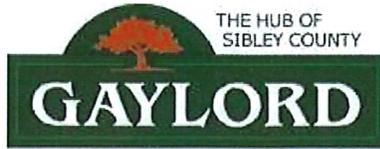


**Gaylord Economic Development Authority  
Annual Meeting Agenda  
Monday, April 8th, 2019 (5:00 P.M.)  
*Please call 237-2338 if you are unable to attend.***

- I. CALL TO ORDER (5:00 P.M.)**
- II. APPROVE THE AGENDA and any additions or corrections:**
  - 1. Approve 03/08/2019 agenda
- III. CONSENT AGENDA:**
  - 1. Approve 02/11/2019 EDA minutes
  - 2. EDA Fund Balances –
    - I. EDA General Money Market Fund \$ 15,274.44
    - II. Sign & Awning Account Balance \$ 4,107.66
    - III. EDA Down Payment Assistance Program Funds \$ 16,652.99
    - IV. Commercial Rehabilitation Loan Program Funds \$ 90,091.00
    - Total: \$126,126.09
- IV. MONTHLY REPORTS/UPDATES:**
  - 1. Council liaisons
    - a. Tom Homme
    - b. Lynn Grochow
  - 2. Staff Reports – Lory Young
    - a. Habitat Houses
  - 3. Other Reports
- V. UNFINISHED BUSINESS:**
  - 1. Update on proposed “Wolverine Meadows” Apartments
  - 2. Meadow Wood Subdivision
    - a) Bids of constructing 3<sup>rd</sup> Street East
    - b) Suggest Lot Pricing & Pre-sell lots
    - c) Possible Covenants
    - d) Property Tax Abatement/Rebates or Other Incentives
- VI. NEW BUSINESS:**
  - 1. Hotel Feasibility Study
    - a. County Road 21 Reroute
    - b. Property Cleanup
- VIII. ADJOURNMENT**



**Gaylord Economic Development Authority  
Annual Meeting Minutes  
Wednesday, February 11<sup>th</sup>, 2019 (5:00 P.M.)**

**I. CALL TO ORDER**

- II.** Pursuant to due call and notice thereof, Doug Parrott (Vice President) called the Gaylord Economic Development Authority meeting to order in Gaylord City Hall at 5:00P.M.

**Members present:** Doug Parrott (Vice President), Tom Homme (Secretary/Treasurer), Scott Amorim and Lynn Grochow.

**Members absent:** Chuck Klimmek (President).

**Staff present:** Lory Young (City Administrator) and Colleen Snyder (Administrative Assistant).

**Staff absent:** Aaron Walton (City Attorney).

**Guests present:** Lisa Uecker; Gaylord Hub.

**III. APPROVE THE AGENDA and any additions or corrections:**

1. Approve 02/11/2019 agenda  
Motion by Amorim, seconded by Grochow to approve the 02/11/2019 Agenda. Motion carried.

**IV. CONSENT AGENDA:**

1. Approve 01/09/2019 EDA minutes  
Motion by Parrot, seconded by Grochow to approve the January 11, 2019 Minutes. Motion carried.

2. EDA Fund Balances –

I.	EDA General Money Market Fund	\$ 15,268.69
II.	Sign & Awning Account Balance	\$ 4,107.66
III.	EDA Down Payment Assistance Program Funds	\$ 16,652.99
IV.	Commercial Rehabilitation Loan Program Funds	<u>\$ 85,091.00</u>
	Total:	\$121,120.34

**V. MONTHLY REPORTS/UPDATES:**

1. Council liaisons
  - a. Tom Homme-None.
  - b. Lynn Grochow-None.

2. Staff Reports-Young stated the new director at Habitat for Humanity is Connie Ireland. Avery Grochow from Sibley Surveyors will donate his services and survey the Habitat Houses. Young went on to say Habitat is currently looking for qualifying applicants.
3. Other Reports-None.

#### **VI. UNFINISHED BUSINESS:**

1. Update on proposed "Wolverine Meadows" Apartments  
Young stated there has been some discussion recently regarding TIF so she had Tammy Omdal from Northland Securities put some material together to explain TIF. Young explained the different scenarios Omdal put together. Parrott asked if the land is sold to the investor for a dollar, would TIF money be used to recoup the money that the city paid for the land. Young stated this is correct and the money would come back to the city over a period of time. Parrott stated its beneficial for EDA to see how TIF works and the paperwork Tammy Omdal put together contained good information. Young state the developer picked the name Wolverine Meadows, typically the name is based on the mascot of the high school in the town were the apartment building will be located, also applicants/residents have to be income qualified.
2. Meadow Wood Subdivision
  - a) Revised Concept Drawing  
Parrott asked Young if anyone has showed interest in purchasing lots at Meadow Wood and she replied there has been some interest. Parrott went on to say there are currently three single family lots available and if there is already interest maybe more need to be added.
  - b) Cost Estimate of constructing 3<sup>rd</sup> Street East  
Parrott stated the cost estimate of constructing 3<sup>rd</sup> Street East is \$776,000.00. Grochow asked Young if there was any news on the Grant. Young replied Gaylord made the short list the next step is for Justin Black, Tim Becker and herself to give a presentation to the Grant committee.
  - c) Possible Costs of Lots  
Parrott asked Young to speak on the lot prices. Young stated she spoke with Justin Black together they priced the lots. Young went on to say she would like to pre-sell the lots at \$5,000.00 down with a signed purchase agreement. Young went on to say she would like to see stipulations put on the use of the lots. Homme asked if the single lots are \$28,200.00 and the double/twin home lots are \$33,200.00. Young replied yes and this is just a starting point. Parrott stated the area would have to be re-platted. Young went on to say March 20<sup>th</sup>, 2019 is when the bid will be awarded for the street project. Young would like the city to try to sell the lots themselves for a period of time. Parrott stated ultimately the lot price will be determined by Council and EDA's job is to make recommendations to council on the price of these lots. Parrott would like to see this put back on the agenda for the March 2019 EDA meeting unless Council makes a decision before the March meeting.

