council previously called for that public hearing to be held at the June 3, 2025 meeting. Copies of the tax increment plan have been 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 will be asked to consider a resolution adopting a tax increment plan and authorizing the execution of a development agreement. A resolution providing for both of those actions is attached for consideration along with a draft of the Tax Increment Financing Plan and the proposed tax increment financing (TIF) agreement.

A summary of the proposed terms of the TIF agreement includes the following:

The City will agree to the following:

1. The City Council will create TIF District 1-8 (a multi-parcel economic development district) for the purpose of providing PAYGO TIF assistance for 9-years. The assistance shall consist of 90% of the available increment generated by the development property (parcel I.D.#200242800), and said assistance shall not exceed \$107,114. No interest will be paid on the note. Eligible costs to be reimbursed will include land acquisition and site improvements which includes payments on special assessments for public improvements.

Developer will agree to the following:

1. Shall start construction by June 1, 2026 and substantially complete construction of the new car wash/pet wash/laundromat by December 31, 2026. Said project is to be constructed according to plans and specifications that are approved by the City.
2. Make all property tax, special assessment, and utility payments on time and in full.
3. There are no job creation goals (not a business subsidy at this time).
4. Developer shall maintain its operations in the City for the duration of the subsidy.

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, reading "Shannon Sweeney".

Shannon Sweeney, Associate
David Drown Associates, Inc.