



Board of County Commissioners Agenda Request



Requested Meeting Date: August 22, 2023

Title of Item: Adopt Resolution - INH Properties Tax Abatement Senior Housing Units

<input checked="" type="checkbox"/> REGULAR AGENDA	Action Requested:	<input type="checkbox"/> Direction Requested	
<input type="checkbox"/> CONSENT AGENDA		<input type="checkbox"/> Approve/Deny Motion	<input type="checkbox"/> Discussion Item
<input type="checkbox"/> INFORMATION ONLY		<input checked="" type="checkbox"/> Adopt Resolution (attach draft) <i>*provide copy of hearing notice that was published</i>	<input type="checkbox"/> Hold Public Hearing*

Submitted by: Mark Jeffers	Department: Administration
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Presenter (Name and Title): Mark Jeffers, Economic Development Coordinator	Estimated Time Needed: 10 minutes
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Summary of Issue:

The Economic Development Committee has received and reviewed an application for tax abatement for INH Properties. INH is proposing to develop two properties on Bunker Hill Drive. INH proposes to develop a 51 unit 55+ senior living project and a 44 unit multi family housing project.

The tax abatement request is included in this agenda request. It is a 20 year abatement request.

A public hearing was conducted on the Tax Rebate Financing application from Property Developer on August 22, 2023, 10:30am, at the Aitkin County Government Center Board Room, pursuant to Minnesota Statutes, Sections 469.1812 - 1815, and 116J.993.

This Resolution refers to the senior housing project.

Alternatives, Options, Effects on Others/Comments:

Recommended Action/Motion:

Economic Development requests approval of a resolution to approve the tax abatement financing request from INH Properties for the senior housing project.

Financial Impact:

Is there a cost associated with this request? Yes No

What is the total cost, with tax and shipping? \$

Is this budgeted? Yes No Please Explain:

APPROVE TAX ABATEMENT INH PROPERTIES SENIOR HOUSING

WHEREAS, INH Properties, (hereinafter Property Developer), has filed an application for Tax Rebate Financing pursuant to Minnesota Statute Sections 469.1812 to 469.1815 (Tax Abatement) to construct 51-units of new senior housing (the "Project") located on the ("Abatement Property") and identified by parcel identification number 56-1-179300, all pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815; and

WHEREAS, the Tax Rebate Financing will be in the form of a rebate of taxes paid by Property Developer to the County of Aitkin on parcel# 56-1-179300, commencing with taxes payable in 2026; and

WHEREAS, Property Developer's application meets the Criteria for awarding Tax Abatement Financing (TAF) in the TAF Policy for Aitkin County, Minnesota, including increasing the tax base and providing additional employment and housing opportunities in Aitkin County; and

WHEREAS, Property Developer has requested Tax Rebate Financing from the County of Aitkin for taxes payable to the County of Aitkin over a maximum term of twenty (20) years, commencing with taxes payable in 2027 and ending with taxes payable in 2046; and

WHEREAS, Property Developer's application is not considered a business subsidy pursuant to Minnesota Statutes, Section 116J.993; and

WHEREAS, The County agrees that it will annually pay to the City the County Tax Abatements at such times as the City is required to make its abatement payment to the Property Developer under the City Abatement Agreement. The City will use the County Tax Abatements paid to the City to, along with the City's tax abatement, reimburse the Property Developer's for the Developers payment of project costs; and

WHEREAS, a public hearing was conducted on the Tax Rebate Financing application from Property Developer on August 22, 2023, 10:30am, at the Aitkin County Government Center Board Room, pursuant to Minnesota Statutes, Sections 469.1812 - 1815, and 116J.993; and

NOW, THEREFORE BE IT RESOLVED that the Aitkin County Board of Commissioners approves the Tax Rebate Financing for INH Properties. Tax Rebate Financing from the County of Aitkin for taxes payable to the County of Aitkin over a maximum term of twenty (20) years, commencing with taxes payable in 2027 and ending with taxes payable in 2046. Tax rebate financing for this project is 90% tax abatement.

Commissioner xxx seconded the adoption of the resolution and it was declared adopted upon the following vote

xxx MEMBERS PRESENT

All Members Voting xxx

**STATE OF MINNESOTA}
COUNTY OF AITKIN}**

I, Jessica Seibert, County Administrator, Aitkin County, Minnesota do hereby certify that I have compared the foregoing with the original resolution filed in the Administration Office of Aitkin County in Aitkin, Minnesota as stated in the minutes of the proceedings of said Board on the 22nd day of August 2023, and that the same is a true and correct copy of the whole thereof.