#### **VII. NEW BUSINESS:**

1. Possible Incentives for New Housing
  - a) Housing Incentives  
Parrott stated the new brochure mentions possible incentives of TIF, Tax Rebates, Tax Incentives, Down Payment Assistance or reduced Water and Sewer Hook-ups.

Parrott spoke briefly on the meaning and possible usage of tax abatement. EDA and Young discussed the offered incentives.

2. Next meeting: March 11<sup>th</sup> at 5:00 pm

#### **VIII. ADJOURNMENT**

Motion by Grochow, second by Amorim, to adjourn the meeting. Motion passed Unanimously. The meeting was adjourned at 5:50 P.M.

Respectfully submitted,

---

Doug Parrott, EDA Vice President

## Gaylord EDA

<b>MMA account #4259 Balance as of 1-31-19</b>		<b>\$ 15,268.69</b>
Deposits:		
interest - 02/28/19	\$ 2.82	
interest - 03/31/19	\$ 2.93	
	\$ -	\$ 5.75
Expenses:		
	\$ -	\$ -
<b>Total</b>		<b>\$ 15,274.44</b>
<b>Sign &amp; Awning Account Balance as of 1-30-17</b>		<b>\$ 4,107.66</b>
Deposits:		
2014 excess EDA budget \$ from the city	\$ -	
	\$ -	\$ -
Expenses:	\$ -	
<b>Sign &amp; Awning account balance as of 3-31-19</b>		<b>\$ 4,107.66</b>
<b>Balance in MMA account #4259 as of 3-31-19</b>		<b>\$ 19,382.10</b>
<b>MMA account #842646 as of 1-31-19</b>		<b>\$ 16,652.99</b>
Deposits:		
interest 02/28/19	\$ 2.43	
interest 03/31/19	\$ 2.51	
	\$ -	\$ 4.94
Expenses:	\$ -	
	\$ -	
	\$ -	
Balance in MMA account #842646 as of 3-31-19		\$ -
		<b>\$ 16,657.93</b>
<b>Total EDA account balance as of 3-31-19</b>		<b>\$ 36,040.03</b>
<b>Commercial Rehab Loan Funds through 12-31-18 (unaudited)</b>		<b>\$ 90,091.00</b>

**Projected funding for Commercial Rehabilitation Loan Program**

Balance of City SCDP funds thru 12/31/17	\$77,791.00
2016 Micro Loan Payments	\$ 2,100.00
2017 Micro Loan Payments	\$ 5,200.00
2018 Micro Loan Payments	<u>\$ 5,000.00</u>
 Total	 \$90,091.00



CITY OF GAYLORD

Expenditure Guideline - By Department  
MARCH 2019

Account Descr	2019 YTD Budget	MARCH 2019 Amt	2019 YTD Amt	Enc Current	2019 YTD Balance	%YTD Budget
DEPT 46500 Economic Develop mt (GENERAL)						
E 101-46500-101 Salaries - Full Time	\$41,500.00	\$0.00	\$0.00	\$0.00	\$41,500.00	0.00%
E 101-46500-102 Salaries - Over Tim	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-103 Salaries - Part Time	\$1,800.00	\$0.00	\$0.00	\$0.00	\$1,800.00	0.00%
E 101-46500-121 PERA	\$3,112.00	\$0.00	\$0.00	\$0.00	\$3,112.00	0.00%
E 101-46500-122 FICA	\$2,685.00	\$0.00	\$0.00	\$0.00	\$2,685.00	0.00%
E 101-46500-125 Medicare	\$628.00	\$0.00	\$0.00	\$0.00	\$628.00	0.00%
E 101-46500-131 Employer Paid Heal	\$8,709.00	\$0.00	\$0.00	\$0.00	\$8,709.00	0.00%
E 101-46500-200 Supplies (GENERAL	\$100.00	\$0.00	\$0.00	\$0.00	\$100.00	0.00%
E 101-46500-302 Committee/Board/J	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-303 Engineering Fees	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-304 Legal Fees	\$0.00	\$386.50	\$1,132.83	\$0.00	-\$1,132.83	0.00%
E 101-46500-305 Bank Charges	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-307 EDA Administration	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-308 Professional Fees	\$3,000.00	\$0.00	\$3,711.81	\$0.00	-\$711.81	123.73%
E 101-46500-321 Telephone	\$360.00	\$0.00	\$0.00	\$0.00	\$360.00	0.00%
E 101-46500-322 Postage	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-331 Meeting and Travel	\$500.00	\$0.00	\$0.00	\$0.00	\$500.00	0.00%
E 101-46500-340 TIF Settlement	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-352 Ads & Notices	\$250.00	\$0.00	\$340.00	\$0.00	-\$90.00	136.00%
E 101-46500-361 Liability Insurance	\$22.00	\$0.00	\$0.00	\$0.00	\$22.00	0.00%
E 101-46500-363 Bond Insurance	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-405 Computer Maintena	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-433 Dues and Subscripti	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-434 Business/Industrial	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-436 Promotions	\$1,000.00	\$0.00	\$0.00	\$0.00	\$1,000.00	0.00%
E 101-46500-440 Other	\$2,000.00	\$0.00	\$0.00	\$0.00	\$2,000.00	0.00%
E 101-46500-580 Capital Outlay	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
E 101-46500-710 Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
DEPT 46500 Economic Develop mt	\$65,666.00	\$386.50	\$5,184.64	\$0.00	\$60,481.36	



