



**CHEDA Special Board Meeting Minutes
Tuesday, August 28, 2018, 7:00 a.m. † VTP**

Present: Kurt Heldstab, Craig Morgan, Paul Eickhof, Steve Erickson, Leon Kremeier

Liaisons to the Board: Dale Stainbrook

CHEDA Staff: Craig Hoiseth, Tiffany Jones and Theresa Tahrán

Others present: Wayne Melbye, Mike Christopherson, Dean Adams, Clayton Briggs, Shannon Stassen, Jeff Evers, Jake Fee, Bobbie Baird, and John Bridgeford.

Absent: Lee Meier, Tom Vedbraaten

- 1) President Heldstab called the meeting to order at 7:00 a.m.
- 2) Public Forum - *Individuals may address the Board about any item not contained on the regular agenda. The Board will take no official action on items discussed at the Forum, with the exception of referral to staff or Board for future report.*
- 3) Approve Agenda: *Member Erickson moved to approve the September 18, 2018 CHEDA Special Board Meeting Agenda as presented, second by Kremeier. Motion carried unanimously.*

4) Kevin Ross Development

CHEDA has been working with the Housing Institute presented by MN Housing for the past year and a half. The Housing Institute consists of a few communities working together to find solutions to current housing needs. The communities consist of Crookston, Red Lake Falls, Warren, and East Grand Forks. The overall idea of the group was to increase the number of single family homes in the entire NW MN region, beginning with a pilot project of Crookston, Warren and RLF. EGF opted out of the pilot due to not having a conforming lot available presently for development. The original plan was to build stick built homes, but available contractor were limited and pricing for three bedroom, two bath homes with attached double garages came in at or around \$200,000. Models from various modular builders were evaluated and due to Homark having operations in RLF, adding to more regional economic activity and added local flavor, houses were bid out and could be completed for \$180,000 to \$185,000.

Hoiseth presented the Board with an informational packet outlining the partnership, the goals, cash flows, and floor plan of the Crookston house.

The Housing Institute has since been trying to secure financing, and a partnership has emerged consisting of NW Multi County HRA, Northwest Foundation, and Greater MN Housing Fund. These entities will contribute to the project, along with each community investing \$50,000. All funding will be in forms of loans. The Crookston home is targeted for lot #9 of Kevin Ross' land located on the south end of Crookston. The lot cost is \$14,000 or \$15,000, which will be further negotiated with Mr. Ross as we determine if he will participate in the \$50,000 Crookston investment.

There are still some unanswered questions, but Hoiseth stated he needed Board approval in the event this all came together, that the proper authorization was in place to make the potential project happen.

Motion: Member Kremeier moved to approve up to \$50,000 to purchase a Homark Home, as outlined to the Board in the NW Housing Consortium documents: Second by Morgan. Motion carried unanimously.

5) TIF – Fournet Building

Jeff Evers has submitted an application for a TIF for the redevelopment of the Fournet Building downtown. The application comes with a fee of \$8500 which has not yet been received. We have been working with a consultant on the creation of a TIF district and the recommend approach would be that the TIF district be set for this building alone. CHEDA and the City have previously acted to commit \$300,000 low interest money, although these funds will not be dispersed until structural and engineering are performed. The cost for this engineering work is now estimated at approximately \$100,000. This expense has been added into the project projections.

Hoiseth presented the Board with an informational packet that demonstrated the need of the project. The Performa consists of the financing of the City and CHEDA for the first ten years no principle payment (interest only) and then after ten years payments of principle and interest to be paid back in five years with a rate tied to prime. Additionally, the primary lender will provide \$800,000 in debt towards the project. The operating costs have been projected along with property taxes both with and without the TIF being put into place. These numbers assist greatly in satisfaction of the "but for" criteria needed to justify a TIF. The recommended TIF is a pay as you go type, and the developer will borrow additional funds and any "increment" increase (taxes today, versus taxes increased due to the development) will be applied towards this additional indebtedness. With a pay as you go TIF, the City of Crookston will not be exposed to any additional risk instead the debt will be serviced by the developer through the additional taxes paid being used to directly retire the loan amount. This will be a Redevelopment TIF District which allows us up to 26 years duration, but Hoiseth recommends the TIF be capped at 20 years. The property tax is estimated to increase approximately \$10,000 per year so the total TIF will be for \$208,000. Executed in this manner, this TIF Redevelopment District would cost the city nothing

other than some up front legal and consultant costs, thus the \$8500 application fee. It is likely in order to qualify as a Redevelopment District, an architect firm must be hired to evaluate the building and deem it substandard, meaning the cost to bring the building up to code and occupy it is more than the current building value. This architect is estimated to cost something less than \$5,000.

The developer, Mr. Evers will likely need to enter into a TIF agreement and also likely need to enter into a Business Subsidy Agreement that recently was approved by City Council, required if an incentive granted exceeds \$150,000 of total value.

Motion: Member Morgan moved that the CHEDA Board of Commissioners recommend the establishment of a Redevelopment TIF District for the Fournet Building in downtown Crookston not to exceed 20 years and \$208,000. Costs associated with establishment of this TIF District to be borne by the developer, not to exceed \$8,500. Second by Kremeier. Motion carried unanimously.

6) Other Business

None

Board Reports

None

There being no further business to come before the Board, President Heldstab adjourned the meeting at 7:55 a.m.

These minutes were officially approved on Sept. 18, 2018

Attest: *Kent Heldstab* and *Craig Smith*
Board President Executive Director

