



Mayor and Council Communication

March 24, 2014

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SUBJECT: Public Hearing Regarding the Request of Jon Youness, Vice President of Eagle Ridge Development LLC, doing business as ERD Fargo-Moorhead LLC, for Property Tax Exemption located along Highway 75 and 46th Ave S

RECOMMENDATION: The Mayor and City Council are asked to conduct a Public Hearing and consider approval of a property tax exemption for a multi-phase, multi-family residential development located at 4400 & 4450 Bluestem Way and the Trails at Stonemill Estates Addition. Parcels included in the project area are 58.767.0150, 58.767.0160, 58.796.0010, 58.796.0020. A property tax exemption for this multi-phased project was addressed in the 2013 Developer’s Agreement.

BACKGROUND / KEY POINTS: The Moorhead City Council and Moorhead Economic Development Authority find that granting property tax exemptions pursuant to program requirements set forth in policies approved on September 12, 2011, increases the community’s long term economic vitality through the creation of additional housing choice, new jobs, increasing employment opportunities for Moorhead residents and expanding Moorhead’s property tax base. Further, that increasing the number and types of housing units will grow Moorhead’s residential market and provide additional customers for Moorhead businesses.

The Project.

ERD-Stonemill purchased approximately 25.3 acres of property from the City of Moorhead in December 2013 with the intent of constructing a 316 unit, multi-family rental development with a variety of housing choices similar to the images below. Jon Youness, Vice President of Eagle Ridge Development LLC, doing business as ERD Fargo-Moorhead LLC, has submitted an application for property tax exemption for the multi-phased project.

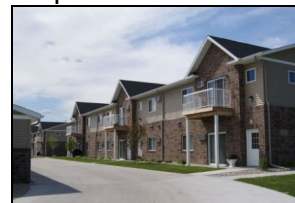
Townhomes



45-plex apartments



12-plex



Townhomes

The current plan is to construct 28 two-story townhome units. These will be rentals with 3 bedrooms and 3 bathrooms per unit with a 2 stall attached garage. Each unit will have approximately 1,800 sf of living area and 500 sf of garage. Off street parking will be handled in the attached garages and in the driveways. The City Assessor estimates a completed value of the units, inclusive of land, to be approximately \$3.8 million.

45-plex buildings

The current plan is to construct (4) 45 unit buildings on the north side of the site adjacent to 8th Street and 44th Avenue. These buildings will have the following unit options:

- 1 bedroom – 1 bathroom (~800 sf)

- 2 bedroom – 2 bathroom (~1,000 sf)
- 3 bedroom – 2 bathroom (~1,200 sf)

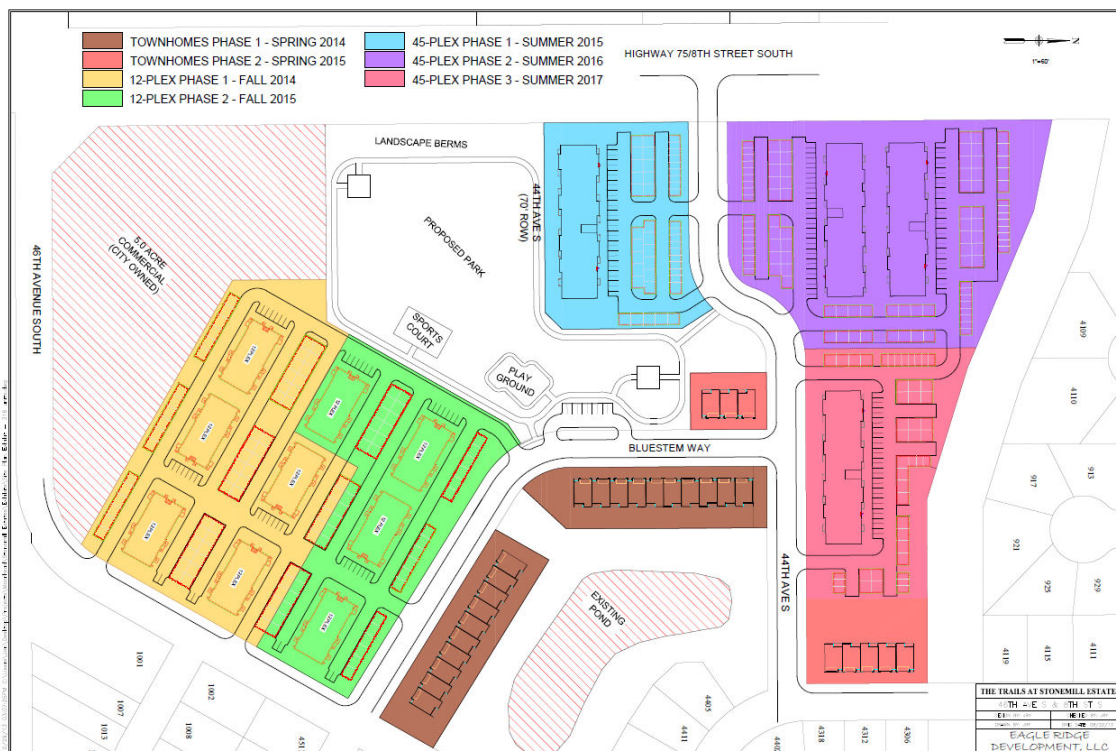
Each unit will have either a 1 stall or 2 stall detached garage. Additional surface parking will be provided along the front of the buildings. The City Assessor estimates a completed value of these 4 buildings, inclusive of land, to be approximately \$16.2 million.