CITY OF GAYLORD

Revenue Guideline by Department  
MARCH 2019

Account Descr	2019 YTD Budget	MARCH 2019 Amt	2019 YTD Amt	2019 Balance	2019 % of Budget
DEPT 46500 Economic Develop mt (GENERAL)					
R 101-46500-33190 Other Grants	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
R 101-46500-34103 Variance and Co	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
R 101-46500-36210 Interest Earnings	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
R 101-46500-36211 Loan Interest	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
R 101-46500-36212 Loan Principal	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
R 101-46500-36230 Donations	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
R 101-46500-36231 Miscellaneous	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
R 101-46500-36232 E D A Lot Sales	\$50,000.00	\$0.00	\$0.00	\$50,000.00	0.00%
R 101-46500-36233 Insurnace Divide	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
DEPT 46500 Economic Develop mt	\$50,000.00	\$0.00	\$0.00	\$50,000.00	



**Are you currently renting?** Are you willing to partner with Habitat for Humanity? If so, you might qualify for **homeownership**. Habitat for Humanity of South Central Minnesota is currently seeking a partnering family in need to purchase a Habitat home in Gaylord.

The City of Gaylord has donated three beautiful lots located at 104 – 2<sup>nd</sup> Street East, Gaylord and Habitat for Humanity is trying to find a qualified family. For more information, questions or to apply, applications are available upon request by contacting the Mankato office at (507) 388-2081 ext. 2 or by visiting our website at <https://habitatscmn.org/how-to-apply/> and scroll down to download the full application. You can also pick up an application at City Hall. Information is available on income guidelines and qualifications. Habitat is part of a global initiative and has built around 140 homes in south central Minnesota. Habitat is continuing to build relationships in the Gaylord area to provide decent and affordable housing. Habitat for Humanity is an Equal Housing Opportunity lender located at 1730 Bassett Drive, Mankato, MN 56001.

If you have any City related questions, please call Lory Young, City Administrator at 507-237-2338.



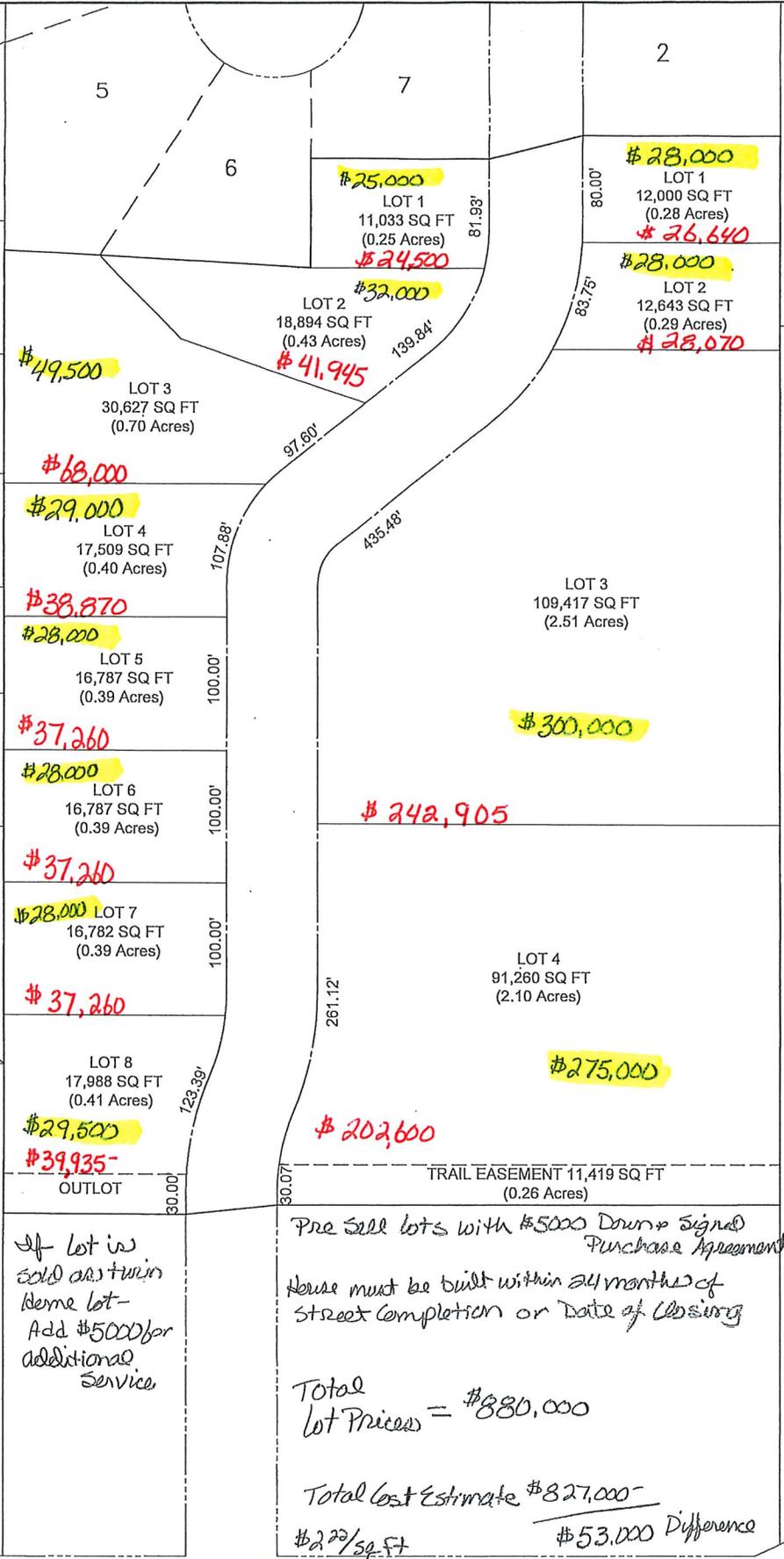
2019 Third Street Extension  
 Project Costs  
 28-Mar-19