Witness my hand and seal this 22nd day of August 2023

Jessica Seibert
County Administrator



Tax Abatement Financing Policy

I. GENERAL POLICY

The purpose of this policy is to establish Aitkin County's position relating to the use of TAX ABATEMENT FINANCING (TAF) for private development in accordance with Minnesota Statutes 469.1812 - 1815. This policy shall be used as a guide in processing and reviewing applications requesting TAF assistance. The fundamental purpose of TAF in Aitkin County is to encourage desirable development and/or redevelopment that would not otherwise occur "but for" the assistance provided through TAF.

The County shall consider TAF for projects that serve to accomplish the County's goals for economic development as they may change over time. The goals include facilitating projects that would result in the creation of quality jobs (e.g. stable employment, wages with benefits) and the attraction, retention, and expansion of business and housing options in the County.

Aitkin County is granted the power to utilize TAF by the Minnesota Tax Abatement Act, as amended. It is the intent of the County to provide the minimum amount of TAF, at the shortest term required for the project to proceed. The County reserves the right to approve or reject projects on a case by case basis, taking into consideration established policies, project criteria, and demand on county services in relation to the potential benefits from the project. Meeting policy criteria does not guarantee the award of TAF to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

II. CRITERIA FOR AWARDING TAF

- A. The benefits to Aitkin County must be equal to the costs of the abatement, and must benefit the county in one or more of the following ways.
 - Increase to Aitkin County's tax base by at least \$500,000.
 - Create or retain, five Full Time Equivalent (FTE) jobs paying at a minimum, 140% of the Federal Poverty guidelines for a family of 4, or 115% of the Federal Poverty guidelines for a family of 4, with the difference between the 115% and the 140% consisting of health benefits, within two years of the TAF award date.
 - Provide or help acquire needed public infrastructure or public facilities.
 - Help develop or revitalize blighted areas.
 - Help with soil corrections, brownfield development, or other areas that due to extenuating site problems would not otherwise be developed.
 - Help provide access to services for residents of Aitkin County.
- B. Preference will be given to manufacturing, distribution or value added business or to a business providing services to these types of businesses.
- C. Retail business will not be considered for TAF unless the project creates substantial quality employment and substantial tax base.
- D. Aitkin County will consider the impact of the project on public services, including but not limited to: pollution, traffic, and the need for additional law enforcement
- E. Aitkin County shall limit the amount of TAF to the increase in new property taxes resulting from the improvement in the property from the project.



- F. Aitkin County may limit the TAF to a specific dollar amount per year or in total or in any manner the county feels is appropriate.
- G. The pay as you go financing method for TAF is preferred.
- H. A TAF application fee of \$500.00 shall accompany each submitted TAF request.
- I. Aitkin County reserves its right to review and if the project requirements are not being fulfilled to modify the abatement every second year after approval of the TAF.
- J. Before TAF is considered for any project or property, it must be in compliance with all Aitkin County ordinances, tax payments, or any other legal or financial obligations to Aitkin County.
- K. A written application on a form provided by the county shall be completed for each TAF request. The Aitkin County Economic Development Committee shall review each request and make written comments to the county board. The Aitkin County Board will make the final decision in the granting of any TAF.

**APPLICATION FOR TAX ABATEMENT FINANCING
AITKIN COUNTY, MINNESOTA**

APPLICANT

Business Name: INH Properties / Bunker Hills Apt, LLC
Address: 175 7th Ave S, Waite Park, MN 56387
Telephone: (320) 252-2000

Officers: Michael Stoebe, President
James E Illies, Vice President
Ryan Nothnagel, Treasurer

Contact Person: James E. Illies
Title: Vice President

Business Form (Corporation, Partnership, Etc.): Corporation

Start-Up or Expansion: NA
Years in Operation: 42
Sales/Revenues (\$): NA

Brief Description of Business, Principle Products, Etc.:

INH is a full-service commercial real estate firm, specializing in apartment development and management. Founded in 1981, INH serves 7,000 units in MN, and presently operates property in the Cities of Aitkin and Brainerd. INH would form a special purpose LLC entity for the development and ownership of this project. INH would manage the project in perpetuity – through development, lease-up, stabilization, and beyond.

