

# Draft Memo

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To: Moorhead Economic Development Authority  
Kristie Leshovsky, Karla McCall, Dan Mahli, Amy Thorpe, City of Moorhead  
Derrick LaPoint, Downtown Moorhead Incorporated

From: Mikaela Huot, Director

Date: October 1, 2020

Subject: Review by the Moorhead Economic Development Authority (EDA) regarding  
the proposed Redevelopment Plan for 8<sup>th</sup> Street Redevelopment Project  
Area and Tax Increment Financing Plan for Tax Increment Financing (TIF)  
District No. 29 (8<sup>th</sup> Street Redevelopment Housing Project)

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## Executive Summary

The City of Moorhead received an application for tax increment financing assistance from Enclave Development (the developer) regarding the construction of a new multifamily 127-unit multifamily housing project with underground and surface parking. The developer has requested tax increment assistance for the maximum term of a Housing TIF District, which is 26 years. Establishment of a tax increment financing (TIF) district would be to assist with financing a portion of the project costs related to acquisition, development and subsequent construction of the proposed new housing development. To qualify as a housing TIF District, at least 20% of the units will be restricted for occupancy by persons or families with incomes no greater than 50% of area median income. The developer is proposing that at least 25 units of the 127-unit project would be restricted for occupancy to meet the requirements of a housing district. Assistance has been requested to offset a portion of the additional costs associated with constructing the project and providing affordable housing units. The total estimated amount of tax increment assistance through the TIF District would be \$5,475,036 for financing of acquisition, site development infrastructure and construction of affordable housing, as well as related administrative expenses.

Tax increment financing has been identified as an available tool to assist with financing a portion of the costs listed above based on the incremental new taxes generated by the development. The TIF Plan for the proposed TIF District provides the EDA with the authority to use tax increments from the new project on eligible expenditures. The amount of project costs listed in the TIF Plan is based on projected available revenues. The intent of the TIF Plan and budgeted revenues and expenditures is to provide authority for the EDA to use tax increments generated by the project on eligible project costs of the District. Tax increment revenues of the TIF District may be spent within the boundaries of the TIF District and Project Area (with some limitations) to support extraordinary costs associated with construction of the project.

## Process for TIF District Establishment

A TIF District is established within a Project Area. The City and EDA are considering the establishment of a new TIF District and Project Area to facilitate development of the proposed project. A map showing the boundaries of the proposed Tax Increment Financing District No. 29 (8<sup>th</sup> Street Redevelopment Housing Project) the 8<sup>th</sup> Street Redevelopment Project Area (Project Area) are included in the draft document included with this memorandum.

Pursuant to MN Statutes 469.175, Subd. 3, the City needs to make certain findings that include the following:

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1. The TIF District qualifies as a housing district;
2. The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future;
3. The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for development of the Project Area by private enterprise; and
4. The TIF Plan conforms to general plans for development of the City as a whole.

The City Council will hold a public hearing on Monday, October 26 to consider approval of the TIF District and Redevelopment Project Area, after making the findings outlined above. Multiple steps are followed to allow for establishment of a tax increment financing district and project area, including notifications to the County and School District, planning commission review and approval, EDA review and approval, publication of a public hearing notice, and the holding of a public hearing. Notices have been sent to the County Commissioner on September 15 and County and School Board (draft TIF Plan and fiscal and economic impacts) on Friday, September 25. EDA review is scheduled for October 5 followed by pPlanning Commission review on October 7. Publication of the hearing notice for the TIF District creation will be Thursday, October 15 in The Fargo Moorhead Extra newspaper. The public hearing to consider this project has been scheduled for Monday, October 26, 2020. The public hearing date is the time in which City Council would take any public comment, and after the hearing, consider the adoption of a resolution approving the TIF District and Project Area.

#### Action Item

The EDA is being asked to review and consider approval of the TIF Plan and TIF District and Redevelopment Plan and Housing TIF District at the October 5, 2020 meeting. The Master Development Agreement that includes the provisions of TIF assistance between the EDA and developer will be provided for review at a later meeting.

#### Project Qualifications for Housing TIF District

In order to establish the area identified above as a Housing TIF District, the project as proposed will need to qualify for inclusion within a housing TIF District. A housing TIF District is a type of tax increment district which consists of a project that is intended for occupancy by persons or families of low and moderate income. Revenue derived from tax increment from a housing district must be used solely to finance the cost of a housing project as defined. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the City may be included in the cost of a housing project.

For the proposed project to qualify as a tax increment financing housing district, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. The requirements of this subdivision apply for the duration of the tax increment financing district. The income requirements are as follows:

- at least 20% of units are occupied by individuals whose income is 50% or less of area median income, or
- at least 40% of units are occupied by individuals whose income is 60% or less of area median income.

In addition, not more than 20 percent of the square footage of the buildings that receive assistance from tax increments may consist of commercial, retail, or other non-residential uses. The maximum term of a housing tax increment financing district is 25 years after receipt of first collection for a total of 26 years.

Thank you for the opportunity to be of assistance to the City of Moorhead. Please contact me at 651-223-3036 or [mikaela.huot@bakertilly.com](mailto:mikaela.huot@bakertilly.com) with any questions or to discuss.