Item	Agency	Cost	Notes
Construction		\$ 650,677.00	Low Bid: Dirt Merchant Inc.
5% Contingency		\$ 32,533.85	
Engineering	S.E.H.	\$ 111,000.00	Includes all services from Feasibility Report through Record Drawings.
Survey	Sibley Surveyors	\$ 15,000.00	Confirm this value with Avery Grochow
Material Testing and Soil Borings	Braun	\$ 17,700.00	
Total:		\$ 826,910.85	

*\$827,000*

*371,727*  
*sellable square ft*  
*\$ 2.22/sq ft*

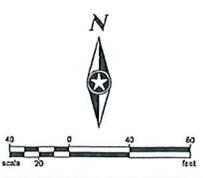
KAR-MIL ADDITION



If lot is sold as twin home lot - Add \$5000 for additional service

Pre Sell lots with \$5000 Down + Signed Purchase Agreement  
 House must be built within 24 months of street completion or Date of Closing  
 Total Lot Prices = \$880,000  
 Total Cost Estimate \$827,000  
 \$220/sq.ft      \$53,000 Difference

Save: 1/22/2019 12:24 PM (broad) Plot: 1/22/2019 12:25 PM P:\5\2020\149157\survey\2020\149157\plan\149157.dwg



PHONE: 800.839.8666 1390 HWY. 15 S, SUITE 200, PO BOX 308 HUTCHINSON, MN 55350 www.sehinc.com	FILE NO. GAYLO 149157	<b>2019 MEADOW WOOD          LOT LAYOUT WITH DIMENSIONS</b>	EXHIBIT NO. 1
	DATE: 1/22/19		

## Understanding Subdivision Covenants

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If you're looking at buying land with the intention of subdividing then there's one thing you will need to understand before making a commitment – subdivision covenants. So what are they?

Subdivision covenants, also known as restrictive covenants, are commonly applied to residential subdivisions. Sometimes referred to as building schemes, they are a form of contractual agreement that includes restrictions on how land can be used or developed with the objective being to maintain the quality of a subdivision and the value of properties within it.

Landowners or developers often want to place restrictions on the use of land when they decide to sell it, particularly if they are retaining some neighboring land or as a way to enhance property values by locking in the quality of the development. Covenants are a means to control the way a development looks and will be maintained as well as creating positive environmental and amenity outcomes.

**Common examples of covenants can include standards and guidelines for:**

- The design and location of dwellings and garages.
- The location and width of driveways.
- The manner in which a dwelling connects with and relates to the street such as requiring dwelling design to relate well to the road.
- Minimum architectural / building quality standards, including prescribing certain building materials.
- The height and location of front fences.
- The time within which construction is to be completed.

**Other typical covenant restrictions relate more to the land and can include:**

- The preservation of vegetation and streams.
- The development of on-site storm water detention and its continued maintenance.
- To keep grass cut to a specified length.
- Control vegetation height in order to preserve a particular view shaft.
- Prohibit the planting of non-native species.
- Limit the number of cats which the owner can keep on the property.

Larger sections may be subject to a land covenant prohibiting further subdivision.

Covenants are recorded on the Certificate of Title and continue after you've built your house and after you've sold it, passing the limitations on to the next owners. The covenant applies equally to all the sections in the subdivision are usually enforceable by each owner of a lot against all the other owners.

Nowadays, it would be very rare for lots in a new subdivision not to be subject to restrictions on their use. However, when drafting covenants, care must be taken to ensure the meaning is clear and unequivocal, that there is an overall benefit to the subdivision and that they are not so restrictive as to put off prospective buyers.

Some covenants in the past have been unenforceable, either because they are poorly drafted or the law will not support them.

# Covenants, Conditions & Restrictions

Covenants, conditions, and restrictions (also called "CC&Rs") are used by many "common interest" developments, including condominiums and co-ops, to regulate the use, appearance, and maintenance of property. CC&Rs, most commonly drafted and enforced through homeowners' associations (HOAs), often restrict what homeowners can do on their property. For example, some CC&Rs do not allow homeowners to hang their laundry out to dry, set lawn maintenance standards, or prohibit home additions or major changes. This section provides practical and legal information on CC&Rs to help you understand what you can and cannot do with a given property.

## What is a Covenant?

In the context of residential neighborhoods, a "covenant" is rule that governs the use of real property, also referring to an agreement to abide by these rules. Legally, a properly recorded covenant (technically, a "restrictive deed covenant") is binding and enforceable. Even when covenants are not part of the contract and are instead signed among neighbors (such as a mutual compact), they are binding and may be litigated if breached.

Covenants are most often used by planned developments such as gated communities, condominiums, and housing cooperatives to ensure a certain level of order and uniformity. The standards enforced through covenants often help the homes in the neighborhood retain their value because they tend to look much nicer and better maintained. Homeowners often welcome these standards since they typically address things like excessive noise, lawn maintenance, and other things that impact quality of life.

The more inclusive term "covenants, conditions, and restrictions" (or CC&Rs) is typically used in real estate documents and HOA correspondence.

