

8. Consideration of approving a Contract with Northland Securities, Inc. (NSI) in the amount of \$10,535 for Financial Planning Services related to establishing Redevelopment Tax Increment Financing (TIF) District #1-45 (JT)

A. REFERENCE AND BACKGROUND:

The EDA is asked to consider approving a specific project-based Contract with Northland Securities, Inc. (NSI) related to creation of Economic Development Tax Increment Financing (TIF) District #1-45 in support of Deephaven Development's proposed Block 52 redevelopment. In the TIF Application submitted by Deephaven Development, it indicates an expected total private sector investment of \$25,000,000 to \$26,000,000. The owner equity contribution is expected to be \$6,250,000 or about 24 percent of the total. The proposal envisions developing 87 new market rate apartment units and 30,500 square feet of commercial space in Block 52.

The submittal of the TIF application by Deephaven Development warrants EDA consideration of entering into a contract with NSI to obtain financial planning and analysis services as well as guidance in the required steps in establishing a new Redevelopment TIF District. The attached proposal outlines specific services related to development parcel valuation data, review of the proposed financing structure, the project pro forma and preparation of the critical "but for" findings. It also covers formatting and distribution of various notices, planning documents, completion of a TIF Plan and attendance at two key meetings. It does not include legal documents such as resolutions and development agreements.

Ultimately, if a new Redevelopment TIF District is not approved by the City Council or the EDA, NSI will only bill for actual work performed based on an hourly rate of \$215. NSI will also coordinate with the City's legal counsel as required for the project.

A1. STAFF IMPACT: TIF Districts are extremely complicated tax-based financial assistance tools used to support new economic development proposals. There are several legal and critical financial review steps that are required in establishing a new TIF District. Under the proposed contract, NSI will analyze property value and financing data and prepare a TIF Plan specifically tailored to the proposal and the development site. They will also prepare the essential "but-for" findings. In-house staff will support and collaborate with NSI by providing application submittal materials and guidance related to EDA discussions regarding potential TIF assistance for Deephaven Development's redevelopment proposal.

A2. BUDGET IMPACT: The funds to pay for the proposed NSI contract will come from the \$12,500 TIF application fee from Deepahaven Development. Additional costs beyond the initial TIF fee will be invoiced to Deephaven Development as per NSI service invoices. Fees incurred for legal documents, contracts, resolutions, etc. related to establishing the TIF District are not included in the NSI services contract. Those costs will be separate and will also be invoiced to Deephaven Development.

B. ALTERNATIVE ACTIONS:

1. Motion to approve NSI Financial Planning Agreement for services related to creation of a Redevelopment TIF District 1-45.
2. Motion to table consideration of the NSI Financial Planning Agreement for services related to creation of Redevelopment TIF District 1-45.

C. STAFF RECOMMENDATION:

Staff recommends Alternative 1. The NSI Financial Planning Services Agreement is essential to ensure the EDA stays within the bounds of all required steps and notices when creating a new TIF District. TIF districts have impacts across several taxing jurisdictions (city, school district and county). Therefore, it important that staff have the support of consultants such as NSI to perform specialized TIF Plan analytical work and preparation of specific documents that are required in creating a new TIF District.

D. SUPPORTING DATA:

- a. NSI Financial Planning Services Agreement – TIF District #1-45
- b. TIF Review and Approval Calendar – TIF District #1-45

FINANCIAL PLANNING AGREEMENT

**BY AND BETWEEN
THE CITY OF MONTICELLO ECONOMIC DEVELOPMENT AUTHORITY
AND
NORTHLAND SECURITIES, INC.
TAX INCREMENT FINANCING (REDEVELOPMENT) DISTRICT NO. 1-45**

This Agreement made and entered into by and between the City of Monticello Economic Development Authority, Minnesota (hereinafter the "EDA") and Northland Securities, Inc., of Minneapolis, Minnesota (hereinafter "NSI").

WITNESSETH

WHEREAS, the EDA desires to use the services of NSI for financial planning assistance related to the establishment of Tax Increment Financing (Redevelopment) District No. 1-45 (the "TIF District") to provide financial assistance for the construction of a mixed-use building consisting of approximately 87 housing units and commercial-retail on the first floor (the "Project").

WHEREAS, the Project is intended solely for financial planning and NSI is not providing advice on the timing, terms, structure or similar matters related to a specific bond issue.

WHEREAS, NSI desires to furnish services to the EDA as hereinafter described.

NOW, THEREFORE, it is agreed by and between the parties as follows:

SERVICES TO BE PROVIDED BY NSI

The scope of work will undertake the process and financial planning to establish the TIF District. Legal services to review the plan for the establishment of the TIF District (the "TIF Plan"), resolutions, and agreements are not provided by NSI and are not subject to this agreement. Any inspection services that may be needed to determine if the project meets the definition of "Substandard Building" as defined by Minnesota Statutes, Section 469.174, subdivision 10, are not provided by NSI and are not subject to this agreement.

NSI will provide the following services:

1. Collect data for the TIF District and the Project, including:
 - a. Parcel identification numbers for all parcels within the Development District and the TIF District.
 - b. Estimated market value and tax capacity value for all parcels within the TIF District.
 - c. Current property tax rates for all jurisdictions.
 - d. Map showing project location and parcel boundaries.

