

## ***CITY OF WILLMAR***

### **COMMUNITY DEVELOPMENT COMMITTEE MEETING**

**4:45PM, WEDNESDAY, OCTOBER 29, 2014**

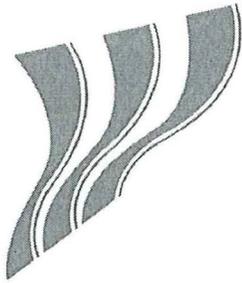
**CONFERENCE ROOM NO. 1**

**CITY OFFICE BUILDING**

**Chair: Rick Fagerlie**  
**Vice Chair: Bruce DeBlieck**  
**Members: Jim Dokken**  
**Tim Johnson**

### **AGENDA**

1. Meeting Called to Order
2. Public Comment
3. Wurdell Tax Abatement
4. Old Business
5. New Business
6. Adjourn



CITY OF WILLMAR, MINNESOTA  
REQUEST FOR COMMITTEE ACTION

Agenda Item Number: \_\_\_\_\_

Meeting Date: October 29, 2014

Attachments:  Yes  No

CITY COUNCIL ACTION

Date: \_\_\_\_\_

- Approved  Denied  
 Amended  Tabled  
 Other

Originating Department: Planning and Development Services

Agenda Item: Northland Square Mobile Home Park Tax Abatement

Recommended Action: Set a public hearing on the tax abatement request for December 1, 2014.

**Background/Summary:** Following recent Council action, Gus Wurdell submitted a formal application for tax abatement for the proposed redevelopment of the Regency East Mobile Home Park. Mr. Wurdell will be present at the Committee meeting to review his project and the need for the tax abatement to offset part of the negative cash flows. The request is for a 10 year abatement of the City portion of real estate taxes, which currently are just under \$4,000/year.

**Alternatives:**

1. Full abatement
2. Partial abatement
3. No abatement

**Financial Considerations:** Abatement could range from nothing to around \$40,000 over ten years.

Preparer: Bruce D. Peterson, AICP  
Director of Planning and Development Services

Signature: 

**Comments:** The attached cash flows do not reflect capital expenditures for park upgrades; only operating income and expenditures.

10/20/14

Bruce D Peterson, AICP,

Director Planning & Development Services

333 SW 6<sup>th</sup> St

Willmar, MN 56201

Bruce,

It is our intent to replenish the housing supply with new and late model 2, 3 and 4 bedroom manufactured homes. These homes will range in size from 1200sf-2000sf. All homes will meet the setbacks required by the city/county for existing manufactured housing parks, as the majority of the lots in the park are 50'x100'. All homes will be owner occupied as the residents purchase the home and simply lease the land. There is personal property tax on manufactured homes which is paid by the homeowner. We are not seeking abatement of the personal property tax on the resident owned homes.

Infrastructure improvements to the property to include but not limited to electrical service upgrades, freshwater service line repair/replacement, parking pad pavement overlays, proper footing/foundations for homes and drainage improvements. Cosmetic improvements include privacy fencing, removal of existing homes when occupant vacates, landscaping and cosmetic upgrades to office/storm shelter. Resident quality of life improvements include new child play area, ½ scale soccer field, security systems, etc.

Attached to the abatement application is a cash flow statement which was created using the historical expenses of the previous owner and includes the new debt service on the project. In addition to the negative cash flow hardship of this redevelopment there is also a job creation component. Because previous ownership utilized maintenance and management personnel for multiple properties we will need to hire a FTE maintenance person, PTE redevelopment manager and a contracted park manager.

If you or the council have further question please do not hesitate to call.

