

**CITY OF WILLMAR, MINNESOTA
REQUEST FOR COMMITTEE ACTION**

Agenda Item Number: _____

Meeting Date: March 28, 2013

Attachments: Yes No

CITY COUNCIL ACTION

Date: _____

- | | |
|-----------------------------------|---------------------------------|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Denied |
| <input type="checkbox"/> Amended | <input type="checkbox"/> Tabled |
| <input type="checkbox"/> Other | |

Originating Department: Planning and Development Services

Action Requested: Consideration of tax abatement request by Torgerson Properties.

Guiding Principle: Broad based economic development

Introduction: The City has received a formal request for tax abatement from Torgerson Properties for the proposed remodel and expansion of the motel/conference center properties on east Highway 12.

Background/Justification: The City has been in discussion with Torgerson Properties regarding the project. The physical plans for the project have been approved by the Planning Commission. Bids have come in substantially over budget, thereby prompting the request for tax abatement. The City has used tax abatement on several other projects that have provided economic benefit to the community as a whole. The economic benefit comes in the form of increase tax base and increased employment. The proposal would establish a baseline value for taxes for a 10 year period and would allow the developer to capture incremental tax increases resulting from the increased real-estate value.

Fiscal Impact: Because the final value of the property cannot be determined at this time, the actual fiscal impact cannot be determined. For a 10 year period, any real estate tax increase from the property would be returned to the developer under the terms of the requested tax abatement. As is the case with all abatements, this value is figured in the levy and it gets spread across the entire taxing jurisdiction. As mentioned above, the City and other taxing jurisdictions would continue to receive the taxes being paid on the current value.

Alternatives: The alternative to providing the requested tax abatement would be to negotiate a lesser amount, a lesser term, or to not provide tax abatement at all.

Staff Recommendation: That the Council give preliminary approval to the tax abatement and to set a public hearing for April 15, 2013 to consider the abatement request.

Reviewed by:

Preparer: Bruce D. Peterson

Signature:

Comments:

TORGERSON PROPERTIES

Torgerson Properties | www.TorgersonProperties.com

103 15th Avenue NW, Suite 200 | Willmar, MN 56201

Office: 320.235.7207 | Fax: 320.235.5563

March 6, 2013

Bruce Peterson
City of Willmar
333 6th Street SW
Willmar, MN 56201

RE: Tax Abatement - Willmar Legacy Project

Dear Bruce:

We would like to formally request tax abatement of City and County Incremental taxes generated as a result of our reconstruction project of the Willmar Conference Center and supporting businesses (i.e. hotels and restaurants). It is our understanding this letter is needed to begin this process.

Our first full year of stabilized performance will be the year 2015. We would like tax abatement to begin with 2015 (pay 2016) being the first year of the 10 year life of abatement. The base year for the increment to be calculated from would be 2012 (pay 2013) as 2013 and 2014 we will be under construction and our income will actually go backwards. Here are our estimates based on this:

	<u>2012</u>	<u>2015</u>
Revenues	\$5,500,000	\$7,500,000
NOI B/4 Tax	\$400,000	\$750,000

Currently the proposed property taxes for 2013 amount to \$110,362.00. As requested above, this would be the base year with incremental increase from it to be abated. We would also ask that the City work with EDC to solicit the County portion of the abatement.

Our reconstruction project – which we have titled “Willmar Legacy” – is scheduled to begin this spring 2013 and we anticipate completion to be late fall of 2014.

The current two-story Comfort Inn will add an additional story and be rebranded to a three story Holiday Inn Express and Suites with complete renovations to guestrooms and public space. The current Holiday Inn will be rebranded to a Best Western Plus which will include renovation of guestrooms, re-floor planning of public space and new Porte Cohere entrance.

The Green Mill restaurant will move its current bar into the space known as the Teddy Roosevelt room with renovations to both the dining room and bar along with adding a new outdoor patio area. The move of the Green Mill bar allows space for the new restaurant – Hurricane Grill & Wings – to be constructed to also include an outdoor patio area. Finally, the Willmar Conference Center will get an upgrade to all its finishes - to include restrooms and entrances. The site will get all new landscaping and parking lot as well.