12-plexes

The developer anticipates constructing approximately (9) 12-unit buildings. These buildings will have a combination of 1 bedroom 1 bathroom (~900 sf) and 2 bedroom 2 bathroom units (~1,100 sf). Each unit will have a 2-stall detached garage. The City Assessor estimates a completed value of these 9 buildings, inclusive of land, to be approximately \$10 million.

Anticipated Construction Schedule

Year	Spring	Summer	Fall
2014	Townhomes Phase 1	Park Construction	12-plex Phase 1
2015	Townhomes Phase 2	45-plex Phase 1	12-plex Phase 2
2016		45-plex Phase 2	
2017		45-plex Phase 3	



Premier Local Park. Approximately 4-5 acres of this property will be platted back to Moorhead for the use of park. The developer is working with the Planning Department and Moorhead Parks on designing and constructing a premier local park for the area. It is anticipated that construction of this park will begin in the summer of 2014 with a fall 2014 or spring 2015 completion. The following table and illustration below is the current phasing plan for this multi-phase development. The City will contribute up to \$275,000 towards the cost of planning, developing, designing, and construction of the park improvements.

Property Valuation and Assessment Information. Each January 2, property values and classification are certified for property taxation. Following the terms agreed to in the Developers Agreement, the 2014 parcel configuration, ownership and classification will dramatically change following the replat of the property. The 2014 assessment does not accurately reflect the project going forward. The January 2nd, 2015 assessment will reflect the project going forward and will be as follows:

- The Park property will be classified exempt.
- The Commercial Area retained by the City will be classified exempted until sold to a private party.
- The remainder of the land purchase by Eagle Ridge Development will be classified and valued as apartment property.
- The City Assessor has estimated once the final infrastructure improvement, including the new access onto 8th Street, is completed the land will have about a \$5,000,000 value and the future building value will be about \$25,000,000.

Schedule of Exemption and Phasing

New Building Value / Unit	Exemption Amount	Term of Exemption
\$55,000 (minimum)	\$25,000 / unit / year	2 years

New Building Value (estimated): \$25,000,000
Number of Housing Units: 316
Cost Per Unit: ±\$80,000

Based on an estimated \$25,000,000 new building value, the exemption amount allowed would be \$7,900,000 (\$25,000/unit x 316 units) for a period of 2 years.

Construction of Phase 1 of the project, if approved, will begin in Spring 2014. Construction in 2014 will be assessed January 2, 2015, and become payable in 2016. Therefore, the first year of exemption would be 2016. This project will be constructed in multiple phases as outlined:

- **Phase 1** - Any building which has begun construction and has at least a \$55,000 minimum new building value per unit on January 2, 2015, will be considered Phase 1 and will received a two-year property tax exemption, as above.
- **Phase 2** – Each additional building which has begun construction and has at least a \$55,000 minimum new building value per unit on January 2, 2016, will be considered Phase 2 and will received a two-year property tax exemption, as above.
- **Phase 3** – Each additional building which has begun construction and has at least a \$55,000 minimum new building value per unit on January 2, 2017, will be considered Phase 3 and will received a two-year property tax exemption, as above.
- **Phase 4** - Each additional building which has begun construction and has at least a \$55,000 minimum new building value per unit on January 2, 2018, will be considered Phase 4 and will received a two-year property tax exemption, as above.

It should be noted that if a building is partially constructed but does not meet the above criteria, the Developer will be responsible to pay all taxes on the partial construction.

It should also be noted that due to the complexity and length of this project, it is possible that the ownership entity may change and there may be multiple ownership entities. Eagle Ridge Development LLC doing business as ERD Fargo-Moorhead LLC will be the initial recipient of the property tax exemption. Eagle Ridge Development LLC doing business as ERD Fargo-Moorhead LLC may not assign or transfer these incentives without the Mayor and City Manager's prior written approval in consultation with the City Attorney.

FINANCIAL CONSIDERATIONS: The maximum benefit of this property tax exemption is estimated at \$252,800 using projected values (316 units x \$25,000/unit = \$7.9 million) and current tax rates for apartment classification (1.6%).

VOTING REQUIREMENTS: Majority of Quorum

Disclaimer: Voting requirements may be subject to changes in the law, parliamentary procedural matters, or other unforeseen issues. The City Attorney provides opinion on questions of voting requirements in accordance with the Moorhead City Code, Minnesota State Statutes, and parliamentary procedure.

Respectfully Submitted:



Michael J. Redlinger
City Manager

Department: Administration
Prepared by: Matt Maslowski, Economic Development Director
Peter Doll, Real Estate & Redevelopment Manager
Amy Thorpe, Economic Development Program Administrator

Attachments: Draft Resolution
Public Hearing Notice
Tax Incentive Agreement