## CC&R Enforcement

If you are subject to covenants, or CC&Rs, your HOA or neighbor association also will have procedures in place for how to enforce these rules or accommodate exemptions. Typically, a violation will result in either a warning (via a written notice to the homeowner) or a fine. But if an alleged violation is not resolved, the association (usually an HOA) may bring legal action against the homeowner. Courts must ensure that there is a binding contract among the parties before they will get involved.

In some instances, it may be reasonable to ask the association for an exemption to, or "variance" from, an existing covenant. A variance is official permission to stray from the literal requirements of the covenant, typically granted in situations where literal

enforcement would cause undue hardship for the homeowner. For instance, a vision-impaired resident may need extra outdoor lighting that exceeds what is allowed by the covenant.

Requests for variances usually are handled through association hearings, while a notice of the request is often sent to the other residents.

### **View Restrictions**

The value of a property often is determined by the view it offers its residents. For instance, a home offering views of a tree-lined valley will be valued more than the same home with a view of a power plant. Therefore, neighborhoods with CC&Rs sometimes address this by restricting the location and size of fences, trees, buildings, and other possible obstructions.

For additional information about covenants, conditions, and restrictions, click on a link below.

[Less](#)

## **Learn About Covenants, Conditions & Restrictions**

- [\*\*CC&R Basics\*\*](#)

A covenant is a rule governing the use of real property. This article offers an overview of the legal effects of covenants, when covenants are used, the difference between covenants and zoning laws, and more.

- [\*\*Purpose of CC&Rs\*\*](#)

Property owners use covenants to restrict the use of land for a number of different reasons. Learn about what covenants can regulate, the types of covenants, the differences between covenants and laws, and more.

- [\*\*Types of CC&Rs: Builders' Restrictions\*\*](#)

A guide to the different forms of covenants, conditions, and restrictions. Find out how builders' restrictions are created, how the restrictions can affect home buyers, and much more in this article.

- [\*\*Creation and Termination of CC&Rs\*\*](#)

An overview of how covenants, conditions, and restrictions are created and terminated. Learn about covenants running with the land, termination by expiration, and how to terminate a covenant early.

- **CC&R Enforcement and Remedies**

Most covenants include procedures for handling violations of a restriction or requesting an exemption of variance from the restriction. This article explains how variances, association hearings, and court actions work.

- **Voluntary Neighborhood Covenants**

Building developers often create covenants, conditions, and restrictions for the “common interest” communities they build. This article explains voluntary neighborhood conditions, how they’re enforced, and more.

# Tax Abatement

Tax abatement is a useful and flexible economic development tool. The term "tax abatement", however, can be misleading. The enabling statute (Minnesota Statutes, Sections 469.1812 to 469.1815) does not authorize the actual abatement of taxes. Instead, local governments have the ability to levy a property tax (an abatement levy) that is equivalent to taxes that *could be* abated. The revenue derived from an abatement levy can be used for a variety of economic development, redevelopment, housing, and infrastructure purposes. Planning for specific projects should refer to the complete statute and utilize the guidance of a qualified financial advisor.

## Calculating the Abatement

A tax abatement is based on the property value of the parcel(s) subject to the abatement. The unit of government granting the abatement decides how much of the parcel value to use in the abatement calculation. The abatement may function like tax increment financing and be based on the value created by new development. Tax abatement may also use the entire value of the parcel or any portion of the parcel(s) value deemed appropriate by the governing body of the subdivision.

The statute does not control how political subdivisions determine the parcels that will be subject to tax abatement. Users have the flexibility to target individual parcels, parcels grouped into a common project, or a broader area of improvements.

The tax abatement is calculated by multiplying the tax capacity value subject to abatement by the abating jurisdiction's tax rate. It is important to incorporate the tax abatement into the annual levy calculations. An abatement levy must be included in the preliminary levy for Truth in Taxation. This timing means that the actual property value will be known (value as of January 1 of the current year for taxes payable in the following year), but the tax rate will be an estimate.

The methodology for calculating the abatement should be clearly described in the resolution authorizing the abatement.

## Uses

The enabling statute contains relatively few limitations on the use of tax abatement. The revenues from the abatement levy can be retained by the political subdivision or conveyed to the property owner. When paid to the property owner the abatement acts like a tax rebate.

The only other specific use limitations in the statute relates to bond-funded activities. The proceeds of Tax Abatement Bonds can only be used to (1) pay for public improvements that benefit the property, (2) acquire and convey land or other property, as provided under this section, (3) reimburse the property owner for the cost of improvements made to the property, or (4) pay the costs of issuance of the bonds.

Please contact a Northland public finance professional with any questions about how Northland can serve your community.

**Greg Baufield**

612-851-5931

gbaufield@northlandsecurities.com

**George Ellertson**

612-851-5906

geiertson@northlandsecurities.com

**Rusty Fifield**

612-851-4992

rfifield@northlandsecurities.com

**Jessica Green**

612-851-5930

jgreen@northlandsecurities.com

**Michael Hart**

612-851-4966

mhart@northlandsecurities.com

**Brian Kujawa**

612-851-4977

bkujawa@northlandsecurities.com

**Tammy Omdal**

612-851-4964

tomdal@northlandsecurities.com



The Public Finance Group  
of Northland Securities, Inc.  
150 S. Fifth Street, Suite 3300  
Minneapolis, MN 55402

Phone: 612-851-5900 / Fax: 612-851-5918

[www.northlandsecurities.com/public-finance/](http://www.northlandsecurities.com/public-finance/)

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RC 18-101 / Muni 18-85

Minnesota local governments have made broad use of tax abatement. The following examples illustrate potential applications:

- Commercial, office, and other forms of development that do not fit the criteria for an economic development TIF district
- Redevelopment projects where the setting is economically obsolete, but not physically blighted.
- Public improvements that are difficult to finance with special assessments (i.e. - highway interchanges)
- Improvements, such as fiber optic systems, that cannot be financed with special assessments
- Recreational facilities and community centers
- Financial assistance to private parties made using tax abatement may create a business subsidy under State Law

## Key Limitations

Several important limitations apply to the use of tax abatement.