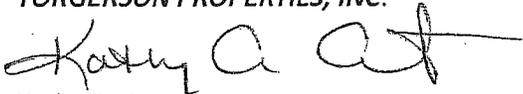
The Willmar Legacy project would be a very significant business and cultural asset to the Willmar Area Community and would compete regionally with Mankato, St. Cloud, Southwestern Minnesota (i.e. Jackpot

Junction and Prairie's Edge). Not only would it directly bring business into the community, it would make it easier for area businesses to recruit and operate. The Willmar Legacy businesses currently employ 30 full time and 113 part time associates for a full time equivalent employment level of 87 employees. We estimate our employment base will increase by 35% creating 30 new jobs in the marketplace.

We appreciate your consideration of this request. Please advise us as to what the next steps are in the process.

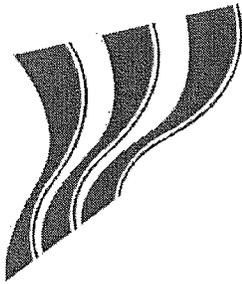
Sincerely,

TORGERSON PROPERTIES, INC.

A handwritten signature in black ink, appearing to read "Kathy A. Aamot". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Kathy A. Aamot

Senior Vice President Finance & Development



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Originating Department: Planning and Development Services

Action Requested:

Guiding Principle: Economic Development Policies

Introduction: The Council has requested the review of current language dealing with tax.

Background/Justification: The City doesn't have a direct policy dealing with tax abatement, but has policies dealing with the use of incentives in general. These policies have worked very well in the past, and provide a good unbiased baseline from which to analyze projects. The Council has requested the opportunity to review this policy for possible changes.

Fiscal Impact: Will vary by project and incentives offered

Alternatives: 1. Leave policies as is.
2. Amend to include specific tax abatement policies.

Staff Recommendation: None

Reviewed by:

Preparer: Bruce D. Peterson

Signature:

Comments:

PURPOSE

The purpose of these policies is to guide the City of Willmar in the prudent and wise use of economic development financing tools which serve to eliminate blight, preserve and create jobs, and expand the tax base.

I. TAX INCREMENT FINANCING

A. Project Eligibility/Qualification

The City will use tax increment financing to assist the following types of development/redevelopment projects in accordance with M.S. 469.174-179:

1. Industrial (manufacturing, production, warehouse/distribution, etc.)
2. Bona fide redevelopment which results in a substantial net increase in taxes generated within the district.
3. Other projects which demonstrate significant contribution/benefit to the City, but which would not be economically feasible without such assistance.

Tax increment financing assistance shall be provided only upon demonstration of need and to the degree necessary to accomplish the desired development. The use of private financing in any project must be maximized. Projects shall be structured so as to minimize the City's financial exposure and to reduce the risk of having to levy taxes to retire debt issued for a project.

B. Review Criteria

The following criteria shall be reviewed when considering a request for tax increment financing:

1. Job creation.
2. Tax base enhancement.
3. Impact on municipal services.
4. Impact on traffic/transportation systems.
5. Compatibility with neighborhood.
6. Consistency with Comprehensive Plan.
7. Overall community impact.
8. Amenities offered to the community.
9. Competitive position relative to existing similar business(es).
10. Other.

C. Required Data

The following data/information may be required from the developer/applicant for review by the City:

1. Market feasibility study.
2. Statement of need.
3. Prior development references.
4. Source and use of funds statement with cash flow projections.
5. Commitment of lender (with opinion of financial feasibility).
6. Financial statements which document developer/applicant capabilities.
7. Other.

D. Application.

An application fee (non-refundable) will be charged at the time of application based on the amount of tax increment financing requested by the developer/applicant:

<u>Amount Requested</u>	<u>Fee</u>
less than \$500,000	\$750
\$500,000 - \$1,000,000	\$1000
more than \$1,000,000	\$1500

The application fee is intended to pay the City's administrative and legal costs incurred prior to formal Council action on the application. All such expenses are the responsibility of the applicant, whether or not the financing is approved.