Respectfully,



Gus Wurdell

Willmar Redevelopment Company LLC

20455 248<sup>th</sup> Circle

Hutchinson, MN 55350

Date Submitted: 10/16/14

TAX INCREMENT FINANCING / TAX ABATEMENT APPLICATION FORM

1. Applicant: NORTHLAND SQUARE MHP.  
Company Name: Willmar Redevelopment Company LLC  
Address: 20455 - 248<sup>th</sup> Circle Hutchinson MN 55350  
Contact Person: GOS WURDELL  
Telephone Number: 612-750 4018

2. Corporation  Partnership \_\_\_\_\_ Sole Proprietor \_\_\_\_\_  
Cooperative \_\_\_\_\_ Other \_\_\_\_\_

3. Type of Business: AFFORDABLE HOUSING OPERATOR  
Primary Product(s) / Service(s): LANDLEASED HOME SITES

4. Legal Description of Site: PID 95-912-0951  
SEE ATTACHED FOR LENGTHY LEGAL DESCRIPTION  
Exhibit A.

Municipal Development District No. (TIF only): \_\_\_\_\_

5. Project Description: RE DEVELOPMENT OF DISTRESSED MANUFACTURED HOUSING COMMUNITY. SEE ATTACHMENT FOR FURTHER DETAIL.

Type of District (TIF only): Economic Development \_\_\_\_\_ Housing \_\_\_\_\_  
Redevelopment \_\_\_\_\_ Other \_\_\_\_\_

Size of Proposed Structure or Expansion: NA sq. ft.

Estimated project cost: Land \$ 300,000  
Building \$ 9,200,000  
Equipment \$ NA  
Other \$ 1,560,000  
Total: \$ 6,060,000

6. Estimated real estate tax increase \$ \_\_\_\_\_ /yr.
7. Employment: Current \$ 0 5-year projection 3  
 Payroll: Current \$ 0 5-year projection 84,000 2 FTE + 1 PTE
8. Project Financing Sources: PRIVATE MORTGAGE / NORTH AMERICAN STATE BANK  
+ OTHER LOCAL COMMUNITY BANKS
9. Project Costs Eligible for TIF (TIF only): NA -

10. Explain and quantify the need for financial assistance ("but for" test): PROJECT HAS  
NEGATIVE CASHFLOW AND WILL CONTINUE TO HAVE NEGATIVE  
OR 1:1 CASHFLOW UNTIL PROJECT IS COMPLETE. SEE ATTACHED PROGRAM P+L  
Exhibit B

11. Financial Institution(s) (Applicant's Affiliation):

Name NORTH AMERICAN STATE BANK Address 2800 1<sup>ST</sup> ST WILLMAR  
 Contact Person JUSTIN SCHNEIDER Telephone 320-235-7000  
 Name HOME STATE BANK Address HWY 7 HUTCHINSON  
 Contact Person JOHN GENSEN Telephone 320-234-9988

12. Fiscal Consultant / Accountant:

Name JAMES YOUNG + ASSOC Address 101 MAIN ST HUTCHINSON MN SUITE 206  
 Contact Person JAMES YOUNG Telephone 320-587-4747

13. Legal Counsel:

Name BRADFORD LAW Address 16 WASHINGTON AVE HUTCHINSON  
 Contact Person CURTIS BRADFORD Telephone 320 587 2720