**Political Subdivisions.** The ability to use tax abatement is given to cities (statutory or home rule charter), towns, school districts, and counties. Each of these political subdivisions has independent authority over the use of tax abatement.

**Maximum Amount.** The total amount of tax abatements for each political subdivision is capped. The total abated taxes in any year cannot exceed the greater of (1) ten percent (10%) of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (2) \$200,000.

**Duration.** The general rule is that a political subdivision may grant an abatement for 15 years or less. The maximum duration is 8 years if the authorizing resolution does not specify a duration. The maximum abatement period may increase to 20 years if one of the other political subdivisions is requested to participate and declines (pursuant to procedures in M.S. 469.1813, Subd. 6b).

**Relationship to TIF.** Parcels in a tax increment financing district may not be used for tax abatement. TIF parcels can be used for abatement after the district is decertified. Tax abatement provides a means to extend the term of financial assistance beyond the life of a TIF district.

## Bonds

Bonds can be issued to provide funding for certain activities (see "Uses"). The total principal of abatement bonds cannot exceed the sum of estimated abatements for the years granted. If the abatement is not adequate to pay principal and interest, then the political subdivision may use other legally available revenues, including property taxes, to pay interest on the bonds. The general obligation of the political subdivision may be pledged to the bonds. The bonds are not subject to the debt limit and do not require an election.

## Process

Compared to tax increment financing, the process for the use of tax abatement is simple. The governing body of the political subdivision must adopt a resolution that defines the parameters for the tax abatement. A public hearing is required before approving the resolution. Notice of the hearing must be published in a newspaper of general circulation in the political subdivision at least once more than ten days but less than 30 days before the hearing. The statute does not require any other documents or notifications.

The statute requires a finding that the use of tax abatement is in the public interest for one of the following reasons:

- Increase or preserve tax base
- Provide employment opportunities
- Provide or help with the acquisition or construction of public facilities
- Help redevelop or renew blighted areas
- Help provide access to services for residents of the political subdivision
- Finance or provide public infrastructure
- Phase in a property tax increase on the parcel

The findings are stated in the abatement resolution. The abatement resolution also includes the parcels subject to the abatement, property values of the parcels used in the abatement calculation, duration of the abatement, and any other terms needed to define use of the abatement.

An abatement levy is not currently subject to levy limits. An abatement levy must follow the procedures applicable to all other property tax levies.



March 16, 2019

Ms. Lory Young  
City Administrator  
Gaylord City Hall  
332 Main Avenue  
Gaylord, MN 55334

Dear Ms. Young:

Pursuant to our recent discussions, I am pleased to present the following proposal on behalf of the Hospitality Consulting Group to study the hotel needs of the Gaylord, Minnesota community. I appreciate your contacting me and I feel strongly that my experience in analyzing hotel markets will be very helpful to the City in evaluating the market potential that exists for a new hotel and in identifying the scope of lodging facilities that will be successful in this community. This letter presents my understanding of the assignment, the services which I propose to provide, the timing and fees required and the conditions and limitations under which I would work.

#### **BACKGROUND AND UNDERSTANDING**

I understand that the only hotel in Gaylord is a 20-year-old economy pro only one motel that is 20 property that no longer meets all of the community's lodging needs. Accordingly, the City is interested in analyzing the local hotel needs to determine whether a new midscale hotel can be market supported and if so, identify the type and size of lodging facility that would be feasible for development in the community. At this time, it is seeking information to determine whether to pursue a new hotel and, if so, desires a lodging analysis document that it can use to attract interested hotel developers.

Hospitality Consulting Group proposes to assist the City with this project by evaluating the market that exists for a hotel and identifying the service level, appropriate size, quality and amenities that will meet lodging needs. If desired, I can also prepare financial projections for the recommended hotel and preliminarily assess the economic feasibility of the recommended hotel development.

### **LODGING MARKET STUDY**

The scope of services that I propose to provide for this study is detailed below.

- Meet with you to obtain an orientation to the community and details of any proposed hotel sites.
- Inspect the sites and the surrounding area in order to determine their suitability for new hotel development. This analysis will encompass an evaluation of physical characteristics and the suitability of surrounding land uses that might affect the marketability of a new hotel.
- Assemble and analyze economic and demographic data pertaining to the local and area market to evaluate the present economic climate and to estimate future growth potential, particularly as it relates to lodging demand.
- Evaluate the existing hotel in Gaylord and those in the surrounding area that would compete with a new hotel with respect to their age, facilities and amenities, rate structure and their relative competitiveness.
- Identify other proposed hotel developments in the market area, to the extent information is available; assess their probability of completion and the degree to which they will compete with the subject hotel.
- Interview area companies to obtain information regarding both the hotel demand generated and the adequacy of the existing hotel supply.
- Investigate the planned medical college and the lodging demand it is likely to generate.
- Determine the current overall demand for hotel rooms in Gaylord, including demand that is deterred from the market due to inadequate facilities and/or capacity. Estimates will be made as to the share of market demand that is generated by commercial travelers and leisure/social travelers.
- Recommend the service level, size and quality of hotel, and the amenities that are suited to the identified market. These amenities may include an indoor pool, meeting room, and fitness center.
- From our analysis of economic indices, market factors, and other proposed hotels, estimates of likely market penetration for the recommended hotel will

be developed from which utilization (occupancy and average room rate) will be prepared for the hotel's first five years of operation.