E. Financing Methods

Eligible public development costs in tax increment financing projects can be funded in several ways, including:

1. The sale of tax increment bonds.
2. The use of industrial development reserve funds.
3. By the developer on a pay-as-you-go basis.

The developer/applicant shall be required to execute development and assessment agreements, and to provide completion bonds or equivalent guarantee in an amount to be determined by the City.

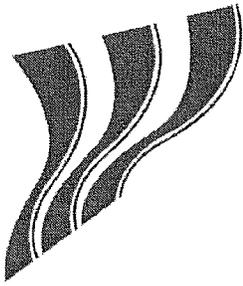
Previous Use of Tax Abatement

1. Gurley's Foods
 - Expires 2015
 - Approximately \$4,400/year

2. West Central Steel
 - Expires 2016
 - Approximately \$4,400/year

3. Northern Factory Sales
 - Expired
 - Approximately \$2,500/year for 5 years

4. MinnWest Technology Campus
 - Expires 2016
 - Currently at approximately \$32,000/year



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Originating Department: Planning and Development Services

Action Requested: Consideration of offer to gift the Rule Tire building and property to the City.

Guiding Principle: Downtown Plan and economic development.

Introduction: The heirs of Jim Rule have proposed that the City accept as a gift, the Rule Tire building and property located at Benson Avenue and 7th Street.

Background/Justification: Staff has done some research into the status of the property. It has been determined that there are delinquent taxes due on the site. A phase 1 environmental review revealed minor amounts of asbestos ceiling tile. The fuel tanks previously used at the site have been removed. Possible uses of the site include parking, trail head, park, ect.

Fiscal Impact: The estimated cost for demolition is about \$48,500. The City has also incurred about \$750 in site testing costs, so the total cost to the City is estimated to be just under \$50,000. In a conversation with the Rule heir, they had stated their willingness to resolve the delinquent tax matter.

Alternatives: 1. To accept the property as a gift with the tax issue resolved.
2. To not accept the property as a gift.

Staff Recommendation: Offer a statement of preliminary acceptance regarding the property and refer the matter to the Planning Commission for their review as per Charter requirement. Also, refer to the Finance Committee to determine a source of funds for demolition/testing.

Reviewed by:

Preparer: Bruce D. Peterson

Signature:

Comments:

Cindy Rule Gardner
12426 Ravine Circle
Stillwater, MN 55082

Bruce Peterson
Director of Community Planning and Development
City of Willmar
333 6th Street SW #1
Willmar, MN 56201-3458

December 8, 2012

Bruce,

I would like to formally communicate as the personal representative of the Rule Family Estate and Trusts and on behalf of the beneficiaries of the Rule Family Estate and Trusts, Cindy Rule Gardner and Renee Rule Greer, our intention to donate several pieces of property to the City of Willmar.

The specific the property to be donated is made up of parcels 95-0030-2180, 95-003-2170, 95-003-2160 relating to the Rule Tire Shop and several proximate buildings on West Benson Avenue. We would like to give these properties "as is" to the city for the intended but non-binding use of creating a green space for the community and in exchange for tax forgiveness of outstanding tax balances related to the properties.

Best regards,

Cindy Rule Gardner



P.O. Box 411 • Montevideo, MN 56265

December 15, 2012

City of Willmar

Attn: Randy Kardell

Re: Quote for demolition of the checkerboard building

Work to be done consists of the following:

1. Remove all debris and hazardous materials (not including asbestos) from inside building.
2. Complete demolition and disposal of building.
3. Removal of floor, basement walls and footings.
4. Cap water line.
5. Fill in all voids with compactable material.
6. Place six inches of Class V gravel over entire lot.

Quote amount: \$48,500.00

Note:

1. The City would disconnect utilities.
2. All footings will be removed unless it is determined that doing this would cause damage to the adjacent properties.
3. We plan to recycle as much of the material from the demolition as possible.

Please contact Dennis Larson at 320-226-3245 with any questions. Thank you.

A handwritten signature in black ink, appearing to read "Dennis Larson", is written over a horizontal line.

Dennis Larson, President