
MEMORANDUM



TO: Mayor Walker and Councilors
FROM: M McPherson, City Administrator
SUBJECT: **David Carlson, Gatehouse Properties – Discuss use of TIF or Tax Abatement for Utility Expansion**
DATE: November 30, 2021

Background:

In 2019, the previous Administrator met with Mr. Carlson on a proposed mixed residential development on parcel noted on the attached location map. The development layout follows. Due to other projects in progress by Mr. Carlson, development of this site was set aside.

Analysis:

The proposal in 2019 included the use of a housing TIF district to assist the developer in extending utilities to the site. A housing TIF district will place income restrictions on the project which will need to be tracked. A similar financing tool would be Tax Abatement.

WSB assembled VERY high-level preliminary estimates for the extension of utilities to the site (external) and internal to the site:

- External extension: \$1,444,792.18
- Internal construction: \$ 823,609.60

The above estimates do not include stormwater and are not based on actual site conditions which would impact depth of sewer, size, etc. Staff discussions regarding looping, etc. have also not occurred.

Based on a 2019 preliminary cash flow analysis (attached), it appears that there would enough increment to cover the costs. Tax abatement would require active participation by the County and school district, but could be limited to 10 years versus the proposed 15.

The developer is interested in knowing if the Council is willing to participate via either TIF or tax abatement to facilitate the development of this site. Assistance could be limited to both internal and external utilities or just external utility extension to the site, some combination thereof or other improvements entirely. Until the Council provides staff direction on their willingness to use these tools, no negotiations will commence.

As an aside, Mille Lacs County has a remnant section of right of way adjacent to the subject parcel; it may be useful to inquire of the County if they would be willing to release it to be placed back on the tax rolls as part of a development. The location map indicates the noted right of way.

Request:

The Council is asked to discuss the above items and provide direction on the use of TIF or tax abatement.

The Council is also asked to discuss staff contacting Mille Lacs County regarding release of the excess right of way noted on the location map.