14. Application Fee Paid (Non-Refundable): \$ 500.<sup>00</sup>

15. Applicant Signature: [Signature]

MEMBER  
 Title

For: WILLMAR REDEVELOPMENT COMPANY LLC  
 Applicant

LEGAL DESCRIPTION FOR NORTHLAND SQUARE MAP

**Exhibit A**

That part of the W ½ of the NW ¼ of Section 12, Township 119, Range 35, Kandiyohi County, Minnesota, described as follows: Commencing at the Northwest corner of said Section 12; thence on an assumed bearing of S 89°54'10" E, along the North line of said Section 12, a distance of 481.03 feet to the point of beginning of the tract herein described; thence on a bearing of S 0°05'50" W, 33.00 feet; thence on a bearing of S 37°57'39" W, 396.31 feet; thence on a bearing of S 29°08'55" W, 419.22 feet; thence on a bearing of WEST 33.00 feet to a point on the West line of said Section 12 said point being 712.41 feet South of the Northwest corner of said Section 12; thence on a bearing of SOUTH, along last said line, 264.82 feet to a point 977.23 feet South of the said Northwest corner of Section 12; thence on a bearing of N 87°02'52" E, 113.15 feet; thence on a bearing of N 54°04'37" E, 120.30 feet; thence on a bearing of N 27°00'50" E, 138.50 feet; thence on a bearing of S 53°06'48" E, 196.87 feet; thence on a bearing of S 36°52'28" E, 318.20 feet; thence on a bearing of S 54°49'27" W, 15.49 feet; thence on a bearing of S 46°10'52" E, 149.81 feet; thence on a bearing of S 73°29'20" E, 153.04 feet; thence on a bearing of N 78°15'06" E, 193.16 feet to the East line of the West 40 acres of the North 1655.00 feet of the said NW ¼; thence on a bearing of NORTH, along last said line, 1265.18 feet to the North line of said Section 12; thence on a bearing of N 89°54'10" W, along last said line, 571.97 feet to the point of beginning.

"Exhibit B"

**"Northland Square MHP Cashflow"**

<b>Revenue</b>		
Existing Unit Rents	\$137,016	33 Existing \$346 Lot rent will stay the same for existing residents
Application Income	\$0	0 New \$250 Lot rent lowered if existing or new resident purchases new homes
Late fee \$25per violation	\$825	33 Total Occupied Lots
Delinquency Rate 5%	(\$6,851)	
New Unit Rents	\$0	
Service Charge \$5per mo		
<b>Total Revenue</b>	<b>\$130,990</b>	
<b>Operating Expense</b>		
Redevelopment Project Mgr	\$12,000	1 PTE job created
Snow/Lawn/Maint	\$30,000	1 FTE job created
water/sewer (prorated per lot)	\$39,468	
electricity/gas	\$4,176	
permits	\$917	
Trash (prorated per lot)	\$6,252	
Park Manager	\$8,250	1 PT Job Created
insurance	\$2,500	
Real Estate Taxes	\$14,310	
legal	\$1,000	
Mortgage P&I	\$41,376	
general office,phone, etc	\$6,693	
<b>Total Operating Expenses</b>	<b>\$166,942</b>	
<b>Net Operating Cash Flow</b>	<b>-\$35,952</b>	

**"Northland Square MHP Cashflow"**

<b>Revenue</b>	
Existing Unit Rents	\$137,016
Application Income	\$0
Late fee \$25per violation	\$825
Service Charge \$5per mo	
New Unit Rents	\$0
Delinquency Rate 5%	(\$6,892)
<b>Total Revenue</b>	<b>\$130,949</b>
<b>Operating Expense</b>	
Redevelopment Project Mgr	\$12,000
Snow/Lawn/Maint	\$30,000
water/sewer (prorated per lot)	\$39,468
electricity/gas	\$4,176
permits	\$917
Trash (prorated per lot)	\$6,252
Park Manager	\$8,250
Insurance	\$2,475
Real Estate Taxes	\$14,310
Removal of 4 homes per yr	\$8,000
Initial Cleanup and Tree Trim	\$36,000
legal	\$1,000
Mortgage P&I	\$41,376
general office,phone, etc	\$6,666
<b>Total Operating Expenses</b>	<b>\$210,890</b>
<b>Net Operating Cash Flow</b>	<b>-\$79,941</b>

33 Existing \$346 Lot rent will stay the same for existing residents  
 0 New \$250 Lot rent lowered if existing or new resident purchases new homes  
 33 Total Occupied Lots