INH Properties / Bunker Hills Apt, LLC is requesting the below for consideration regarding Tax Abatement Financing:

Phase 1 Senior 51 Unit:
20 yrs
\$459,000

Phase 2 General Occupancy 44 Unit:
20 yrs
\$333,000

Has applicant ever filed for Bankruptcy? Yes _____ No X
If Yes, provide details on separate page(s).

Has applicant ever defaulted on any bond or mortgage commitment?
Yes _____ No X If Yes, provide details on separate page(s).

Does Applicant have commitments for conventional financing for the project?
Yes X No _____

Please list three financing references: (Name/Address/Contact Person/Phone)

Bell Bank, Jason Pohlen (320) 759-8416
Bremer Bank, Anthony Loosbrock (320) 762-4738
Americana Bank, Jon Cira (612) 741-8354

Name/Address of applicant's legal counsel and accountant:
Legal: Swenson Lervick, Mike Cass (320) 763-3141
Acct: Bergen KDV, Scott Welle (320) 650-0235

PROPOSED PROJECT

Location: Bunker Hills Drive
PID #(s) for desired building site: 56-1-179300; 56-1-179500
Site Plan Attached: Yes X No _____

Type of Project: Multi-family

Describe Project:

New Development (2 Phases Planned) with new construction Phase 1 being a 51-unit Senior apartment building. Under building parking and additional surface parking would be at a minimum of 1.5 stalls per unit. Amenities include in-unit washer/dryer, community room, fitness center, office, elevator and individually controlled heat/air conditioning in-unit. Phase 2 planning is similar but will be a 44-unit general occupancy apartment building.

JOB CREATION

Current Number of Employees:	0
Current Payroll:	0
Number of Jobs Created:	3 Full Time, 2 Part Time
Number of Construction Jobs Created:	35
Wages, benefits for new jobs:	\$104,000
Number of Jobs Retained:	0
Revised Payroll:	0

PROJECT COSTS

	PHASE 1 (51 Unit Senior)	PHASE 2 (44 Unit G/O)
Land acquisition	\$225,000	\$193,000
Construction Costs	\$9,857,051	\$6,594,885
Soft Costs	\$727,112	\$539,247
Financing/Tax/Insurance	\$317,000	\$253,000
Financing Sources	Equity: 35% \$3,926,662 Loan: 65% \$7,200,000	Equity: 35% \$2,680,132 Loan: 65% \$4,900,000

CONSTRUCTION AND DESIGN

Name/Address of architect, engineer and contractor for project:

Preliminary Site concepts:

Cole Group Architects 216 Park Avenue South, St. Cloud MN 56301 (320) 654-6570

Target Dates:

Phase 1:

Start of Construction: August 1st, 2023

Construction Completed: September 1st, 2024

Phase 2:

Start of Construction: August 1st, 2024

Construction Completed: September 1st, 2025

STATEMENT OF PUBLIC PURPOSE

Describe why the proposed development/redevelopment would not reasonably be expected to occur solely through private investment within the foreseeable future, and therefore the use of Tax Abatement Financing is deemed necessary:

If not but for the utilization of Abatement and other subsidies, the development is not economically feasible and does not cash flow. Investors target 6-7% returns, banks require debt coverage ratios of minimum of 1.20, which is not currently projected given the assumptions. Market rents are based upon housing need studies and advanced for timing to open and have limitations to increase higher based upon market AMI.

PLEASE ATTACH:

1. Site Plan Consistent with Submittal Requirements of the Building and Zoning Department.
2. Audited Financial Statements or Tax Returns from the Past Two Years.
3. Current Financial Statement
4. Business Plan to include Pro Forma Analysis
5. Other Information related to the Project

6. Application Fee
7. Other information as requested by Aitkin County
8. A public hearing is required by State of Minnesota Statutes before TAF can be approved.

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The County reserves the right to require additional information and supporting data from the applicant after the filing of this application. Portions of the information provided to Aitkin County may be subject to open meeting laws and therefore may be disclosed to the public. Please review the open meeting laws and disclosures with Aitkin County prior to submission.

The undersigned, (a) (the) James E Illies
of applicant, hereby represents and warrants to the County of Aitkin that (he) (she) has carefully reviewed this application, and that the statements and information contained herein and submitted herewith are accurate and complete to the best of the undersigned's knowledge and belief.

Dated: 4/6/23

Banke Hills, LLC
Applicant

By [Signature]
Its Chief Manager