At the conclusion of the market study I will review my findings, conclusions and recommendations with you and submit them in a brief letter report.

### **FINAL REPORT**

Since your first objective is to determine whether a new hotel is market justified, followed by the second objective of attracting a hotel developer, I am proposing a two phase study.

#### **Phase I: Market Study**

At the conclusion of the market study I will prepare a written summary report that will contain my findings, conclusions, facility recommendations, and utilization estimates, along with key data upon which the analysis was based. This report will contain a summary of the economic characteristics of the market and will identify and evaluate competitive hotels in the area. It will identify the major generators of hotel business and will quantify the existing and future potential lodging demand. Preliminary recommendations regarding the quality of hotel (economy, midscale, upper midscale) that is justified by market conditions will be provided along with projections of the demand it could capture (occupancy) and the average daily room rate it can achieve.

#### **Phase 2: Comprehensive Feasibility Study and Report**

If the City decides to continue the hotel study project, I will expand the market study into a full feasibility study. Financial projections will be prepared for the recommended hotel that will contain estimates of room revenue, other revenue, and operating expenses for the recommended hotel to the level of cash flow available for debt service for its first five years of operation.

Based on preliminary development costs estimates for the hotel and current hotel financing terms, the study will evaluate the overall economic feasibility of the project. That is, it will calculate the ability of the hotel to generate sufficient cash flow to meet its estimated debt service and provide a return on equity.

An in-depth Feasibility Study report will be prepared that will contain much greater detail regarding the analysis and the underlying data and documentation supporting the hotel recommendations and utilization projections. This comprehensive feasibility study would be suitable for distribution to hotel developers and lenders who have an interest in the hotel project.

**QUALIFICATIONS**

The ***Hospitality Consulting Group*** provides market analysis, financial projections and economic feasibility services to the hospitality industry. Our market studies are comprehensive and our facility recommendations are developed to maximize market share, yet be economically viable. We work closely with our clients to help them define financially feasible projects.

This assignment will be conducted by Stephen Sherf, a Principal of the Hospitality Consulting Group. Mr. Sherf has an extensive background in hospitality consulting that encompasses market studies, valuations, appraisals, development and sales. His profile follows this proposal.

Other communities where hotel studies have been prepared for public entities:

Alexandria, IN	Elk Point, SD	Monticello, MN
Barnesville, MN	Hartford City, IN	Northfield, MN
Buffalo, MN	Hibbing, MN	Orrville, OH
Cannon Falls, MN	Lamoure, ND	Prescott, WI
Canton, SD	Lebanon, KY	Waseca, MN
Delphi, IN	McGregor, IA	Watertown, WI
Dennison, OH	Milbank, SD	Winsted, MN

**ESTIMATED FEES AND TIME FRAME**

The following fee schedule is presented for the scope of the work outlined for the two phases of the study. The second phase of the study is optional and will only be conducted upon your authorization.

Hotel market study & summary report	\$5,000
Hotel Feasibility Study with Financial Projections	<u>\$3,000</u>
<b>Total fee for both studies</b>	<b>\$8,000</b>

The above fees include all expenses associated with the assignment, with the exception of reimbursement of \$550 for hotel data purchased from STR Global. The fees include three bound copies of the final report and an electronic copy. If additional bound copies are requested, we will provide them to you at our reproduction cost.

In accordance with our Firm's policy on consulting engagements, a retainer of \$4,000 must accompany confirmation of this engagement. The remaining portion of the fee will be due upon receipt of the draft report for each phase. If the project is halted at any time during the study, our fee will be based on the time and expenses incurred to that date.

Our availability to begin this engagement is subject to scheduling but typically falls within two weeks of receiving authorization and the retainer. We will use our best efforts to complete the assignment within four weeks of beginning the fieldwork.

### **TERMS AND CONDITIONS**

Our report will be based on estimates, assumptions and other information developed from our research of the market, knowledge of the industry and meetings with you and/or your representatives. The sources of information and bases of our estimates and assumptions will be stated in the report. The terms of this engagement are such that we will have no obligation to revise the report or the projected operating results to reflect events or conditions that occur subsequent to the completion of our field work in the market. However, we will be available to discuss the necessity for future revision because of changes in the economic or market factors affecting the proposed project.

Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the periods covered by our prospective analyses will vary from those described in our report, and the variations may be material. Our report will contain a statement to this effect. Further, we will not be responsible for future marketing efforts and other management actions upon which actual results will depend.

Our report is intended for the information of the City of Gaylord and designated hotel developers. It may also be used in its entirety in support of conventional financing efforts for the proposed project. However, neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, private placement memorandum, appraisal or other investment document without our prior review and written consent.

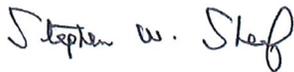
**ACCEPTANCE PROCEDURE**

If this proposal meets with your approval, please return a signed copy of this engagement letter along with a retainer check as authorization to proceed with the assignment.

If you have any questions or would like to discuss this proposal further, please feel free to call. I look forward to working with you on this project.

Sincerely,

**HOSPITALITY CONSULTING GROUP**



Stephen W. Sherf  
President

ACCEPTED BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

### Profile

#### Stephen Sherf – *President, Hospitality Consulting Group*

Stephen Sherf has over 35 years of operational and consulting experience in the hospitality industry. He spent 15 years with a large national public accounting firm, where he was the partner-in-charge of the hospitality consulting division for the Upper Midwest. He founded Hospitality Consulting Group in 2000 to provide market studies, litigation support, and specialized development consulting services.