1 PTE job created  
 1 FTE job created  
 1 PT Job Created

# YEAR 1

Goal is to get park to "ground zero" repair infrastructure/new leases/etc

**"Northland Square MHP Cashflow"**

<b>Revenue</b>	
Existing Unit Rents	\$41,520
Application Income	\$0
Late fee \$25per violation	\$1,125
Service Charge \$5per mo	
New Unit Rents	\$105,000
Delinquency Rate 5%	(\$7,382)
<b>Total Revenue</b>	<b>\$140,263</b>
<b>Operating Expense</b>	
Redevelopment Project Mgr	\$12,000
Snow/Lawn/Maint	\$30,000
water/sewer (prorated per lot)	\$11,960
electricity/gas	\$4,176
permits	\$917
Trash (prorated per lot)	\$7,980
Park Manager	\$11,250
Insurance	\$3,375
Real Estate Taxes	\$14,310
Removal of 4 homes per yr	\$8,000
legal	\$1,000
Mortgage P&I	\$41,376
general office,phone, etc	\$9,090
<b>Total Operating Expenses</b>	<b>\$155,434</b>
<b>Net Operating Cash Flow</b>	<b>-\$15,171</b>

10 Existing \$346 Lot rent will stay the same for existing residents  
 35 New \$250 Lot rent lowered if existing or new resident purchases new homes  
 45 Total Occupied Lots

# YEAR 5

completed removal 23 existing homes  
 moved in 35 new homes

## "Northland Square MHP Cashflow"

<b>Revenue</b>	
Existing Unit Rents	\$0
Application Income	\$0
Late fee \$25per violation	\$2,500
Service Charge \$5per mo	
New Unit Rents	\$300,000
Delinquency Rate 5%	(\$15,125)
<b>Total Revenue</b>	<b>\$287,375</b>
<b>Operating Expense</b>	
Redevelopment Project Mgr	\$12,000
Snow/Lawn/Maint	\$30,000
water/sewer (prorated per lot)	\$0
electricity/gas	\$4,176
permits	\$917
Trash (prorated per lot)	\$15,900
Park Manager	\$25,000
Insurance	\$7,500
Real Estate Taxes	\$14,310
All old homes removed	\$0
legal	\$1,000
Mortgage P&I	\$41,376
general office,phone, etc	\$20,200
<b>Total Operating Expenses</b>	<b>\$172,379</b>
<b>Net Operating Cash Flow</b>	<b>\$114,996</b>

0 Existing \$346 Lot rent will stay the same for existing residents  
 100 New \$250 Lot rent lowered if existing or new resident purchases new homes  
 100 Total Occupied Lots

1 PTE job created  
 1 FTE job created  
  
 1 PT Job Created

# YEAR 10

completed removal of all existing "blighted" homes  
 moved in 100 new homes

KANDIYOHI COUNTY AUD.-TREAS  
 PO BOX 896  
 WILLMAR, MN 56201-0896  
 320-231-6202  
 www.co.kandiyohi.mn.us



PRCL# 95-912-0951 RCPT# 26351  
 TC 6,928  
**Values and Classification**  
 Taxes Payable Year 2013 2014  
 Estimated Market Value: 554,200 561,600

Property ID Number: 95-912-0951  
 Property Description: SECT-12 TWP-119 RANG-35  
 THAT PART OF THE W1/2 OF NW1/4 DESC  
 AS FLWS: COMM AT THE NW COR OF SD  
 1400 LAKELAND DR NE

REGENCY OF MINNESOTA INC 30190-T  
 C/O CHURCHILL GROUP LTD  
 40 N 4TH ST .00  
 CARBONDALE CO 81620

Step 1  
 Homestead Exclusion:  
 Taxable Market Value: 554,200 561,600  
 New Improve/Expired Excls:  
 Property Class: MH PARK NH MH PARK NH

Sent in March 2013  
 Step 2  
 Proposed Tax  
 \* Does Not Include Special Assessments 8,246.00  
 Sent in November 2013

Step 3  
**Property Tax Statement**  
 First half Taxes: 7,155.00  
 Second half Taxes: 7,155.00  
 Total Taxes Due in 2014: 14,310.00

\$\$\$  
 REFUNDS?  
*You may be eligible for one or even two refunds to reduce your property tax. Read the back of this statement to find out how to apply.*