2. Evaluate and advise the EDA on the type of tax increment financing district and provide guidance on statutory finding
4. Collect data about the Project, including:
 - a. Type, size, value, and timing of proposed development.
 - b. Activities and estimated costs (project budget) to be paid by the TIF District.
5. Review basis for findings for establishing TIF District, including:
 - a. Statutory criteria for proposed district.
 - b. Developer justification (“but for”) for the use of tax increment.
 - c. Review and analyze Developer construction pro forma and operating pro forma for the Project.
 - d. Prepare memorandum for the EDA presenting the findings.
6. Determine basic understanding of key criteria for the process including:
 - a. Boundaries of Development District and the TIF District.
 - b. Specific development objectives to address in the planning documents beyond the Project, including decertification of an existing tax increment financing district.
 - c. Official newspaper and publication schedule.
7. Obtain any additional data not collected in item #1, including:
 - a. Building permits issued for parcels in the TIF District over the past 18 months.
 - b. Current comprehensive plan.
8. Set and distribute calendar of meetings and key dates.
9. Prepare notice of hearing and comply with statutory requirements for mailing and publication.
10. Assist the EDA’s attorney with drafting of the development agreement for the Project.
11. Prepare planning documents including modification of the Development Program for the Development District and Tax Increment Financing Plan for the TIF District.
12. Distribute draft planning documents with letter of explanation and other supporting information to county and school district.
13. Assist with preparation of resolutions authorizing the TIF District and approving the TIF Plan.
14. Prepare and distribute resolution for planning commission findings, if necessary (scope does not include NSI attendance at planning commission meeting).
15. Prepare and distribute packet for public hearing including the TIF Plan and approving resolution.
16. Attend and facilitate the EDA meeting to consider approval of the TIF District and agreement for the Project.

16. Attend and facilitate the public hearing and City Council meeting to consider approval of the TIF District.
17. Prepare TIF transcript (electronic document).
18. Submit district for certification by the county.
19. File district with the State of Minnesota.

The scope of services includes NSI attendance at two (2) meetings.

COMPENSATION

The budget for undertaking the tasks in this agreement is an amount not to exceed \$10,535. The amount is based on the estimated number of hours required to complete these tasks at an hourly billing rate of \$215 per hour plus reimbursable expenses for travel, printing, and mailing. NSI will bill on a monthly basis for actual services performed and reimbursable expenses.

The EDA may at its discretion authorize NSI to undertake additional tasks, including meeting attendance, beyond the tasks listed above. Additional planning services will be billed monthly at a rate of \$215 per hour.

Invoices will detail the work performed, requested compensation for the period and show amounts previously billed.

ASSIGNED NSI EMPLOYEE

The NSI employee responsible for providing services pursuant to this agreement and for the services performed is Tammy Omdal, Managing Director.

SUCCESSORS OR ASSIGNS

The terms and provisions of this Agreement are binding upon and inure to the benefit of the EDA and NSI and their successors or assigns.

DISCLAIMER

In performing service under this agreement, NSI is relying on the accuracy of information provided by the developer for the proposed project and the EDA and the services provided by NSI are based on current State Law. The parties agree that the Minnesota property tax system and other laws may change and may affect the accuracy and validity of services provided by NSI. NSI will perform its work using the best available information. The EDA recognizes and accepts that future property values, tax levies and tax rates may vary from the assumptions used by NSI and such changes may affect the work product produced and provided by NSI.

TERM OF THIS AGREEMENT

This Agreement may be terminated by thirty (30) days written notice by either the EDA or NSI. In the event of early termination by the EDA, NSI shall provide the EDA with an itemized hourly statement of services already provided. All billable hours by NSI shall be billed at the stated hourly rates should early termination occur.

Dated this ___ day of February, 2022.

Northland Securities, Inc.

By: Tammy Omdal
Tammy Omdal
Managing Director

**City of Monticello Economic Development
Authority**

By: _____

Title

Preliminary for Discussion
City of Monticello
Central Monticello Redevelopment Project No. 1
Establishment of Tax Increment Financing District No. 1-45
Redevelopment TIF District
Block 52
Public Hearing on May 23

February 2022

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

February 23 EDA considers TIF application from developer
 February 23 EDA request City Council call for hearing

March 2022

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

March 14 City Council calls for public hearing
 March 18 Preliminary Draft TIF Plan distributed

April 2022

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

April 12 Last day for written notice to County Commissioner
 April 22 Last day for notice and TIF plan and fiscal implications to County and School District

May 2022

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

May 3 Planning Commission review
 May 9 Last day to submit public hearing notice to newspaper, by 4pm
 May 12 Public hearing notice published in the newspaper
 May 23 Public hearing and establishment of TIF District

June 2022

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

June 8 EDA approval of TIF, subject to Council approval

* Timing of request for certification of the TIF District may occur before or after June 30, 2022. Timing will depend on specific facts for the project and timing for commencement of the project.

Notes:

- 1 City Council regular meeting dates.
- 2 Economic Development Authority (EDA) regular meeting dates.
- 3 Planning Commission regular meeting dates.
- 4 City publication dates need to be confirmed and added to calendar.