Mr. Sherf has an extensive background in hospitality consulting that encompasses market studies, valuations, appraisals, acquisitions and sales. He has performed market studies and other advisory services for over 200 hotel projects located throughout the country, for clients that include developers, lenders, hotel companies, and municipalities.

He also has particular expertise in development consulting to the gaming industry and has worked on numerous income producing real estate projects that include nursing homes, elderly housing, subsidized and market rate housing, office buildings, retail developments, water parks convention centers, ice arenas, restaurants, convenience stores, bowling alleys and cinemas.

Operating positions held during Mr. Sherf's career include restaurant manager, auditor, Vice President of Development for a hotel company, and Treasurer for a gaming company where he oversaw the operations of three Colorado casinos.

Mr. Sherf is known for his hands-on involvement and realistic conclusions. Where appropriate, development recommendations are backed by an economic feasibility analysis and a sensitivity analysis to assess risk.

He has provided expert witness testimony relating to the valuation of hotels and restaurants and business interruption claims. He has taught continuing education seminars and spoken at gaming, investment, and state appraisal conferences. He has been a guest lecturer at the University of Minnesota Graduate School of Business and Stout University. He is frequently quoted in local newspapers and business magazines.

Mr. Sherf received an undergraduate degree in economics and an MBA in finance from Cornell University. He holds a real estate license in Minnesota and Wisconsin and has taken several American Appraisal Institute courses. He is a Certified Public Accountant (inactive), is active in the Minnesota Lodging Association, has served on the planning commission for the City of Minnetrista, and has held a Colorado gaming license.

**LEGEND**

- COUNTY STATE AID HIGHWAY
- CITY STREET
- STATE HIGHWAY

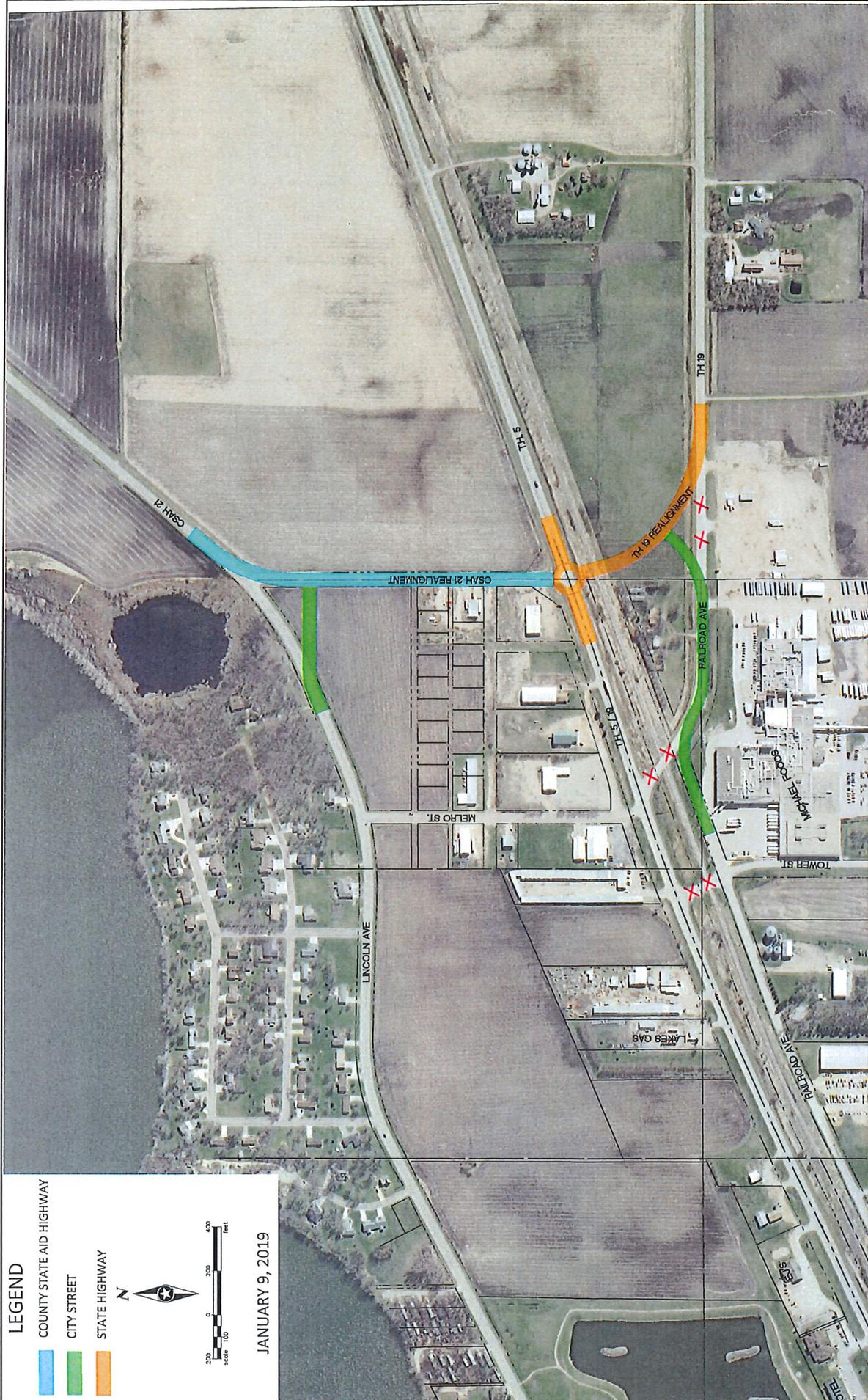


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JANUARY 9, 2019



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