Taxes Payable Year:	2013	2014
		.00
		.00
	8,990.00	8,260.00
	.00	.00
	.00	.00
	8,990.00	8,260.00
	4,091.59	3,960.14
	2,374.92	2,411.16
	.00	.00
	1,627.50	731.08
	718.15	981.77
	96.71	98.07
	81.13	77.78
		.00
	8,990.00	8,260.00
		6,050.00
	15,040.00	14,310.00

1. Use this amount on Form M1PR to see if you are eligible for a property tax refund  
 File by August 15th. IF BOX IS CHECKED, YOU OWE DELINQUENT TAXES AND ARE NOT ELIGIBLE

2. Use these amounts on Form M1PR to see if you are eligible for a special refund

**Property Tax and Credits**  
 3. Property taxes before credits ..... 8,990.00  
 4. A. Agricultural market value credits to reduce your property tax ..... .00  
 B. Other credits to reduce your property tax ..... .00  
 5. Property taxes after credits ..... 8,990.00

**Property Tax by Jurisdiction**  
 6. County ..... 4,091.59  
 7. City or Town ..... 2,374.92  
 8. State General Tax ..... .00  
 9. School District: 347 A. Voter approved levies ..... 1,627.50  
 B. Other local levies ..... 718.15  
 10. Special Taxing Districts: A. KANDIYOHI COUNTY HRA ..... 96.71  
 B. MID MN DEV COMM ..... 81.13  
 C. ....  
 D. ....  
 11. Non-school voter approved referenda levies ..... .00  
 12. Total property tax before special assessments ..... 8,990.00

**Special Assessments on Your Property**  
 13. A. 2014 SOLID WASTE FEE .....  
 B. ....  
 PRIN 6,050.00 C. ....  
 INT D. ....  
 TOT 6,050.00 E. ....  
 14. YOUR TOTAL PROPERTY TAX AND SPECIAL ASSESSMENTS ..... 15,040.00

**2** 2nd Half Pay Stub 2014 DETACH AND RETURN THIS STUB WITH YOUR SECOND HALF PAYMENT  
 MAKE CHECKS PAYABLE TO:  
 IF YOU PAY YOUR TAXES LATE, YOU WILL BE CHARGED A PENALTY. SEE BACK FOR RATE

PRCL# 95-912-0951 RCPT# 26351  
 MH PARK NH

**1** 1st Half Pay Stub 2014 DETACH AND RETURN THIS STUB WITH YOUR FIRST HALF PAYMENT  
 MAKE CHECKS PAYABLE TO:  
 IF YOU PAY YOUR TAXES LATE, YOU WILL BE CHARGED A PENALTY. SEE BACK FOR RATE

PRCL# 95-912-0951 RCPT# 26351  
 MH PARK NH

AMOUNT DUE		AMOUNT DUE	TOTAL TAX
OCTOBER 15, 2014	2ND HALF TAX	7,155.00	14,310.00
	PENALTY		7,155.00
	TOTAL		
		TAXES OF \$100.00 OR LESS MUST BE PAID IN FULL.	TOTAL

NO RECEIPT SENT UNLESS REQUESTED. YOUR CANCELLED CHECK IS YOUR RECEIPT  
 REGENCY OF MINNESOTA INC 30190-T  
 C/O CHURCHILL GROUP LTD  
 40 N 4TH ST  
 CARBONDALE CO 81620

REGENCY OF MINNESOTA INC 30190-T  
 C/O CHURCHILL GROUP LTD  
 40 N 4TH ST  
 CARBONDALE CO 81620

KANDIYOHI COUNTY AUD.-TREAS  
 LIST ADDRESS CORRECTION ON BACK OF STUB.  
 CHECK  CASH

KANDIYOHI COUNTY AUD.-TREAS  
 LIST ADDRESS CORRECTION ON BACK OF STUB.  
 CHECK  CASH